

Federal Update

**Federal Update**  
PacFAA Annual Conference

Bruce Honer | Spring 2018  
U.S. Department of Education

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**Regulatory Update**

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**Regulatory Reform Agenda**

- Executive Order on Regulatory Review
  - On February 24, 2017, the President signed Executive Order 13777 to reduce regulatory burdens on the American people through regulatory reform
  - ED has created a Regulatory Reform Task Force (RRTF) to review regulatory and sub-regulatory guidance throughout the Department

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**Regulatory Review Task Force (RRTF)**

- Public hearings on postsecondary regulatory relief:
  - September 26, 2017 – Salt Lake Community College
  - October 4, 2017 – U.S. Department of Education
- Received comments on a broad range of issues including financial aid regulations and Title IX guidance
- Initial Higher ED Focuses of RRTF:
  - Elimination of outdated guidance
  - Borrower Defense to Repayment
    - Financial Responsibility
    - Guaranty Agency authority to charge collection costs
  - Gainful Employment

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**Borrower Defense / Published FR 6-16-2017**

- Federal Register published June 16, 2017: Postponement of Certain Provisions of the Borrower Defense Regulations
  - Certain provisions of the Borrower Defense final rules published on 11/1/2016 have been postponed
- Borrower Defense provision published in 1995 is still in effect

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**Borrower Defense**

- The Department did not postpone provisions in the Borrower Defense regulations relating to:
  - Documentation for discharges for death
  - Mandatory administrative forbearance or suspension of collection of FFEL loans that the borrower intends to consolidate for borrower defense
  - Direct Loan Consolidation of Perkins and Nursing Student Loans and Nurse Faculty Loans
  - Severability
  - Technical corrections

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**GE Disclosures – EA 1/19/2018 (#110)**

- Must comply with 668.412 (c) to provide a completed disclosure template, or link, to its GE web page
- 2018 GE template released on January 19, 2018 (2016-2017 award year data)
- Institutions have until **April 6, 2018** to update disclosures for EACH of their GE programs, using the 2018 GE Disclosure Template

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**2018 GE Template Updates (EA 1/19/2018)**

- No longer required to disclose room and board charges
- Unsub loan interest rate prefilled based on credential level
- Not required to disclose median earnings data in the template
- Must still disclose if a program has failed the D/E rates measure within 30 days of receiving a GE program's final D/E rates
  - Once a warning is input in disclosure template, the output screen will be prepopulated with student warnings (34 C.F.R. § 668.410)
- May add more than one accreditor job placement rate
- "Foreign Country" was added as an option in the list of States under licensure requirements

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**GE Disclosure Resources**

- GE Disclosure Template  
<https://www2.ed.gov/policy/highered/reg/hearulemaking/2009/negreg-summerfall.html>
- Quick start guides
- Help desk: 855-359-3697, gedt@inovas.net

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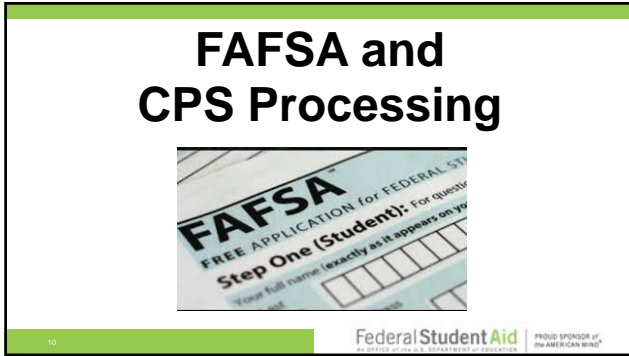
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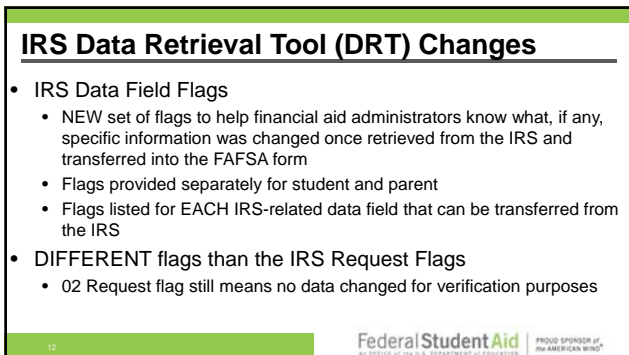
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**IRS Data Retrieval Tool (DRT) Changes**

- List of *IRS Data Field Flag* values:
  - Blank = IRS data not transferred from IRS (FAFSA submitted via paper or by a financial aid administrator)
  - 0 = IRS data not transferred from IRS (FAFSA not submitted via paper or by a financial aid administrator)
  - 1 = IRS data transferred from IRS – Not changed by user
  - 2 = IRS data transferred from IRS – Field changed by user prior to submission of application (only occur if IRA/Pension fields changed by user entering rollover amount)
  - 3 = IRS data transferred from the IRS – Field corrected by the user on this transaction
  - 4 = IRS data transferred from the IRS – Field corrected by the user on a previous transaction

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**IRS DRT Flag Issue – EA 1/16/2018**

Data Flags and IRS DRT Resolution

- IRS request flag of 02 though Tax Filing Status data field is 2 (changed)
  - This was fixed at the end of January 2018
  - For remainder of 18/19 FAFSA processing cycle, FAAs may accept IRS Request Flag of 02 when only IRS Data Field Flag equal to '2' is Tax Return Filing Status field (transaction considered verified)
- IRS request flag of 06 (cannot use DRT) is not updating correctly and preventing use of DRT
  - This was fixed at the end of January 2018
  - Work around - go to earlier transaction without 06 flag, make needed corrections, avoid changing anything associated with DRT eligibility

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**IRS Data Retrieval Tool (DRT) Changes**

- Any web edits that include information transferred from IRS will no longer be presented to the applicant or parent
- Instead, new SAR comments will display on the ISIR (and SAR) to alert financial aid administrators that at least one edit was triggered but could not be displayed and therefore, could not be resolved online
- Comment Codes:
  - 400 (parent) = Your Financial Aid Administrator may contact you to resolve any issues related to parental data reported on your FAFSA
  - 401 (student) = Your Financial Aid Administrator may contact you to resolve any issues related to data reported on your FAFSA

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**Reasons for Comment Code 400**

*For Parents of Dependent Students*

- Parent is a tax filer (FAFSA Question 80) and the AGI retrieved from the IRS is zero, but the total income earned from work (FAFSA Questions 88 and 89) is greater than zero
- The **total** of the Additional Financial Information fields reported on the FAFSA form (FAFSA Questions 93a-f) is greater than the AGI transferred from the IRS
- **Any item** from the FAFSA list of Untaxed Income (FAFSA Questions 94a-i) is equal to or exceeds the AGI transferred from the IRS

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**Reasons for Comment Code 401**

*For Dependent Students and Independent Students*

- Student is a tax filer (FAFSA Question 32) and the AGI retrieved from the IRS is zero, but the total income earned from work (FAFSA Questions 39 and 40) is greater than zero
- The **total** of the Additional Financial Information fields reported on the FAFSA form (FAFSA Questions 44a-f) is greater than the AGI transferred from the IRS
- **Any item** from the FAFSA list of Untaxed Income (FAFSA Questions 45a-j) is equal to or exceeds the AGI transferred from the IRS

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**Special Notes – Comment Code 400/401**

- When Comment Code 400 or 401 appears on an ISIR and an institutional review confirms that none of the relevant data items for a 400/401 condition exists, the institution need not take any further action
- *Comment Code 400/401 can be considered resolved if (V1 or V5) verification is completed for the same applicant for the same ISIR record*

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**Amended Return Filers & the IRS**

**ISSUE**

Applicants and parents who self-reported that they amended their tax return could not use the IRS DRT to transfer tax return information into the FAFSA.

**RESOLUTION**

- Amended tax return filtering question has been removed
- Applicant/parent can use IRS DRT to import info from original return
- IRS indicates if there's an amended return on file
  - IRS Request Flag 07
- Institution must obtain documentation for the updated information and make any necessary corrections regardless if selected for verification



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**2019-20 Award Year**

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**G-845 Process**



**Immigration**

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**Electronic G-845 Process**

- Please note that beginning in *May, 2018*, the U.S. Citizenship and Immigration Services (USCIS) will be moving to an electronic process for reviewing and replying to G-845 data ("third step verification")
  - Systematic Alien Verification Entitlement System (SAVE) is an electronic process to verify students who were not confirmed as eligible noncitizens through FSA's Primary and Secondary batch process
- More information will be available from ED and USCIS in the future through a variety of communication formats
  - IFAP links, videos, electronic announcements

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**DHS/SAVE – Step 3 Form G-845**

ISSUE	RESOLUTION
<ul style="list-style-type: none"> <li>• Filling out the form is a cumbersome process</li> <li>• FAAs wait 10-20 business days for a response</li> <li>• Forms get lost in the mail</li> </ul>	<ul style="list-style-type: none"> <li>• The paper third step (Form G-845) will be replaced by an online process               <ul style="list-style-type: none"> <li>• Less data entry</li> <li>• FAAs will usually receive a response in 3-5 business days</li> <li>• Student only needs to be reviewed by one school</li> <li>• Search by DHS Verification Number &amp; Date of Birth</li> <li>• Scan, download, and attach applicant's immigration documents</li> </ul> </li> </ul>

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**DHS/SAVE Communication**

- 1 EA will notify schools PDPAs SAVE User ID is available on Participation Management system "Manage your SAIG Mailboxes" link
  - PDPA will enroll themselves through SAIG Enrollment
  - Once PDPA in SAVE, can create additional 3rd Step Verification Users
- 2 IFAP posting anticipated for Spring 2018:
  - Instructions for logging in and utilizing the system
  - *FSA Handbook* updated to include SAVE information
- 3 User ID dissemination planned for March 2018
- 4 DHS/SAVE will reject Paper Form G-845 beginning May 1, 2018

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**Perkins Loan**

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**Perkins Wind-down**

- Federal Perkins Loan Program Extension Act of 2015
  - Enacted on December 18, 2015
  - Extended the Perkins Loan program through September 30, 2017
  - Eliminated grandfathering of students after the new expiration date
  - Prohibits any further extensions of the Perkins Loan Program under GEPA

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**Perkins Awarding**

- No new Perkins Loans should have been awarded to graduate students after September 30, 2016
- No new Perkins Loans should have been awarded to undergraduate students after September 30, 2017
  - Subsequent disbursements may *only be made through June 30, 2018*, including for summer 2018, as long as the loan is first disbursed between July 1, 2017 and September 30, 2017

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**Perkins Wind-down**

- DCL GEN-17-10 (posted October 6, 2017)
- Schools are NOT required to liquidate their Perkins Loan portfolios
  - Schools may...
    - Continue to service their own portfolios
    - Contract with a third-party servicer for servicing
    - Choose to assign any or all loans to the Department, whether defaulted or not, at any time

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**Assignment Process**

Electronic Announcement – March 14, 2016

- Reminder - streamlined requirements to assign Federal Perkins Loans to ED (defaulted and nondefaulted)
- Included a chart outlining required documents, alternative documents and extenuating circumstances documents

When an institution assigns a loan to ED, the institution:

- Transfers all rights and responsibilities on loan to ED
- Relinquishes its rights to any share of any collections by ED
- Relieved of incurring any additional expenses collecting the loan
- Does not get reimbursed for any amounts collected on loan by ED

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**Excess Liquid Capital**

- Excess Liquid Capital (ELC)
  - Amount of Revolving Fund's "Cash On Hand" in excess of institution's estimated immediate needs for the Federal Perkins Loan Program
  - Separate and distinct from Distribution of Assets process
- Section 466(c) of the HEA requires institutions to:
  - return to the Department the Federal share of any Excess Liquid Capital (ELC) from the institution's Federal Perkins Loan Revolving Fund (Revolving Fund)
  - return the institutional share to the institution

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**Excess Liquid Capital**

- **Electronic Announcement – 9/6/17**
  - ED will delay 17/18 Excess Liquid Capital notification/collection process until after eCB System transition to COD is completed in late March
  - Institutions with ELC in Revolving Fund will be notified about process for requesting adjustment/returning Federal share in mid-April 2018
- **Do not** return funds to the Department until after you have received notification that your institution has ELC in its Fund

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**Excess Liquid Capital Steps**

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**Distribution of Assets**

- The Extension Act requires schools to return to the Department the **Federal share** of the institution's Perkins Loan Revolving Fund (the Fund)
- The Department will begin collecting the Federal share of schools' Perkins Funds after **October 1, 2018**

*See Dear Colleague Letter (DCL) GEN-17-10, published on October 6, 2017: <https://ifap.ed.gov/dpclletters/GEN1710.html>*

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**Perkins Resources**

- Dear Colleague Letter GEN-16-05
- Dear Colleague Letter GEN-17-10
- Federal Student Aid Handbook, Vol. 6, Chap. 5
- Perkins Liquidation and Assignment resource pages:  
<https://ifap.ed.gov/ifap/cbp.jsp>



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**FSA Systems**

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**College Scorecard**

- Later in 2018, NSLDS will begin to manage a portion of the College Scorecard calculation process
- The following calculations will be available for review on the NSLDSFAP website under the Org Tab:
  - Repayment Rate
  - Completion Rate
  - Median Loan Debt
- A new report will be created to provide schools with the backup detail for each calculation



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**eCB Functionality Moving to COD**

- **February 6, 2018** – eCB System is closed to schools
- **March 23-25, 2018** – Campus-Based processes implemented in the COD System (COD Release 17.0)
- **March 25, 2018 and forward** – User access transition and Campus-Based processes become available
  - eCB System users will begin the process to gain access to the COD System, if they don't already have COD System access
- Specific instructions about user access and how and when users will need to transition to the COD System will be provided in spring 2018
- See December 21, 2017 EA  
<https://ifap.ed.gov/eannouncements/122117eCBTransNum2CBProcTransTimelineDecMar2018.html>

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**Electronic Announcement – 2/15/18**

**February 15, 2018** – Campus-Based User Access and User Roles in COD

- Schools begin using COD for CB processes March 26, 2018
- Attachments identify different User roles that can be assigned and steps to gain User access to COD
  - **User access** determines if a user is authorized to log in to the COD System
  - **User role** defines the types of Campus-Based business processes a user can complete once he or she logs in to the COD System

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**Federal Student Aid's  
Next Generation  
Financial Services  
Environment**



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Federal Student Aid (FSA) has one of the largest consumer loan portfolios in the world. We should deliver for our customers on par with world-class financial services.

To do that, we have defined the **Next Generation Financial Services Environment** with four primary goals:

- 1. World-class customer experience**, grounded in a mobile-first, mobile-complete, and mobile-continuous environment, to improve customer outcomes
- 2. Greater operational flexibility** to allow us to more rapidly integrate new capabilities and features
- 3. Reduce complexity**, improve the stability and resiliency of our systems, and provide more cost-efficient solutions
- 4. Improve repayment outcomes** and overall portfolio performance




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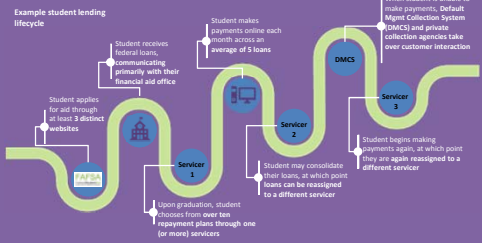
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Customers interface with multiple brands throughout the student lending lifecycle, creating a fragmented experience



Example student lending lifecycle:

- Student applies for aid through at least 3 distinct websites
- Student receives federal loans, communicating primarily with their financial aid office
- Upon graduation, student chooses from over ten repayment plans through one (or more) services
- Student may consolidate their loans, at which point loans can be reassigned to a different service
- Student makes payments online each month across an average of 5 loans
- Student begins making payments again, at which point they are again reassigned to a different service
- When student is unable to make payments, Default Mgmt Collection System (DMCS) and private collection agencies take over customer interaction

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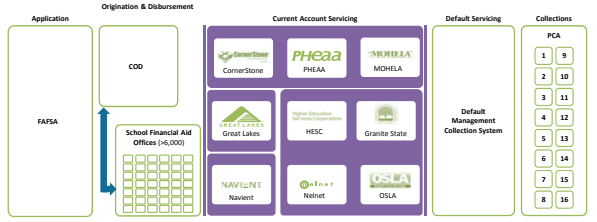
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Today's fragmented customer experience is driven by a diverse vendor landscape with limited branding opportunities for FSA



Application	Origination & Disbursement	Current Account Servicing	Default Servicing	Collections
FAFSA	CCO	CornerStone, PHEAA, MOHELA	Default Management Collection System	PCA
	School Financial Aid Offices (SFAOs)	Great Lakes, HESC, Granite State		1-9, 2-10, 3-11, 4-12, 5-13, 6-14, 7-15, 8-16
		NAVIENT, Netnet, OSLA		

Customer-facing brand: FSA, Schools, Individual Servicers (Managing all phases of data management, processing and engagement), Department of Education, PCAs

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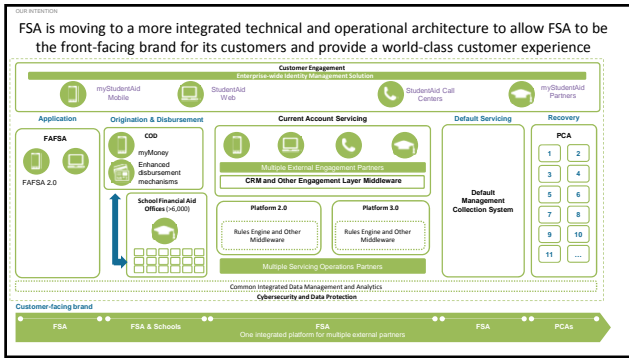
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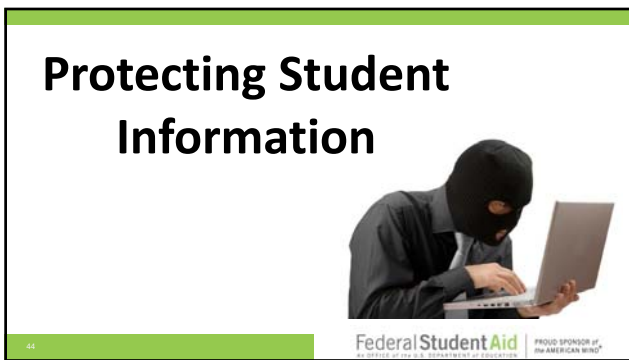
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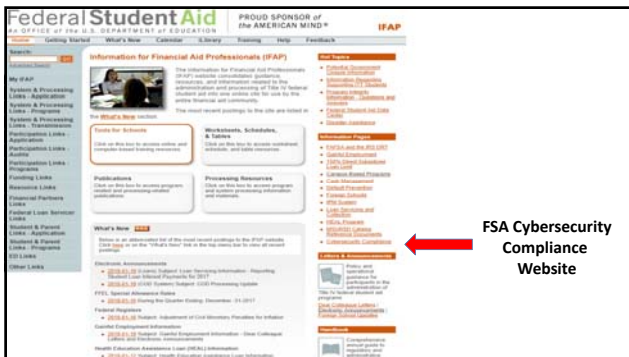
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**Data Security**

Consolidated Rules, Tools, Audit Language & Guidance

Compliant Self-Report Option and Suggested Data Share

Cyber Alerts and Contact Info

Outreach, Training & Links

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**Data Security**

- Institutions must ensure that its third-party servicers use NSLDS® data only for the Title IV function for which the servicer is contracted to perform on behalf of the institution
- Servicers are prohibited from using NSLDS data for any other purpose
- NSLDS data includes but is not limited to:
  - Any borrower or loan-level information retrieved from NSLDS
  - Usage of the NSLDS websites
  - Receipt of data from NSLDS reports
  - Receipt of data from NSLDS batch distribution (ex. Enrollment Reporting, FAH, etc.)
- The Department will initiate an administrative action against the institution and its third-party servicer if a third-party servicer violates this prohibition

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**New FAQ at CyberSecurity Site**

Q. We recently heard in an FSA conference session that we can no longer accept faxed or emailed copies of taxes or tax transcripts. Is this the case? Are we permitted to accept such documents via a student's school email account?

A. Schools should never solicit personally identifiable information (PII)—especially sensitive personally identifiable information (SPII)—through means that are known to be insecure. Schools must remediate this type of data breach immediately each time it occurs. However, at this time, this type of data breach does not need to be reported as an institutional data breach to FSA\*

\*Please see complete Answer at FAQs at <https://fap.ed.gov/eannouncements/attachments/CyberFAQ.pdf>

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### Sharing FAFSA Data

- HEA is very prescriptive about how the data collected on the FAFSA can be used
- ED continues to look at what options are available, under the HEA, for institutions to share data with other entities, usually involved with awarding scholarships
- Watch IFAP for guidance in the future

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### Recent Guidance

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**Recent Guidance**

- EA 2/26/2018: FY 2015 Draft Cohort Default Rates Distributed February 26, 2018
- EA 2/26/2018: Transition from Paper G-845 Form to an Electronic Confirmation Process for Eligible Noncitizen Status
  - DHS-USCIS will reject all G-845 forms received on or after May 1, 2018
  - Schools instructed not to mail G-845 forms beginning on April 24, 2018 to avoid rejections

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**2018 FSA Training Conference**



November 27-30, 2018  
FSA Training Conference  
for Financial Aid Professionals  
Georgia World Congress Center  
Atlanta, Georgia

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**Contact Information**

Contact me with follow-up questions about this session:

Bruce Honer, FSA Trainer  
bruce.honer@ed.gov | (415) 486-5521



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**Training Feedback**

To ensure quality training we ask all participants to please fill out an online session evaluation

- Go to: <http://s.zoomerang.com/s/BruceHoner>
- Evaluation form is specific to Bruce Honer
- This feedback tool will provide a means to educate and inform areas for improvement and support an effective process for "listening" to our customers
- Additional feedback about training can be directed to [nancy.hoover@ed.gov](mailto:nancy.hoover@ed.gov); 202-377-4203

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**QUESTIONS?**



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