California Default Rates
(FY 2006 - FY 2008)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>4.8%</td>
<td>6.0%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Borrowers in Repayment</td>
<td>249,658</td>
<td>245,211</td>
<td></td>
</tr>
<tr>
<td>Borrowers in Default</td>
<td>15,144</td>
<td>16,568</td>
<td></td>
</tr>
</tbody>
</table>

Currently, a school’s cohort default rate is:
The percentage of the number of the school’s FFEL and Direct Loan borrowers who enter repayment in one Federal Fiscal Year who default in that Federal Fiscal Year or by the end of the next Federal Fiscal Year.

Beginning with the 2009 cohort will be:
Borrowers who default in that Federal Fiscal Year or by the end of the next two Federal Fiscal Years.
- Increases CDR monitoring period from two to three years
  - Increases sanction threshold default rate from 25 percent to 30 percent
  - Establishes transition period to implement sanctions

2-Year vs 3-Year Cohort Default Rate

IRS Data Retrieval
- FSA and the Internal Revenue Service (IRS) developed a non-consent based solution to simplify FAFSA completion.
- Will allow some applicants to retrieve their income tax data from the IRS.
- Tax filer voluntarily retrieves own data.
- Tax filer can choose to automatically transfer IRS data to FOTW.
Beginning with the 2011-12 processing year, the IRS data retrieval process can be accessed by the applicant using Corrections on the Web.
- CPS will set flags and comment codes to indicate that the student and/or parent transferred IRS data into FOTW.
- Comment codes will appear in –
  - FAA Information section of the ISIR
  - Student Inquiry section of FAA Access
- Flags and codes set based on certain conditions.

- An institution may consider as acceptable documentation IRS retrieved information if the Secretary has identified those items as having come from the IRS and not been changed – IRS Request Flag = 02.
Two Pells in an Award Year

- Authorized by the Higher Education Opportunity Act (HEOA).
- Final regulations: October 29, 2009
  - If eligible, student able to receive all or a portion of a second Scheduled Award within an Award Year.
  - Objective is to help needy students accelerate their academic progress.

- Scheduled Award
  - Amount that full-time student would receive for a full academic year based on the student’s EFC and COA.
  - Prorated by payment period based on hours and weeks of instructional time attended – Pell Formulas.
- Payment periods
- Payment for a payment period calculations
• Scheduled Award –
  – Old: Student may receive only one Scheduled Award in an award year
  – New: Student may receive more than one Scheduled Award in an award year.

• Cross-Over Payment Periods
  – Old: Institution may assign a crossover payment period to either award year as a general policy or on a case-by-case basis.
  – New: Must assign to award year that will produce higher payment amount.

• No change in calculation of award for payment period
  – Awarding formulas have not changed
  – Award by payment period based on Scheduled Award
  – School continues to pay until reaching 200% of Scheduled Award
    – Payment period may include awards from both first Scheduled Award and second Scheduled Award.
- When a borrower has Title IV loans serviced by two or more servicers.
- More about ECASLA FFEL loans purchased by ED than Direct Loan transition.
- Direct Loans and ED-owned FFEL loans are federal assets.
- Non ED-owned FFEL loans are not federal assets.

- By law, federal assets cannot be combined with non-federal assets.
- FSA is working to have all loans that it holds (Direct Loans and ED-owned FFEL loans) for a borrower serviced by one servicer.
  - One bill, one payment
  - Consolidation can combine all loans into one federal asset (Direct Consolidation Loan).
- Effective with the 2010-2011 Award Year
- Must assign to award year in which student receives greater payment for the term - based upon information available at initial calculation.
  - Assume other year is higher if –
    - No SAR/ISIR.
    - Rejected ISIR with no EFC.
    - ISIR selected for verification but verification not completed.

**Semester Example**
Student may receive up to TWO Scheduled Awards.
Assume student's 2010-11 Scheduled Award is $5,550 and $5,710 for 2011-2012 and student eligible for either.

<table>
<thead>
<tr>
<th>Fall 2010</th>
<th>Spring 2011</th>
<th>Summer 2011</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,775</td>
<td>$2,775</td>
<td>$0</td>
<td>2010-11 AY</td>
</tr>
</tbody>
</table>

2010-11 Award Year

<table>
<thead>
<tr>
<th>Summer 2011</th>
<th>Fall 2011</th>
<th>Spring 2012</th>
<th>150%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,865</td>
<td>$2,865</td>
<td>$2,865</td>
<td>2011-12 AY</td>
</tr>
</tbody>
</table>

2011-12 Award Year

**Monitoring** –
- Until date published in Federal Register.
- For summer of 2010 the date was September 10, 2010. Will likely be similar date for summer of 2011.
- Must reassign payment period if information received showing greater payment from other Award Year.
- Must compare again if re-calculating for any reason.
- May monitor and adjust after Federal Register date up to February 1, 2011.
- At least one credit or clock hour (or partial hour if school uses partial hours) in the payment period when award will be from a second Scheduled Award must be attributable to the student's next academic year.
- Total of hours earned in award year plus hours enrolled in upcoming payment period must be greater than number of hours in school's definition of academic year.
- Not "grade progression".
- Must be applied for any required recalculation.
Assumes academic year defined as 24 hours

First Scheduled Award
Fall 2009
50% Paid
9 Hours
Earned

Second Scheduled Award
Spring 2010
50% Paid
9 Hours
Earned

Summer 2010
Enrolled in
6 Hours
INELIGIBLE
May pay from
upcoming
Award Year

Six hours to prior academic year Award
Three hours to new academic year
or
Nine hours earned plus 9 hours earned plus 6 hours
enrolled equals 24 which is not greater than 24

First Scheduled Award
Fall 2009
50% Paid
7 Hours
Earned

Second Scheduled Award
Spring 2010
50% Paid
6 Hours
Earned

Summer 2010
Enrolled in
12 Hours
INELIGIBLE
May pay from
upcoming
Award Year

Eleven hours to prior academic year
One hour to new academic year
or
7 hours earned plus 6 hours earned plus 12 hours
enrolled equals 25 which is greater than 24

Transfer Student
- Final regulations: Two options
- Assumption method
  - Based on disbursements received
  - Do not consider hours earned at other institutions to be conflicting information
- Hours-earned method
  - Based on actual hours earned in award year
- Method at option of institution: apply on a student-by-student basis or to all students
• Academic Year completion requirement can be waived if –
  – FAA determines that student was unable to complete the hours of the first academic year due to 'circumstances beyond the student's control'.
  – Determination must be documented and made on a student by student basis.

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Regulatory Update

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• Ensuring that only eligible students receive federal funds.
  • High School Diploma: Requires institutions to develop and follow procedures to evaluate the validity of a student's high school diploma if the institution or the Secretary has reason to believe that the diploma is not valid or was not obtained from an entity that provides secondary school education.
- Ensuring that only eligible students receive federal funds.
  - High School Diploma:
    - FAFSA will ask student to indicate high school.
    - First-year students only
    - Being on the list does not mean "approved"
    - Not being on the list does not mean "unapproved" or "questionable"

- Ensuring that only eligible students receive federal funds.
  - Ability to Benefit:
    - Extends eligibility for federal student aid to students without high school diplomas after they successfully complete six credit hours or 225 clock hours of college work.
    - Improved oversight of test publishers, test administrators, and testing centers.

- Ensuring that only eligible students receive federal funds.
  - Satisfactory Academic Progress: Requires a structured and consistent approach to evaluating a student's academic work, while continuing to provide flexibility to institutions in establishing their policies.
    - If SAP monitored each payment period, can use warning first time, then probation.
    - If SAP monitored only once each year, can only suspend or use "probation".
    - Probation requires a plan for resolution.
• Ensuring that only eligible students receive federal funds.
  • Verification:
    • Replaces the five verification items for all selected applicants with a targeted selection of items based upon each student's characteristics.
    • Eliminates the 30 percent institutional verification cap.
    • Requires the processing of all changes and corrections to an applicant's FAFSA information.

• Clarifying eligible coursework:
  • Written Agreements (Consortiums):
    • Limits the amount of a program that can be provided by another school.
    • Requires disclosures to students and potential students.
    • Prohibits arrangements between ineligible institutions that have had their federal student aid participation revoked.

• Other:
  • Return of Title IV Aid:
    • Modifies and clarifies the definition of when a student is considered to have withdrawn from a program.
    • Clarifies the circumstances under which an institution is required to take attendance for the purpose of determining last date of attendance.
• Other:
  • Disbursing Federal Student Aid Funds:
    Requires institution to ensure that Pell Grant
    recipients have resources to obtain books and
    supplies by the seventh day of payment period.
  • Retaking Coursework: Allows repeated
    coursework to count toward enrollment status.

GAINFUL EMPLOYMENT

NPRM published on July 26, 2010.
• Final regulations for some provisions published
  on October 29, 2010.
  • Effective July 1, 2011
  • More final regulations scheduled to be published
    early in 2011.
    • Effective July 1, 2012

Protecting consumers.
• Gainful Employment (GE):
  • Under the HEA programs at for-profit institutions
    and occupationally specific training at other
    institutions must lead to gainful employment in a
    recognized occupation.
  • Currently there is no standard to measure
    "gainful employment". These rules will establish
    such a standard.
  • Public comment received along with a number of
    studies, reports, and media reports point to the
    need to regulate in this area.
• Proprietary Institution of Higher Education and Postsecondary Vocational Institution
  - All programs must prepare students for gainful employment in a recognized occupation
  - Exceptions
    - Program leading to baccalaureate degree in liberal arts (proprietary institution)
    - Comprehensive transition program for students with intellectual disabilities (vocational institutions)

• Public and Private Non-profit Institutions
  - Non-degree/certificate programs must prepare students for gainful employment in a recognized occupation
  - Two exceptions
    - Transfer program
    - Comprehensive transition program for students with intellectual disabilities

GE Reporting
• Institutions with "gainful employment" programs must report to ED information on students enrolled in gainful employment programs.
  - Student identifiers
  - Enrollment Status
  - Non-Title IV educational debt
• Effective July 1, 2011
GE Disclosures
- Institutions with "gainful employment" programs must provide prospective students with each eligible program's graduation and job placement rates, and provide the Department with information that will allow for the determination of student debt levels and incomes after program completion.
- Effective July 1, 2011

Additional Gainful Employment Programs
- Institutions seeking to add a "gainful employment" program must inform ED before beginning program.
- Must document an employment need in their community for graduates of the program.
- Effective July 1, 2011

Gainful Employment Metrics
- Final rule expected to be published in early 2011
- Effective July 1, 2012
- Defines "gainful" to be when a substantial number of the program's students –
  - Are repaying their Title IV loans (Repayment Rate)
  - Have a reasonable debt burden (Debt to Earnings Ratio).
Repayment Rate

The percentage of the outstanding principal balance of the federal loans taken by the academic program's former students who entered repayment in the previous four years that has been repaid.

Debt to Earnings Ratio

For the academic program's completers, the average educational loan payments (federal, private, and institutional financing plans) as a proportion of the borrower's income (either discretionary income or average annual earnings). Loan payment amount based on a 10-year amortization schedule at 6.8 percent.

Other Information
- Beginning 2011-2012 student must file FAFSA for Parent PLUS Loan
- 98 percent already file
- COD will monitor
- Need to perform database matches to verify that student is eligible
  - Social Security Number
  - Citizenship Status
  - Selective Service
  - NSLDS for defaults and overpayments

- Beginning 2011-2012 school must report to COD if student received aid based on Ability-to-Benefit.
- See COD Technical Specifications