

National Profile Briefing

Federal Student Financial Aid

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Slide 1

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Presentation Overview

- History (Brief) Federal Government & Financial Aid
- Higher Education Today
- Federal Financial Aid Programs
 - 2011 National Profile
- Need Analysis
- FAFSA Filing and Awards
- Budget and Appropriations

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History of Federal Government & Student Aid

- Morrill Act of 1862
 - Land Grants
- “G.I. Bill” - Serviceman's Readjustment Act of 1944
 - Educating and retraining returning servicemen

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History: Campus-based Aid

- Federal Perkins Loan Program
 - Sputnik, 1957
 - National Defense Education Act of 1958
- Federal Work-Study Program
 - Economic Opportunity Act 1964
- FSEOG Program (Federal Supplemental Education Opportunity Grant)
 - Higher Education Act of 1965

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History: Federal Family Education Loan (FFEL) and Direct Loan (DL)

- FFEL
 - Higher Education Act (HEA) of 1965
- PLUS (Parent Loans for Undergraduate Students)
 - Higher Education Amendments of 1980
- DL
 - Higher Education Amendments of 1992

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History: Pell Grant Program

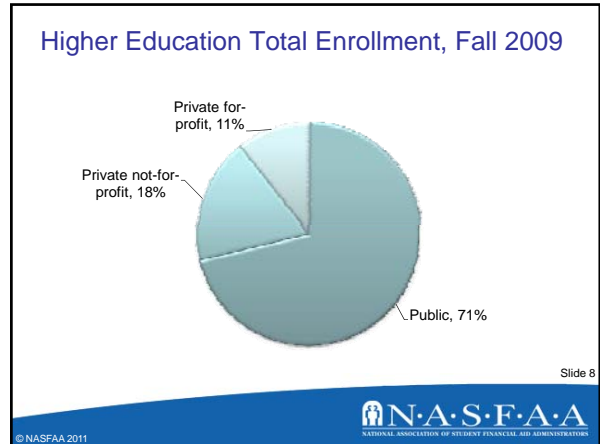
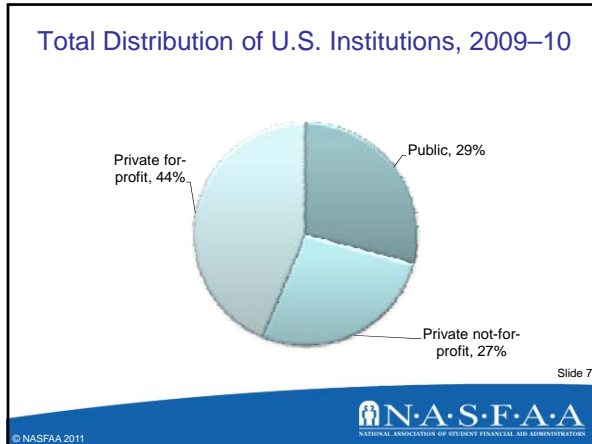
- Higher Education Amendments of 1972
 - Basic Educational Opportunity Grant Program (BEOG) or Basic Grant
- 1980
 - Renamed after Senator Claiborne Pell

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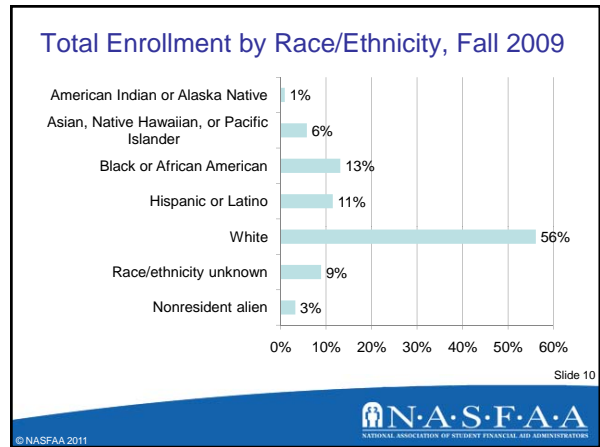
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- ### Higher Education 2009–10: Quick Stats
- 78% of 4-year enrollment are undergraduates
 - 57% of Total Students are Women
 - 61% of Total Students are under the age of 25 years old
 - 63% of Total Students are Full-time Students
- Slide 9



- ### Student Financial Aid Today: A National Profile
- 19.5 million FAFSA applications 2010–11
 - 71% of total amount student aid was Title IV Federal dollars
 - 136% increase over 10 years of total amount of Title IV federal financial aid
 - 62.1 billion, 1999
 - 146.5 billion, 2009
- Slide 11

Program Name	Number of Recipients	Average Award
Pell	6.2m	\$2,971
FSEOG	1.5m	\$716
FWS	678,000	\$1,642
Perkins	488,000	\$1,968
Subsidized Stafford	8.9m	\$3,556 UG \$7,171 Grad
Unsubsidized Stafford	8.5m	\$4,165 UG \$11,028 Grad
PLUS	790,600 Parents 150,000 Grad	\$10,753 Parents \$15,000 Grad

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Federal Pell Grant Program

- “Foundation” of aid package
- Awarded to undergraduate students with lowest EFCs who have not already earned a baccalaureate degree
- Unaffected by student's other aid

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Federal Pell Grant Program

For 2011–12:

- Maximum award is \$5,550
- Minimum award is \$555
- Eligible EFC range: 0 to 5,273

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Campus-Based Programs

- Annual appropriation is allocated among participating institutions
 - Statutory formula
 - Institutions must apply by Oct 1 (FISAP)
- School awards funds to eligible students based on program requirements
- School entitled to administrative cost allowance to offset costs of administering campus-based and Pell programs

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Federal Supplemental Educational Opportunity Grant Program (FSEOG)

- Awarded to undergraduate students with lowest EFCs who have not already earned a baccalaureate degree
- Priority to Pell Grant recipients
- Awards must be made in order starting with lowest EFCs

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Federal Supplemental Educational Opportunity Grant Program (FSEOG)

- Schools must contribute at least 25% of funding
- Schools may transfer up to 25% of allocation to Federal Work-Study Program
- Minimum annual award: \$100
- Maximum annual award: \$4,000

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Federal Work-Study Program (FWS)


As a condition of program participation, school must award FWS employment “to the maximum extent practicable, that will complement and reinforce each recipient’s educational program or career goals”


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- ## Federal Work-Study Program (FWS)
- Campus-based program
 - School generally must match allocation with its own funds, 75% federal, 25% school
 - Institutional share varies by nature of job or employer
 - Some schools exempt from matching
 - Match can also be “in-kind”
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- ## Federal Work-Study Program (FWS)
- Schools award more than allocated because earnings rate varies
 - Additional flexibility:
 - Carry forward (10% limit)
 - Carry back (10% limit unless for summer)
 - Transfer to FSEOG and/or Perkins (25% limit)
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- ## Federal Work-Study Program (FWS)
- Earnings must be monitored to avoid exceeding award and need
 - Student may be paid up to \$300 over need
 - This is basis for CB overaward tolerance when student gets unanticipated additional aid
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- ## Federal Work-Study Program (FWS)
- FWS employers may be:
- The school itself
 - Limitations if the school is for-profit
 - A Federal, State, or local public agency
 - A private nonprofit organization
 - A private for-profit organization
 - Limitations
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Federal Work-Study Program (FWS)

- At least 7% of school's allocation must be used in community service and include
 - At least one reading tutoring project for children of preschool age or in elementary school; or
 - Family literacy project in family literacy activities
- Student may be paid during reasonable period of job training

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Federal Work-Study Program (FWS)

- Limited portion of allocation may be spent on Job Location and Development (JLD) program
- ED may also allocate FWS funds for Work-Colleges program

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Program Description – Federal Perkins Loan Program

The Federal Perkins Loan Program provides low-interest loans to financially needy students attending institutions of higher education to help them pay their educational costs.

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Federal Perkins Loan Program

- Campus-based program
- Revolving Fund
 - Federal Capital Contribution (FCC)
 - Institutional Capital Contribution (ICC): 1/3 of FCC
 - Collections on previously made loans
 - Reimbursements for loan cancellations
- Up to 25% of allocation (FCC) may be transferred to FSEOG and/or FWS

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Federal Perkins Loan Program

- Undergraduate, graduate, professional students
- Priority must be given to exceptionally needy students
- School defines “exceptionally needy”
- Willingness to repay

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Federal Perkins Loan Program

- Annual maximums
 - Undergraduate students: \$5,500
 - Graduate or professional student: \$8,000
- Aggregate undergraduate maximums
 - \$11,000 until successful completion of 2 years
 - \$27,500 after two years successfully completed
- Aggregate graduate/professional maximum
 - \$60,000, including undergraduate borrowing

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Federal Perkins Loan Program

- Interest rate: 5%
- Interest begins to accrue when repayment begins, 9 months after borrower is no longer enrolled at least half-time
- Repayment made over 10 years

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Federal Perkins Loan Program

- No interest accrues during deferment or 6-month post-deferment grace period
- Deferments
 - In school and certain fellowships or rehab
 - While in service eligible for loan cancellation
 - While seeking but unable to find employment
 - Economic hardship (including Peace Corps)
 - Certain military service

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Federal Perkins Loan Program

- School must make specified loan disclosures before first disbursement
- School must perform exit counseling
 - Shortly before student graduates or otherwise leaves school
 - In person, by audiovisual presentation, or by interactive electronic means

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Federal Perkins Loan Program

- Loan discharged if borrower dies, becomes permanently totally disabled, or manages to pass bankruptcy requirements
- Loan cancelled for certain types of employment, volunteer activities, or military service

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Program Description – Direct Loans

William D. Ford Federal Direct Loan Program

- Umbrella for four loan programs
 - Federal Direct Stafford/Ford Loan Program
 - Federal Direct Unsubsidized Stafford/Ford Loan Program
 - Federal Direct PLUS Program
 - Federal Direct Consolidation Loan Program

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Program Description – Direct Loans

Aliases

- Direct Loans
- Direct Subsidized Loans
- Direct Unsubsidized Loans
- Direct Stafford Loans
- Stafford Loans

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Program Description – Direct Loans

Direct Subsidized Loans

- Undergraduate, graduate, professional students
- Need-based (COA – EFC – other aid, up to applicable limit)
- Interest accrues but is paid by Federal government during periods of study or deferment

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Program Description – Direct Loans

Direct Unsubsidized Loans

- Undergraduate, graduate, professional students
- Non-need-based (COA – other aid, up to applicable limit)
- Interest accrues and is payable by borrower, but may be capitalized during periods of study or deferment

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Program Description – Direct Loans

Direct PLUS Loans

- Graduate, professional students
- Parents of undergraduate students
- Non-need-based (COA – other aid, no limit)
- Interest accrues and is payable by borrower, but may be capitalized during periods of study or deferment

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Program Description – Direct Loans

Direct Subsidized Loan Interest Rate

- 2010–11
 - Undergraduate: 4.5%
 - Graduate: 6.8%
- 2011–12
 - Undergraduate: 3.4%
 - Graduate: 6.8%
- 2012–13: 6.8% for all
- Interest structure has varied greatly in past

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Program Description – Direct Loans

- Direct Unsubsidized Loan Interest Rate: 6.8%
- Direct PLUS Loan Interest Rate: 7.9%

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Program Description – Direct Loans

Direct Subsidized Loan Annual Loan Limits

- Undergraduates
 - First year: \$3,500
 - Second year: \$4,500
 - Third year and beyond: \$5,500
- Prorated for programs or remaining periods of enrollment of less than one academic year

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Program Description – Direct Loans

Direct Subsidized Loan Annual Loan Limits

- Preparatory coursework for undergraduate admission: \$2,625
- Preparatory coursework for graduate admission: \$5,500
- Teacher preparation for state certification: \$5,500

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Program Description – Direct Loans

Direct Subsidized Loan Annual Loan Limits

- Graduate/Professional students: \$8,500

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Program Description – Direct Loans

Direct Subsidized Loan aggregate loan limits

- Undergraduate: \$23,000
- Graduate/professional: \$65,500
 - Includes undergraduate balances

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Program Description – Direct Loans

Direct Unsubsidized Loan Annual Loan Limits

- Base: Subsidized limit – subsidized loan eligibility
 - Example, first year: \$3,500 – Subsidized loan eligibility
- Add-on for dependent undergraduates in program of at least one academic year: \$2,000

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Program Description – Direct Loans

Add-on for independent undergraduate and graduate/professional, and dependent undergrad if parent cannot borrow PLUS

- First- or second-year undergraduate: +\$6,000
- Third year undergraduate on: +\$7,000
- Graduate/professional student: +\$12,000
- Preparatory courses, undergraduate admission: +\$6,000
- Preparatory courses, graduate admission: +\$7,000
- Teacher certification: +\$7,000

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Program Description – Direct Loans

Direct Unsubsidized Loan aggregate limits

- Dependent undergraduate: \$31,000 – sub loans
- Independent undergraduate or dependent whose parent cannot borrow PLUS: \$57,500 – sub loans
- Graduate/professional: \$138,500 – sub loans
 - Includes undergraduate balances

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Program Description – Direct Loans

Loan fees

- Direct Subsidized and Direct Unsubsidized loans: 1% of loan principal
- PLUS loans: 4% of principal
- Deducted from loan proceeds before disbursement

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Direct Loan Program: Repayment Features

- Grace period: period after borrower graduates, leaves, or falls below half-time status
- No repayment required during grace period
- Subsidized and unsubsidized loans: 6 months
 - If subsidized, government pays accruing interest
 - If unsubsidized, interest accrues and borrower can pay as it accrues or have it capitalized (added to principal)
- PLUS: No grace period

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Direct Loan Repayment Plans

- Standard
- Graduated
- Extended
- Income-Based (except parent PLUS)
- Income-Contingent (except parent PLUS)

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FFEL and Direct Loan: Deferments

- Periods during which payments of principal not required
- Federal government pays accruing interest on subsidized loans
- Interest on unsubsidized loans and PLUS may be paid as it accrues or may be capitalized

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FFEL and Direct Loan: Deferments

- In-school
- Graduate fellowship
- Disability rehabilitation training
- Unemployment
- Economic hardship
- Military service

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FFEL and Direct Loan: Forbearance

- May take form of:
 - Temporary cessation of payments
 - Temporary reduction in payment amount
 - Extension of repayment period
- May apply to principal, interest, or both
- No interest subsidy
 - Interest is capitalized unless borrower makes interest-only payments during forbearance

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FFEL and Direct Loan: Discharge

- Death of student or parent borrower, or student for whom parent borrowed PLUS
- Total and permanent disability
- Bankruptcy
- School closure

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FFEL and Direct Loan: Discharge

- False certification or unauthorized disbursements by school
- False certification due to identity theft
- Unpaid refunds by school to loan holder
- September 11th survivors discharge

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FFEL and Direct Loan: Forgiveness

- Teacher Loan Forgiveness Program
- Public Service Loan Forgiveness Program

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Direct and FFEL Consolidation Loans

- Combine certain student loans to simplify repayment (e.g., single payment, extended repayment period, lower interest rate, etc.)
- May be used to resolve defaulted loan

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Need Analysis

- Definition of Need:
Cost of attendance (COA) – Expected Family Contribution (EFC) = Need
- COA and EFC defined in Part F of the HEA, Title IV

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Need Analysis

- Part F allows financial aid administrators to adjust COA elements and EFC data if student or family experience unusual extenuating circumstances
- ED may not regulate Part F

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Need Analysis

Cost of Attendance (COA)

- Tuition and fees
- Books and supplies
- Room and board
- Transportation, miscellaneous personal expenses, personal computer
- Dependent care costs
- Costs related to disability
- Loan fees

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Need Analysis

Expected Family Contribution (EFC)

- Derived as a dollar amount
- Often viewed more as a rationing device

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Need Analysis

Three EFC models

- Dependent student
- Independent with dependents other than a spouse
- Independent with no dependents other than a spouse
 - Single
 - Married, no children or other dependents

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Need Analysis

Two EFC formulas

- Regular (full data element)
- Simplified (excludes assets)
 - Parental AGI (or earnings for non-filer) under \$50,000
 - Parents were not required to file 1040 long form, or family member received means-tested Federal benefit, or parent is a dislocated worker
 - For independent student, apply tests to student and, if married, spouse

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Need Analysis

One EFC short cut: Automatic Zero EFC (Auto Zero)

- Applicable to dependent model and independent with dependents model
- AGI of parents (or independent student and spouse) was no greater than \$31,000
- Same tax filing criteria as for simplified

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Need Analysis

- EFC: Parent's contribution
 - Calculate available income
 - Total AGI (or earnings) and untaxed income, minus excludable income
 - Subtract allowances for taxes paid, minimum living needs for family, and employment expense allowance

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Need Analysis

- Parent's contribution
 - Calculate contribution from assets
 - Total cash, bank accounts, investments, investment farm, business as adjusted unless "small"
 - Subtract protection allowance
 - Apply 12% conversion rate
 - Convert negative to zero

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Need Analysis

- Parent's contribution
 - Calculate Adjusted Available Income (AAI)
 - Add contribution from assets to available income
 - May be negative if available income was negative
 - Apply conversion table to find portion of AAI expected to be used for education
 - Divide by number in college

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Need Analysis

- EFC: Dependent student's contribution
 - Calculate contribution from income
 - Total AGI (or earnings) and untaxed income, minus excludable income
 - Determine available income by subtracting taxes paid, income protection allowance, and any negative parental AAI
 - Apply 50% assessment to available income

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Need Analysis

- Dependent student's contribution
 - Calculate contribution from assets
 - Total cash, bank accounts, investments, business, and investment farm
 - Apply 20% assessment rate

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Need Analysis

- Dependent student EFC
 - Parents' contribution for student, plus
 - Student's contribution from income, plus
 - Student's contribution from assets

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Need Analysis

Independent students: EFC calculations parallel parental contribution

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FAFSA Filing Process

- Free Application for Federal Student Aid (FAFSA) is central element of federal student aid application process
- FAFSA data are used to:
 - Compute the expected family contribution (EFC)
 - Confirm certain student eligibility criteria via database matches with federal agencies

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Free Application for Federal Student Aid

There are multiple versions of the FAFSA:

- The paper FAFSA
- FAFSA on the Web (FOTW)
- Financial Aid Administrator (FAA) Access to Central Processing System (CPS) Online
- FAFSA on the Phone

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Paper FAFSA

2011–12 FAFSA is a 10-page booklet containing:

- Four instructional pages for assistance in completing form
- Six application pages
 - Dependent students complete yellow and purple sections, and
 - Independent students (and their spouses, if applicable) complete only yellow sections

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FAFSA on the Web

- Available in English and Spanish
- Real-time FAFSA submission and updates
- Ability to electronically sign using a Federal Student Aid (FSA) Personal Identification Number (PIN)
- Seven-step organization
- Instructions and "help text" for certain questions
- Skip-logic allowing student and/or parent to skip unnecessary questions

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FAFSA on the Web

- Built-in edits check for errors prior to submission
- Ability to check application status on-line
- Printable FOTW Worksheet assists in collecting necessary application information

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Internal Revenue Service Data Retrieval

- Process enables students and parents to transfer tax return information from IRS website directly to FOTW application
- IRS Data Retrieval also available for corrections
- Available January 30, 2011, for 2011–12 processing cycle

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CPS Database Matches

- Social Security Administration (SSA):
 - Social Security Number (SSN)
 - Master Death File
 - U.S. citizenship
- Department of Homeland Security (DHS):
 - Eligible noncitizen status
- Selective Service System:
 - Registration with Selective Service

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CPS Database Matches

National Student Loan Data System (NSLDS) for Title IV funds:

- Loan defaults
- Exceeds loan limits
- Any unpaid fraudulently obtained funds
- Repayments

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CPS Database Matches

- Department of Defense:
 - Identify eligible students for increased aid due to parent or guardian death as a result of U.S. military service in Iraq or Afghanistan after 9/11/2001
- Department of Veterans Affairs (VA):
 - Verification of veteran status

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Application Output

Processed application output sent to:

- Student in form of Student Aid Report (SAR, paper or electronic)
- School in form of Institutional Student Information Record (ISIR)
- Student's state agency in form of ISIR

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Budget and Appropriations Update

- FY2011, in review
- FY2012
 - Pell status
 - Pell Protection Act
- How can we be a resource?

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Resources and Q&A

2011 National Profile of Programs in Title IV of the Higher Education Act

<http://www.nasfaa.org/EntrancePDF.aspx?id=5328>

For Students, Parents, and Counselors

http://www.nasfaa.org/students/About_Financial_Aid.aspx

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