WASFAA 2017 Regulatory Reform Topics –DRAFT – NOT FOR DISTRIBUTION

#	Topic	Current Obligation	Issue	Proposed Resolution
1	Defaulted loans that are paid in full are counted as defaulted for purposes of Cohort Default Rate Calculation (Cite:668.200, 668.202)	Only borrowers who rehabilitate their loans by making 9 consecutive on-time payments may be removed from the CDR calculation. In many instances, borrowers who rehabilitate their loans are making minimal payments during the rehabilitation process.	This is unnecessarily punitive to schools since a loan that's been paid in full counts as a loan not paid.	Defaulted loans that have been paid in full by the borrower should not count as defaulted in the CDR calculation.
2	Families are required to submit a death certificate to obtain a death discharge on student loans. (Cite: 685.212 (a))	If an institution discovers a deceased borrower during a review of their CDR and the loans were discharged due to death on a date that is earlier than the default date, the institution must provide the death certificate to the data manager in order to remove the borrower from the CDR calculation.	This process seems unnecessarily redundant when the Department has already discharged the loans due to death.	Loan servicers and FSA should use the Social Security Administration Death Master File (DMF) to discharge student loans and only require the death certificate for CDR and discharge purposes if there is adequate reason to believe that the DMF is in error or death was not recorded in DMF.
3	Institutions should be allowed and encouraged to implement mandatory debt management and financial literacy campaigns in ways that are most effective for their student populations (Cite: 674.16, 674.42)	Institutions are limited to mandate only one-time entrance counseling for first-time borrowers and exit counseling whenever borrowers graduate, withdraw or drop below half-time enrollment status.	Schools are held accountable for cohort default rates, yet have no realistic means to appropriately educate borrowers on the consequences of borrowing and to encourage them to borrow less.	Schools should have the ability to mandate entrance counseling and other relevant financial literacy education at least annually for all borrowers. The annual education requirement should be equivalent in time and effort to federally required entrance counseling.
4	The Subsidized Usage Limit Applies (SULA) is a regulation that harms students by removing the interest subsidy on Subsidized Loans when students fail to make forward progress or take too long to complete their program of study. (Cite: 685.203)	ED tracks enrolled students to make sure completion of a program is made within 150% of the published length of the program. After the 150% timeframe, the student loses the interest subsidy on the Subsidized loan and interest will accrue as though it were an Unsubsidized loan.	SULA was implemented as a budget saving measure. It is difficult for students to understand, yet carries significant financial penalties for borrowers who fail to comply. It's complexity is also difficult to communicate and create understanding across institutional staff outside financial aid who are critical to insuring students meet SULA requirements.	Eliminate SULA altogether. If budget savings continue to be a concern, SULA may be simplified by offering subsidy up to 12 semesters of education (similar to maximum Pell Grant eligibility).

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5	Borrowers who made qualifying payments for Public Service Loan Forgiveness (PSLF) and then consolidated their loans should have their pre-consolidation payments count toward the maximum repayment period of 10 years and 120 payments.	The Department indicates that loan payments before loan consolidation cannot be counted because PSLF forgiveness is loan specific and consolidation loans are considered separate from the underlying loans that were paid off.	The underlying loans that were paid off during consolidation are tracked individually for purposes of calculating aggregate loan limits and in the Cohort Default Rate calculation. Since the underlying loans are tracked separately and treated as individual loans for other purposes, the payments made toward PSLF before consolidation may be tracked and counted as well. This unnecessarily penalizes borrowers who have stayed current on loan payments.	Allow borrowers who made qualifying payments for Public Service Loan Forgiveness (PSLF) and then consolidated their loans to have their pre-consolidation payments count toward the maximum repayment period of 10 years and 120 payments.
6	The Internal Revenue Service (IRS) utilizes financial aid administrators as enforcement agents for tax filing statuses.	Financial aid administrators are responsible for ensuring financial aid applicants filed their taxes using the correct marital status or when students are selected for verification or when administrators encounter conflicting information.	Asking financial aid administrators to enforce IRS regulations for tax filing status delays financial aid for students and creates contentious situations that are bettered handled by tax experts (IRS).	Remove the requirement for financial aid administrators to verify tax filing status and require the IRS to verify their own requirement by asking tax filers their marital status, date of current status, and whether or not married couples lived together for more the 6 months during the tax year.
7	Return to Title IV (R2T4) regulations are cumbersome and hurt the students financial aid is designed to help. (Cite: 668.22)	200 pages in the Federal Student Aid Handbook are dedicated to the process of calculating R2T4. The return of funds is based upon the premise that students earn their financial aid in proportion to the amount of time in which they are enrolled. A pro-rated schedule is used to determine the amount of federal student aid funds he/she will have earned at the time of the withdrawal.	R2T4 often prevents students who cannot complete a semester from returning to school because they owe a balance. R2T4 is the top finding in institutional audits due to its complexity. R2T4 constitutes a relatively small percentage of Title IV funds disbursed to schools (a 2015 NASFAA analysis, showed schools return 1-2% of aid disbursed). The time devoted to this complex task is not proportional to the amount of funds returned. Other means of preventing fraud and abuse have been implemented recently that may eliminate the need for R2T4.	Eliminate R2T4 with a return to the method used before R2T4 which was a straight percentage of quarter completed calculation. The percentage of the payment period or enrollment period completed is put against the total amount of aid received. This would be simpler for students to know what they would have to pay back if they withdraw. An optional method would be to release disbursements “like a paycheck”, or every other week. This method would eliminate the need to use R2T4 as funds are paid out upon period of completions.

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8	Initial student eligibility should be confirmed by the Central Processor using database matches. (Cite: 668.32.37, 668.32(d), 668.40, 668.46(b)	Determining initial eligibility of a student based on citizenship, selective service registration and drug convictions must be confirmed in some instances by financial aid administrators. This entails collecting documentation from students that often delays awarding and disbursement of aid.	This additional screening leads to delays in financial aid delivery and puts undue burden on students and administrators.	1) Eliminate the provision for institutions to monitor and enforce selective service registration and assign the responsibility to selective service. 2) Eliminate tie between eligibility and drug convictions altogether. 3) Eliminate the provision for institutions to monitor and enforce citizenship when a database match doesn't confirm citizenship status and assign responsibility to ICE.
9	FAFSA Simplification: Auto Zero EFC (Cite: 479(c)	Students/families receiving public benefits must fill out the FAFSA completely.	Students / Families receiving public benefits have already completed a process to determine financial need.	Add recipients of SSI, TANF or General Relief benefits as sole qualifiers for Auto Zero EFC. These applicants should not have to provide income information on the FAFSA. Confirmation of benefits should be through database matches at CPS.
10	IRS Verification of Non-filing (VONF) (Cite: 668.57)	Although ED has waived VONF requirements for dependent students for 2018-19, independent students and parents remain subject to VONF.	ED introduced VONF after IRS data showed 14-16% of FAFSA filers who indicated they were non-filers actually did file. ED should determine if these filers would have resulted in a significant change in their EFC. Also the use of PPY should reduce the number of misreported non-filers and negate the need to use VONF.	Suspend VONF requirements for all applicant types while evaluating the impact of PPY on the accuracy of reported tax filing.