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April 2014

2014 PASFAA Spring Training



Washington Update

Is It Really Spring???

What's Blooming?

- Student Loan Interest Rates
- Budget and Appropriations Stuff
- President's Budget Proposals
- Status of Reauthorization



Student Loan Interest Rates

- Bipartisan Student Loan Certainty Act of 2013
 - » Interest Rate Determined Based on Final Auction of 10-year U.S. Treasury Bills Prior to June 1

Loan Type	Rate Formula	Projected Rate (2014-15)*	Cap
Stafford Undergrad Sub. and Unsub.	T + 2.05 percent	4.75 percent	8.25 percent
Stafford Graduate Unsub.	T + 3.60 percent	6.30 percent	9.50 percent
PLUS Loans (Grad and Parent)	T + 4.60 percent	7.30 percent	10.50 percent

*Assumption: 10-year T-Bill rate = 2.70 percent



Three Stage Budget Process

- Reopen the Federal Government and Agree to Negotiate
- Negotiate the Framework for a Budget Deal
 - » Fund the restoration of some sequestration cuts
- Finalize Appropriations for FY 2014

Consolidated Appropriations Act of 2014

- Signed Into Law on January 17th
- FY 2014 Appropriations:
 - » Maximum Pell Grant for AY 2014-15 = \$5,730
 - \$85 increase
 - Increase in recipients from 9.1 million to 9.3 million
 - » SEOG: \$733,130,000
 - \$36,955,000 increase
 - \$1.5 million below pre-sequester level
 - » FWS: \$974,728,000
 - \$49,133,000 increase
 - \$2 million below pre-sequester level



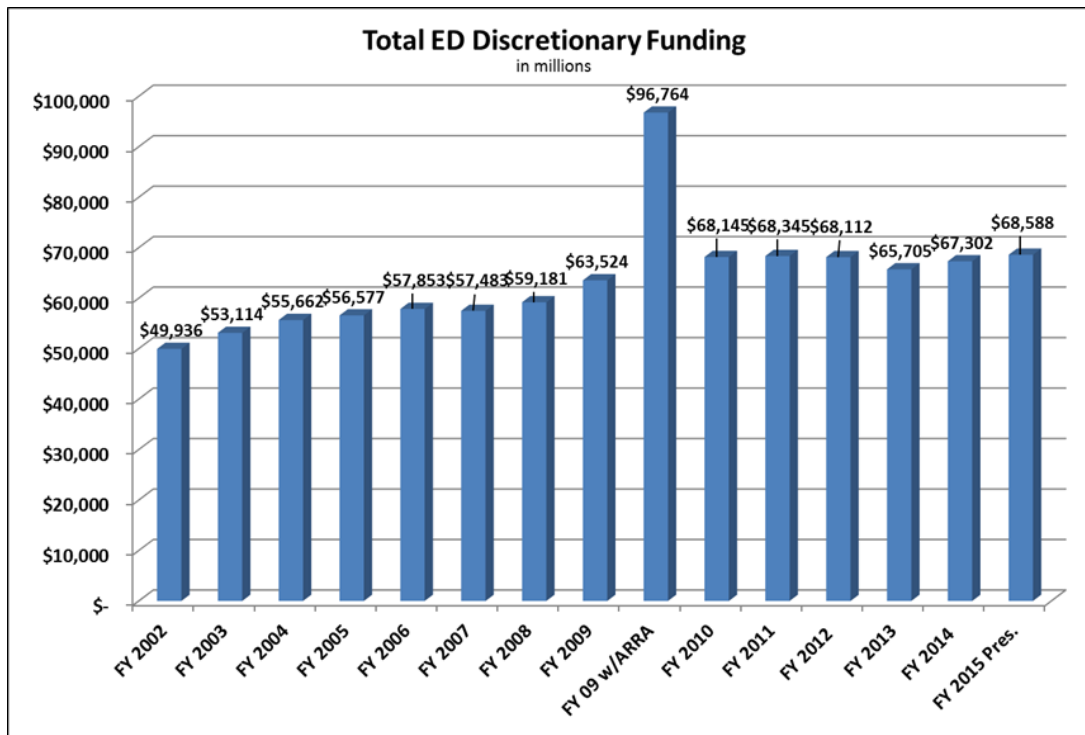
Consolidated Appropriations Act of 2014

- TRIO: \$838,252,000
 - » \$42,254,000 increase
 - » \$1.7 million below pre-sequester level
- GEAR UP: \$301,639,000
 - » \$15,204,000 million increase
 - » \$600,000 below pre-sequester level
- Direct Loan Origination Fee Increases Remain in Place
 - » Loans First Disbursed on or After December 1, 2013:
 - Stafford Loans: 1.072 percent
 - PLUS Loans: 4.288 percent
- No Changes to Reductions in Iraq-Afghanistan Service Grants and TEACH Grants



President's FY 2015 Budget

- \$1.3 Billion Proposed for Education Programs
 - » Increase of 1.9 percent
 - » Would put discretionary education spending at its non-stimulus high water mark



President's Budget (cont.)

- Proposal to Increase Maximum Pell Grant for 2015-16 Academic Year to \$5,830
 - » \$100 increase
 - » 143,000 additional recipients
 - » \$42 increase in average grant – to \$3,826
- Proposed Changes:
 - » Implement a new satisfactory academic progress requirement
 - » Allow students who have not graduated high school, but are enrolled in a career pathway program, to receive Pell
 - Students must be co-enrolled in a high school and postsecondary program
- Proposes Level Funding for Other Student Aid Programs



President's Budget – Old Stuff

- Revise Perkins Loan Program and Convert Perkins Loans Terms to Direct Unsub Loan Terms
- Revise Campus Based Allocation Formula to Reward Cost Reduction and Success in Enrolling Graduating Pell Recipients
- Programs to Encourage Innovation and Cost Reduction

President's Budget – New Stuff

- Pay As You Earn (PAYE) Repayment Plan
 - » Proposal to make all FFELP and Direct Loan borrowers eligible
 - » For new borrowers on or after 7/1/2015, PAYE would be the only income-driven repayment option
 - » Modify PAYE formula to eliminate unintended benefits for high income, high balance borrowers
- Proposal to Limit Public Service Loan Forgiveness to \$57,500 (aggregate limit for independent undergraduates)
 - » “...protect against institutional practices that may further increase student indebtedness”
 - » Establish 25-year forgiveness for amounts above \$57,500
 - » Counting only payments made via an income-driven repayment plan towards PSLF
- Proposal to Make **All** Loan Forgiveness Amounts Exempt from Taxation



President's Budget – College Opportunity and Graduation Bonus

- Schools Could Receive an Annual “Bonus” Grant
 - » Based on number of on-time Pell graduates
 - » Other criteria for “bonuses” include:
 - Adopting best practices to improve college access and success for low income students
 - Improving outcomes while reducing costs
 - Using technology to accelerate improvements
 - Establishing accelerated learning opportunities

Reauthorizing the Higher Education Act

- Hearings Still Underway in House and Senate
- Senate Accepting Public Input on Current Hearing Topics
- Possible Release of Draft Bills This Year
- Legislative Action is Unlikely, but Not Impossible
 - » Possibility House Education and the Workforce Committee could consider a bill
- Maybe 2015? 2016? 2017?....
 - » Process is complicated by pending retirements of Sen. Tom Harkin & Rep. George Miller
 - » Rep. John Kline is technically term-limited



Potential Reauthorization Issues

- One Loan, One Grant
- FAFSA Simplification
 - » Prior-prior year
 - » Limited data elements
- Reducing Regulatory Burden
- Serving “Contemporary” Students
- Consumer Disclosures
- Income-based Repayment
 - » Fewer options, simpler enrollment
 - » Mandatory enrollment
- Expanding Experimental Sites
- Reducing Regulatory Burden
- Restoring Summer Pell
- Student Loan Servicing
- Institutional Risk Sharing on Student Loans



Other Issues

- Know Before You Owe Act
 - » Require FAAs to certify private student loans
- Student Loan Borrower Bill of Rights
- Federal Loan Refinancing
- Shopping Sheet
- President's College Rating System

Springing Into Action...

- Budget Battles Continue
 - » Student loan funding continues to be at risk
 - » Pell Grant will begin running a shortfall in the near future
- Breadth of Reauthorization Issues Expands
- Student Debt and College Costs Continue to Make Headlines
- Don't Take Congressional Support for Granted
- PASFAA GRC Going to DC in May

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