2021 Federal Policy Update

Speaker 1: Welcome and thank you for joining today's federal policy update. Now the host and moderator of today's event, Fred Stennis, Outreach team supervisor. Please go ahead.

Fred Stennis: Thank you, thank you, thank you. Good afternoon, everyone. I'd like to first welcome you all to our 2021 FSA webinar series. As was mentioned, my name is Fred Stennis. I'm the supervisor for the customer outreach team here at Federal Student Aid. We hope you all had a great summer and everybody is keeping safe, just want to make sure we make a note of that. We will continue our webinar series this month of August with one of our most exciting and popular topics, our annual federal policy update. We're excited to have again this year as presenters Miss Cynthia Hammond, Director of Policy Implementation Liaison Group, and David Musser, Director of Policy Liaison Innovation Group here at FSA. Next slide. [inaudible 00:01:02] go back one slide prior. I'm sorry, the agenda slide is fine. Move forward.

We're going to cover today several topics. You see here on the screen our agenda: negotiated rulemaking updates, distance education and innovation regulations, and COVID-19 waivers and flexibilities, legislative updates as well as operational updates and reminders. At the end, we'll go over Federal Student Aid tools and resources, followed by some Q&A, questions and answers for our audience. As I said, we're excited to have our presenters Cynthia and David here.

We want to go over now a few housekeeping notes. All questions during the presentation should be sent to the following email address. Next slide. That email address is fsaoutreachwebinars@ed.gov. Again, that's fsaoutreachwebinars@ed.gov. At the conclusion of the webinar, we will share some of the questions and answers and give our presenters an opportunity to provide some additional information just for you. It's important to note that those who aren't able to join us live on this webinar, in real-time today. It will be recorded and available on the Financial Aid Toolkit website in one or two weeks and that address again is www.financialaidtoolkit.ed.gov. We will repeat that again later for you. We'll also provide you with a PDF version of the PowerPoint slides as well as a brief survey we'd like you to complete at your leisure. Now that we've taken the time to go over a few logistics, let's begin. I'd like to introduce our first presenter, Miss Cynthia Hammond. Cynthia?

Cynthia Hammond: Thank you, Fred. If you can go to the next slide? I actually believe that David Musser is going to start us off today.

David Musser: That's right. Thanks so much, Cynthia. First, thanks so much for having us today, and thanks Fred, for the introduction. We're pleased to join you for this federal policy update, where we're going to share some information about a number of actions that the department has taken recently as well as Congress, related to the Federal Student Aid programs and give you some information about how those actions may affect you and your students.

Let's start by talking about the negotiated rulemaking process. Next slide. Negotiated rulemaking is a process where the department creates new regulatory requirements. It begins when the Department announces its regulatory agenda and holds public hearings on that agenda. The Department first announced that agenda in a May 26, 2021 Federal Register notice. That notice indicated that the Department intended to convene multiple negotiating committees to develop proposed regulations on affordability, institutional accountability, and issues related to federal student loans. The Department has already held a number of hearing on that regulatory agenda. We also requested nominations for negotiators in August 10th notice. Once the department nominates negotiators, we will convene negotiated rulemaking committees that will discuss those issues in great detail and arrive hopefully, at a consensus on them, but in any event, the Department will then publish another notice describing its intended regulations and the process will move on from there.

One thing to keep in mind is that because of the master calendar requirement in the Higher Education Act, any new regulations that are published prior to November 1, 2022, will not take effect until the following July 1st. Given that time frame and the time frame for holding negotiated rulemaking, it's likely that any new rules that come out of that process won't take effect until July 1, 2023. Next slide.

Here's the full list of topics on the Department's proposed regulatory agenda starting this year. I'm not going to go through the whole list, but we wanted you to just get a sense of all of the various issues that the Department is considering in this regulatory effort. Next slide.

Now, let's turn to the new regulations that were already published last year and became effective on July 1, 2021. These regulations were part of several major regulatory packages that were published following the Department's rulemaking efforts in the winter and spring of 2019. An important note here, even though the name of these regulations is distance education and innovation, there are numerous requirements in these regulations that apply to all institutions and programs, not just those programs offered using distance education. It's a common bit of confusion that we hear all the time, but we want you to know that a lot of these issues in this regulatory package apply to all colleges and students. Next slide.

These regulations modified numerous definitions that apply elsewhere in the regulations and among these were definitions of clock-hours in distance education environment, a more comprehensive definition of distance education, and some slight revisions to the definition of credit hour that incorporate longstanding guidance by the Department.

The Department also added a number of new [inaudible 00:06:38] definitions, including academic engagements, which describe the kinds of things the Department considers to qualify, for example, as academic attendance. We also added a definition of juvenile justice facility to formalize some guidance that we had published years ago regarding students who were incarcerated in those facilities. This process took place in a notice of rulemaking that was published on April 2, 2020, and final rules were published in a Federal Register notice on September 2, 2020, and they were effective this recent July. Institutions in some cases were already implementing these prior to July 1st because they were allowed to early implement the regulations. Next slide.

I want to go through a couple of really important changes that you might want to be aware of. In these regulations, there were some significant changes to the return of Title IV funds requirements. As you may know, these were requirements that apply when a student ceases attendance before the end of the term or payment period at a postsecondary institution.

The first major change was a set of exemptions that allow schools to avoid treating students who have withdrawn in a couple of specific circumstances. Based on these new regulations, a student is not going to be considered withdrawn if the student completes requirements for graduation prior to completing all the days that they were scheduled to attend in the period. They'll also not be considered withdrawn if they successfully complete modules that comprise 49% of the days in the period, and they also won't be considered withdrawn if they complete half-time coursework in a given term. This was intended really to ensure that students who completed a certain amount of coursework weren't treated as withdrawn, and they won't have their Title IV aid sent back to the Department as they had in the past.

The other major change is the way that schools determined the denominator of the calculation, and from going forward, schools will only include the days and modules that include coursework that was part of the school's determination of the student's Title IV eligibility for federal student aid. Next slide.

Some other big changes were to the Satisfactory Academic Progress requirements. First, for purposes of the maximum time frame and quantitative or pace evaluation for Satisfactory Academic Progress purposes in programs that are offered using credit hours, institutions can now use credits completed over calendar time rather than using credits completed over divided by credits attempted, and that was the only standard permitted until these regulations. Remember that using credits completed over calendar time is a strict standard. It means that students will have to complete a certain amount of coursework, no matter what, even if they go part-time for a certain period if the program is a full-time program. These changes are optional so some schools may decide to adopt the calendar time method of calculating a student's satisfactory progress. Other schools may decide that they don't want to do that and they want to stick with their original policy, and that's fine too. They're not required to shift its policy.

The other change here is that institutions are not required to maintain a pace evaluation for non-term credit or clock-hour programs. That's a big change, that used to be that they had these pace requirements in place, and so some schools may decide to remove these requirements from their Satisfactory Academic Progress policy. As I mentioned before that, along with the other requirements for Satisfactory Academic Progress, are all optional, so schools may or may not decide to make these changes, but they have a bunch of new options under these regulations. Next slide.

We held a number of webinars describing these changes in the regulations. One of them was on Satisfactory Academic Progress and return of Title IV funds, the issues I just mentioned. Another one was on distance education and institutional eligibility, and the final one was on subscription-based programs. We held most of these in the spring.

This last topic, subscription-based programs, describes a new type of academic calendar that was introduced in the regulations published in September 2020, for students to attend on a subscription basis and to take any coursework that they like during that period that they subscribed to the college. This is a type of program that is most commonly associated with competency-based programs. The use of these calendars is also entirely optional, so schools may or may not decide to use them, but we wanted to make you guys aware of them because this is something that schools may decide to use more in the future.

If you're interested in this, we encourage you to check out these webinars. For more information, you can find the slides, recordings, and transcripts for these webinars at the Office of Postsecondary Education's Negotiated Rulemaking web page. You see that link here on the slide, and FSA's training center. You can also find additional details in Dear Colleague Letter ANN-21-07. We have the link there at the bottom. Onto the next slide.

Now let's go through some of the Department's COVID-19 waivers and flexibilities, most of which are still applicable because the national emergency for the COVID-19 pandemic is still in effect. Next slide.

As you may know, reliefs for the pandemic took many forms. One of those was the Higher Education Emergency Relief Fund or HEERF. There were three separate laws that provided funds under HEERF. First, the CARES Act passed in March 2020, then the Coronavirus Response and Relief Supplemental Appropriations Act signed into law on December 27, 2020, and most recently the American Recovery Act, which was passed on March 11th of this year. You can find more information about HERRF and the requirements for each iteration of that program at the website at the top of the slide. There's also a link to guidance published by the Department's Office of Inspector General, on expectations for compliance for audits for the HEERF program, so schools will be interested primarily in that one.

But the Department is also provided guidance on a variety of different relief and flexibilities, specifically for the Title IV programs. This can generally be found at the two links at the bottom of this slide. These cover a lot of ground, including distance education flexibilities and return of Title IV funds, Satisfactory Academic Progress to specifics about verification, and campus-based programs. We're not going to go into all of that now, but if you're interested and you want a fuller description of the Department's COVID-19's relief effort, you can do our presentation on that topic from the 2020 Federal Student Aid Conference at fsaconferences.ed.gov, and make sure that you check out these websites for all of the information here. Next slide.

I do want to go through some of the most recent communications and updates related to the pandemic. Most of the relief and waivers provided to COVID-19 are tied into the national emergency like I just mentioned, and because that emergency remains in effect, most of the COVID-19 flexibilities and waivers also remain in effect. We understandably got a lot of questions about how long the flexibilities will last, and whether schools need to start complying with normal requirements in the future. But at this point, most of the flexibilities will stay in effect at least until the end of the national emergency. If you have questions about that, keep an eye out for whether the national emergency is still in effect.

The most complete resource for the time frames and flexibilities that we've offered for COVID-19 can be found in an electronic announcement that the Department published on January 15, 2021, and that attachment includes a chart of flexibilities, the specific guidance documents where they were explained, and the time frames for each flexibility. The only thing it doesn't include are some more recent announcements related to verification, but we're going to talk about this in a second, and the extension on the suspension of repayment, which has now been extended all the way through and still of the beginning of next year.

The Department also provided some clarifications on the CARES Act and relief for return of Title IV funds in an electronic announcement published on March 19, 2021, and as you will recall, the CARES Act provides that students who withdraw due to COVID-19 will not have their funds returned under the [inaudible 00:15:41] process and will also not be obligated to repay loan disbursements that were provided during the period when they withdrew. The Department allows schools to consider all students to have withdrawn due to COVID-19 during any payment period so they had student [inaudible 00:15:55]. Go onto the next slide.

Oh, here's an important piece of guidance that's fairly recent. In Dear Colleague Letter GEN-21-05, published on July 13th of this year, the Department announced some temporary relief from certain verification requirements for the 2021-22 award year. For that award year, schools will not be required to perform verification for students who are selected for the V1 verification group. They will only be required to complete verification for students who [inaudible 00:16:25] V4 or V5 tracking groups. This waiver applies no matter what stage of the verification process that the institution was in for a given student. For example, its documents had been collected or requested but they hadn't completed verification, or if the verification process hadn't started yet, the waivers will apply in all circumstances.

Schools still need to resolve conflicting information, and they'll also need to continue to report valid verification status codes in the Common Origination and Disbursement system for students who are selected for verification by the Department. Specifically, schools can't leave the verification status code blank for students who were selected but not verified under this waiver. In those cases, they need to use the V or S code for students. Note that students selected under V4 and V5 are only required to verify identity and statement of educational purpose and high school completion status. That's what those two tracking groups require for verification. For 2021-22 students who were selected for V5 are not required to verify their number in household, number in college, or any tax and income information. This is a pretty big waiver of requirements for V1 verification, which is really the largest tracking group for verification so it's worth keeping this one in mind when you're working with your students. Slide.

And with that, that'll conclude our discussion of COVID-19 waivers and flexibilities, and I will turn it over to my co-person chair, Cynthia.

Cynthia Hammond: Thanks, David. Thanks. If we could go to the next slide?

I'm going to start by talking a little bit about the Stop Student Debt Relief Scams Act of 2019, otherwise known as the Stop Act. It was passed on December 22, 2020, and its effective date was June 2021. This law says a number of different things. It clarifies that it's a federal crime to access U.S. Department of Education information technology systems for fraud, commercial advantage, or private financial gain. It fines violators up to $20,000 or up to five years in prison or both.

How we plan to implement these provisions is we're going to update the warning language seen on U.S. Department of Education website and actively pursue legal actions against violators. The law also requires exit counseling to warn student loan borrowers about debt relief companies and inform them of the services that the Department offers for free. The Department has updated our exit counseling materials already and will be updating information on studentaid.gov as well. We also encourage schools to update any exit counseling, interest counseling information that they have to warn against third-party debt relief companies.

The Stop Act prevents improper access to the Department's data and our system to ensure that those engaged in unfair, deceptive, or abusive practices cannot access our system. We already had a system in place to detect suspicious activities and act on that, but we're in the process of making sure that all of the system complies with the law, and that all of our servicers' systems do as well.

Finally, the law requires that the Department create or maintain reporting detection prevention activities including, like I said, all those servicers' systems. Although we've done some of this, there's always more work to do in the world of cybersecurity, so we're going to continue that work as well. Next slide.

The annual appropriations law provides the funding amounts for our Title IV student aid programs. The Fiscal Year 2021, the appropriations bill was passed in late December as the Consolidated Appropriations Act of 2021. In many cases, appropriations bills also contained additional authorizing legislation, and in this case, that legislation, the Consolidated Appropriations Act, included the FAFSA Simplification Act, which made major changes to the process of applying for federal student aid. We'll talk about the FAFSA Simplification Act in greater detail in a few minutes. Let's first discuss one other change to the Title IV programs in the Consolidated Appropriations Act, and that's to the Pell Grant program. Next slide.

The increase to the maximum Pell Grant award amount. This increase of $150 represents the second year that the maximum award increased by $150. You can find additional detailed information and the Pell payment and disbursement schedules on the FSA Knowledge Center, which was formerly the information from the financial aid professionals website, or IFAP. I'm sure David will agree with me that occasionally we still slip up and call it IFAP. We're trying to get with the new phrase for which is the FSA Knowledge Center as FSA continues to improve all of our system. Next slide.

Now let's turn to the FAFSA Simplification Act itself. The law represents a significant overhaul of federal student aid, including the free application for federal student aid or FAFSA form. It changes need analysis and many policies and procedures for schools that participate in the Title IV program. The new law works together with the Future Act to make the FAFSA application simpler and takes numerous other very significant steps to change how federal student aid programs work.

On the next few slides, we'll explain the relationship between the Future Act and the FAFSA Simplification Act, and then discuss the specific provisions of the FAFSA Simplification Act itself. Next slide.

First, I want to review the Future Act, as it's foundational to the implementation of the FAFSA Simplification Act. The Future Act was passed back in 2019 and included a number of provisions that are designed to ensure that data from the IRS can be used to facilitate various processes at the Department that rely on tax information. Not just the FAFSA, but calculation and recertification of income-driven repayment plans, confirmation for income for total and permanent disability discharge, and other processes. The Department's efforts to implement the Future Act have been expanded to include FAFSA Simplification Act as well. Next slide.

On June 11th, FSA announced that we're working with Congress to implement a phased implementation of the FAFSA Simplification Act. Since December, we have been analyzing the impact and planning for implementation of these laws. Many of the provisions in these laws are critical to students and families and will provide much-needed relief to the 20 million students and families who fill out the FAFSA each year. Improving the financial aid process for students and their families and increasing access to student financial aid are important priorities for the Department, and we're committed to implementing these bill's provisions absolutely as quickly as we can.

Our first priority must be to ensuring that students and families have reliable, continuous access to the FAFSA so they can receive financial aid each year without disruption. Many of the changes required under the FAFSA Simplification Act in the time frame required by that law would have created significant risk to the timely and dependable delivery of student aid. To simplify the FAFSA and improve the delivery of student financial aid as quickly as possible without endangering the ability to provide reliable access to that financial aid, we at the Department had developed a plan to implement certain provisions of the FAFSA Simplification Act early or on time and to delay others.

The first stage of the Department's implementation effort involves the repeal of the Subsidized Usage Limited Applied or SULA calculation for the 2022-23 award year. As I read that, I realized that that should actually be the 2021-22 award year because we have... This early implementation will expand access to subsidized loans and relieve administrative burden on institutions. We also have eliminated the eligibility limitations associated with drug convictions or failure to register with the Selective Service. I'll talk more about that in just a minute. We're working with our partners in Congress to explore providing the Department flexibility to implement other provisions of the FAFSA Simplification Act early, or as originally planned. In particular, the Department plans to launch the complete new financial aid formula, the Student Aid Index by the 2024-25 award yard. We are working closely with relevant congressional offices to keep them apprised of the timeline for implementation and to address any questions or concerns that they may have. Next slide.

I mentioned we're implementing the SULA repeal early. Since 2013, the Department's statutory requirements have limited a first-time borrower's eligibility for direct subsidized loans to a period not to exceed 150% of the length of the borrower's educational program. Under certain conditions, the requirements have caused first-time borrowers who have either met or exceeded that 150% limit to lose the interest subsidy on their direct subsidized loans. The FAFSA Simplification Act provides for a repeal of that 150% Subsidized Usage Limited Applied requirement.

While the majority of the changes will be to the Department's system, there are several operational impacts for schools to consider in the immediate future. One of the things that we told schools is if their processes or systems had any flexibility, we encouraged them to disperse new direct subsidized loans on or after July 1st of this year, to ensure that borrowers receive the maximum benefit of this regulatory change. If schools produce their own interest or exit counseling materials, they should also remove all information about SULA and the loss of subsidy. Other school-produced material, such as letters, web content, or internal procedures should also be evaluated and updated at the earliest point possible. As I mentioned before, this repeal is something that we have chosen to implement early and is in effect currently. Next slide.

The department published a Dear Colleague Letter on June 11th, followed by a Federal Register notice on June 17th, regarding early implementation of the removal of the Selective Service and drug conviction requirements for Title IV eligibility. To make Title IV aid accessible to as many students as soon as possible, we decided to implement these changes in three phases across three award years. Starting this year with the 2021-22 award year, then there will be some additional changes in 2022-23, and finally in the 2023-24 award year.

For the 2021-22 award year, of course, the FAFSA cycle is already well underway so the selective Service and drug conviction questions, as well as the option to register with the Selective Service via the FAFSA, will remain on the FAFSA form. However, failing to register with the Selective Service or having a drug conviction while receiving federal Title IV student aid will no longer impact a student's Title IV aid eligibility. Schools and students will still see comment codes related to Selective Service and drug conviction issues. Like I said, we were too far along in the process to be able to change that, and those comment codes are still going to include messaging that a resolution is required to regain eligibility for federal student aid.

For the Institutional Student Information reports received on or after the implementation date, institutions must ignore those comment codes and the messaging requiring resolution and proceed to award and disperse student aid to these students if they are otherwise eligible. However, while we're recommending it, institutions are not required to go back, reprocess, repackage or award additional aid for ISIRs that they received for the 2021-20 award year prior to the implementation date, unless it's requested by the students.

One of the things that we're doing is proactively sending emails to students who are associated with the 2021-22 ISIRs that were received prior to the implementation date and who were determined to be ineligible based on their answers to Selective Service and drug conviction questions informing... These emails that we're sending out to the students are informing them about the changes in the law and their potential eligibility for Title IV aid. The emails were to direct students to contact their institution's financial aid office. That's what we're doing for 2021-22.

For the 2022-23 award year, we're going to continue implementation of the removal of Selective Service and drug conviction questions. However, we also are pretty far along in processing the 2022-23 FAFSA. We're deep in development for that, and so the Selective Service and drug conviction questions, as well as the option to register with Selective Service via FAFSA is going to remain on the FAFSA for the 2022-23 award year. Institutions will still take comment codes for Selective Service issues and drug convictions, which they may ignore and may not use as a reason to deny Title IV aid to any student. The text of these comment codes is going to change in 2022-23, however. It's going to very explicitly say that no further action is necessary on the part of the student or the institution.

For the 2023-24 award year, the Department plans to completely remove both the Selective Service and the drug conviction questions from the FAFSA as well as the option to register with the Selective Service via the FAFSA. We're also removing any associated comment codes and the messaging that indicates a resolution is required.

It's going to take several years to get to the point where it's completely removed from the FAFSA, but we are in the process of doing that. The good news is that right now students are not going to be denied aid if they failed to register for Selective Service or have a drug conviction will all receive Title IV aid. Next slide.

So now let's turn to some of the other provisions of the FAFSA Simplification Act. Perhaps the most public and significant change will be the elimination of the Expected Family Contribution, or EFC, which will change to the Student Aid Index, or SAI. Unlike the current EFC, which is used to calculate eligibility for all federal need-based aid, the SAI will be used to calculate eligibility for need-based aid except for the Pell Grant minimum and maximum. SAI will be used to determine the Pell award amounts that are less than the maximum, but more than the minimum. I'll talk a little bit more about that in just a minute. The concept of Student Aid Index is not new, and a similar term was used prior to 1984 before it became the Expected Family Contribution. Next slide.

Not only will students and families see a different measure of their ability to pay for college, but there will also be a change in the methodology used to determine aid. The new need-based analysis formula will remove the number of family members in college from the calculation, allow a minimum SAI of negative 1,500, so it won't be a zero as it is with EFC. It will only consider income information that is available from the IRS.

The SAI includes three additional asset categories in the calculation of total assets. There's trust, stocks, bonds, derivatives, securities, mutual funds, tax shelters, and qualified educational benefits, that's all one category. Then the second category is child support received, and finally, the net worth of real estate, vacation homes, and income-producing properties. These will be new categories of assets considered. It's also worth noting that the SAI proposes a more generous assets [caption 00:34:52] allowed. Applicants who were not required to file a federal tax return will receive an automatic zero SAI. Similarly, applicants who qualify for the maximum Pell under the new threshold calculation will also have an SAI of zero. Next slide.

The revised Pell Grant formula uses several calculations to establish eligibility for the maximum Pell Grant and minimal Pell Grant, which is still 10% of the maximum, and it uses a sliding scale based on SAI to establish eligibility for Pell Grants, which mean the minimum and maximum award.

Minimum and maximum awards for a Pell Grant will be calculated as a function of the student's dependency status, marital status of the student or student's parents, the adjusted gross income, family size, state of residence, and the poverty guideline values. As always, there's some exceptions to these, but that is generally how the Pell Grants work. To give you an example for a dependent student whose parents are single, maximum Pell Grant eligibility will apply when the family's combined adjusted gross income is equal to or less than 225% of the applicable poverty guideline. Minimal Pell Grant eligibility will apply when the combined adjusted gross income is equal to or less than 325% of the applicable poverty guideline.

The overall framework for the formulas is the same for independent students and students whose parents have different statuses, who aren't single. There's different percentage of poverty guideline values depending on the student family status. The students who are eligible for a Pell Grant that is less than the maximum Pell but more than the minimum, the amount that the student will be eligible for is the amount of the maximum Pell Grant less the greater of the Student Aid Index, or 0.

Another important provision of the FAFSA Simplification Act is that eligibility for programs has been expanded to include confined or incarcerated students enrolled in an eligible prison education program offered at a public or nonprofit institution that has been approved to operate by the appropriate state Department of Corrections or entity responsible for overseeing correctional facilities in that state. That's another group of students that will be seeing Pell eligibility increase. Even though SAI and the Pell maximum, we're looking to delay that provision to allow incarcerated students to become eligible if there in an eligible prison education program will be in effect in the 2023-24 award year, so on time. Next slide.

The FAFSA Simplification Act expands relief for students who received Pell Grants at a school that closed through restoration of the Pell Lifetime Eligibility. In other words, Pell Grants received while attending that institution that closed will not count towards the 12 semester or equivalent limit. It further extends eligibility for restoration when eligibility for the Pell Grants is falsely certified and when the recipient had a loan discharge due to borrower defense claim. Next slide.

Now, for a few operational updates that are not as a result of changes in legislation, or at least not as directly related to changes in legislation. Next slide.

Under Section 43 of the Higher Education Act, data collected through the FAFSA may only be used for the application, award, and administration of higher education Title IV program aid, state aid, or aid awarded by eligible institution or an entity designated by the Department of Education. However, the Secretary may designate other entities to receive FAFSA information and has done so to help administer certain public benefits programs that were created or expanded due to the pandemic.

The administration has encouraged the whole government approach to communicating and coordinating available benefits. You will see here as well as interagency coordination requirements that are included as part of the FAFSA Simplification Act. An institution of higher education may use information from the FAFSA in combination with their packaging policies to provide information to students about any of these programs or to provide student information to these agencies for the purpose of administering these programs. For SNAP, that also includes local and state SNAP agencies, not just the federal agency. I would not be surprised if we would see several more of these in the coming months. We really are taking a more holistic approach to public benefit. Next slide.

The Interest Rates. for Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans first disbursed on or after July 1st of 2013, they have fixed interest rates that are determined in accordance with formulas that are specified in the Higher Education Act. The interest rate is determined annually for all loans first dispersed during any 12-month period beginning on July 1st and ending on June 30th, and is equal to the high yield of the 10-year Treasury note auctioned at the final auction held before June 1st of that 12-month period plus a statutory add-on percentage that varies depending on the loan type, whether it's subsidized or unsubsidized, you're fine. Most disburse during a different 12-month period may have different interest rates, but the rate determined for any loan is the fixed interest rate for the life of that loan. The table on this slide provides the federal loan interest rates for the 2021-22 award year. Next slide.

Because the Budget Control Act of 2021, sometimes known as the Sequester Law, remains in effect. Sequester-related increases to direct loan origination fees apply to both loans and grant awards where the first disbursement is on or after July 1, 2021, and before October 1, 2022, so that's the federal Fiscal Year 2022. For Fiscal Year 2022, the sequester-related changes are the same as they were in this year, in Fiscal Year 2021. The sequester-related changes apply to loans and grants where the first disbursement is on or after October 1, 2020, and before October 1, 2021. As you can see, the origination fees have not changed and the reductions of certain grant programs also will stay the same. They have not changed. Next slide.

Finally, we posted Dear Colleague Letter GEN-21-02 back in January. This letter reminds financial aid administrators of their ability to use professional judgment in determining eligibility of students for federal student aid. It encourages aid administrators to consider the special circumstances that may arise for students and families during the ongoing COVID-19 pandemic, especially as they relate to unemployment and reductions in work.

Last week we updated the Dear Colleague Letter, and I'm going to quote a sentence or two from it. There's a part... "In an effort to support the economic recovery and provide real educational and economic opportunity, the Department of Education and Labor are partnering with states to ensure unemployment insurance recipients are aware of their potential eligibility for Pell Grants and other funding and should encourage them to enroll in postsecondary education." So FAAs are encouraged to set the income earned from work to 0. They're also encouraged to make other adjustments to AGI to make certain students have the aid that they are entitled to. The letter goes on to provide some examples of things that could be used as documentation, such as an unemployment letter from the Department of Labor, or from the state, or online records from a state unemployment agency. Schools have always had the ability to do professional judgments and this update just encourages them to continue that practice and alerts them to the new letters that are going out from the Department of Labor. Next slide.

And with that, I'm going to turn it back over to Fred Stennis. Fred?

Fred Stennis: Oh, yeah. Thank you. That was so great, Cynthia. Thanks for that powerful information. David, you as well. We appreciate those comments and those updates and so forth. I'm sure everybody got a chance to take their notes. I want to remind folks that we will be sending out the PowerPoint presentation at the conclusion of today's presentation, so if you're registered, you're okay.

We've got about 15 minutes to go over a couple of questions that have come in. Here's one. Can an incoming college freshmen apply for funding under the CARES Act funding? That's a question I guess we don't know.

Cynthia Hammond: [inaudible 00:45:30].

Fred Stennis: Can you hear me?

Cynthia Hammond: Well, I was waiting to see if David was going to take that one.

Fred Stennis: Okay. I guess he just wants to know if-

Cynthia Hammond: David, you're muted.

David Musser: No, I'm online now.

Fred Stennis: ... Okay.

David Musser: I think... Yeah, we were just talking about HEERF, which is the CARES Act funding. Cynthia, you might be the better person for this one because you've worked more closely with that program.

Cynthia Hammond: All right. David and I work a lot of these issues and work together on a lot of things, but you're right. Yes, a freshman could get HEERFA Act funding if their education was disrupted in some way due to COVID-19. Because this is an ongoing pandemic, that could be possible. The school would have to make the determination that there was some disruption based on COVID-19 and then yes, an incoming freshman... It is possible that they would be eligible.

Fred Stennis: They need to follow up with their financial aid administrator and find out what the process is for that.

Here's another interesting question. They want to know about the demo site. Is that still going to be on schedule for the 2022-23 year to come out? It typically comes out on September 12th, I believe, is the demo site. Is that still on schedule? Do we know about that yet?

Cynthia Hammond: For the FAFSA?

Fred Stennis: Yes.

Cynthia Hammond: Is that what they're talking about?

Fred Stennis: Uh-huh (affirmative), yes.

Cynthia Hammond: Yes. I believe that is still on track.

Fred Stennis: Okay. Good, good, good, good, good. Is there an update on when the new version of EDconnect will be required to be loaded? Do you know anything about that? EDconnect? The software, I guess, that financial aid administrators use to train on?

Cynthia Hammond: Right. I do not the answer to that one. We might have to check with some of our operational folks on that one.

David Musser: And we'd be glad to get back to that person.

Fred Stennis: Yeah, we'll make [inaudible 00:47:37], sure will. How about this one? Regarding the V1 waiver for the 20-21, effective July 13, would that apply to a student that began class in October 2020 that has not completed V1 verification?

Cynthia Hammond: It would. Got to be quite a long time in between when they started classes and didn't verify, but yes, it absolutely would-

Fred Stennis: Okay. Okay.

Cynthia Hammond: ... would count for that person, anywhere where they were in the process.

Fred Stennis: Okay. Okay. You spoke earlier about Selective Service, one of the changes for the current application.

Cynthia Hammond: Mm-hmm (affirmative).

Fred Stennis: Can a student just leave the Selective Service information blank?

Cynthia Hammond: No, they do have to fill out the Selective Service information on the FAFSA. The way that the FAFSA operates, you're not able to just leave it blank, and particularly, in the online version, you have to answer the question.

Fred Stennis: Okay.

Cynthia Hammond: The good news is whatever the answer is, isn't going to affect their Title IV aid.

Fred Stennis: Excellent, they won't be penalized.

We've got one more. Is a student with a weapon-related or felony conviction eligible for Title IV funds?

Cynthia Hammond: They are. The only provision that was in the statute that prevented students from getting Title IV aid based on a felony conviction was for drugs and it actually was a ... It used to be, but it is no longer, used to be a tiered approach. Sometimes it depends on... You had to be receiving Title IV federal aid when you did whatever the crime was, and then there's the shared approach. If you went to drug rehab, then you could regain your Title IV legibility. However, as of now, we no longer have that provision.

Fred Stennis: Excellent, excellent, excellent. Here's one. Does anything change here for students with, say separated parents? Custodial parent determination? Can you explain or maybe propose... Are there any new proposals or changes upcoming that we need to know about? I guess they're wanting to know what the impact would be on the FAFSA if a parent's student selected their marital status as separated parents.

Cynthia Hammond: Yeah, that's kind of a broad question. There's a lot of different factors that go into the Student Aid Index that's going to determine how much aid a student would get, so I think that we're going to have to defer answering that question until more information on the Student Aid Index itself comes out, and then we can see what if any changes there might be based on different marital statuses.

Fred Stennis: Okay, thank you very much. Let's move on to the next slide in the presentation.

I want to cover a few things in the few minutes we have left. Federal Student Aid Tools and Resources. Next slide.

I want to make sure that everybody on today's call are familiar with all our social media channels. We're on Facebook, LinkedIn, Instagram, Twitter, and YouTube. We strongly encourage you to contact our customer service department if you have any questions at 1-800-4-FED-AID or 1-800-433-3243. We are on social media and you can engage with us at any time. Our Twitter handle is @FAFSA. Our name on Instagram is @federalstudentaid, as well as LinkedIn at @federalstudentaid. And on YouTube, with lots of interesting videos, we're at @federalstudentaid, and Facebook, @federalstudentaid. Again, we're on various platforms. We want you to be encouraged and check us out. Next slide.

Also, again, reminding folks that our webinars series will continue and our next webinar is going to be scheduled September 30th at 2:00 to 3:00 PM Eastern Time, that's a Thursday. The topic will be the 2022-23 FASFA updates, so you don't want to miss that exciting presentation scheduled for you. Again, the date is Thursday, September 30th, at 2:00 PM Eastern Time, and that will be the next webinar that we host in our series. Next slide.

Again, a reminder also, that we will be sending out to everyone who is registered a copy of today's PowerPoint presentation as well as a survey so, please, the link is here on the slide. You can copy it down or if you get the email, we really would appreciate your comments and your information as it relates to our services and products. Let us know how we're doing. We appreciate your responding to the survey when it comes to you. We hope today's presentation has been an exciting one, interesting one. It has been for me to learn a lot of new details today for next year. Again, tune into our webinars. Next slide.

We answered a few questions. We don't seem to have any more coming in, so that's going to pretty much conclude today's session. We want to thank Cynthia Hammond and David for joining in, and we always appreciate your expertise. We really look forward to... Hopefully, you'll join us again in the future. With that said, we're going to go ahead and conclude today's webinar. Again, thank you for joining.

Speaker 1: That concludes our conference. Thank you for using Event Services, you may now disconnect.