

## ***New Federal Student Aid Processing Requirements***

The Weber team is working to educate the institutions we represent to help each representative understand what the documentation needs are to serve students selected for verification and other reporting/processing requirements. We hope that you understand that “because of regulation” is not the complete answer.

Having observed these activities over many years we have learned to look beyond regulation and try to understand why. Dr. Carl Hammack, a retired U.S. Department of Education official, now an associate at Weber & Associates, and I have discussed how the social issues that have become enmeshed in the delivery of federal student assistance have so unfavorably affected the federal programs. Together we have over 70 years’ experience in federal student assistance and higher education so, we try to look at the overall picture not just the problems and federal solutions.

The easiest quick answer is a straightforward and blunt answer, “**society**”. Yes, society has changed, Congress passed the Consolidated Appropriations Act of 2012 and the U.S. Department of Education (ED) has subsequently implemented the resulting new regulations. There are those who will say “society has always been changing so get with it and understand the needs of society.” Thus we always get changes to accommodate the new age society and new rules bring new regulations and new requirements to meet the new regulations. We intend to address some of these issues as we explain the “**causes**”.

### **Haven’t We Always Had Changes in Federal Financial Assistance?**

The answer is obviously yes, but seldom have we had so many far reaching changes like we have seen in recent years. The Consolidated Appropriations Act of 2012 generated the need for some of these changes and “**society**” as mentioned above has influenced others. In this article we will report what has brought about these changes and how they have impacted institution’s processing of financial aid awards.

**During the years following the 2008-2009 recession**, some people used creative, although illegal, means to obtain money from the Title IV Financial Assistance Programs. These alleged students, sometimes organized in groups, complete a FAFSA and enroll in a low cost institution which may not take attendance. Because of the reported financial circumstances they are able to obtain full Federal Pell Grants and student loans for amounts greater than the cost of tuition, books and fees. Once these students received their living expense money they stop attending class and disappear. Mission accomplished for the organized groups.

Within a short period of time these same people (sometimes within days at peak processing periods) repeat these activities at other institutions by revising the institution ID on their FAFSA. And the fraudulent activity continues. The process could be repeated several times before an astute financial aid officer questions the student about his frequent enrollments.

With large numbers of ISIRS to review, understaffed financial aid offices and demands on admissions to increase enrollments, these unscrupulous people go undetected until their student loans default.

**So, what did the U.S. Department of Education do to protect the programs?** As the result of the Congressional action mentioned above, ED established a system to prevent fraud and abuse in the Federal Pell Grant Program by identifying students with unusual enrollment histories. As with other changes we are reporting, ED requires active participation of schools resolving ISIR 'C' codes for students with these enrollment histories.

Please note that because of the success of this effort, the selection of applicants for a UEH Flag has been expanded to consider Direct Loan recipients and the time frame has been expanded from three years to four. (See DCL GEN 15-05 for details)

**Then we have the perpetual students making money by continuous enrollment in the college or university system. We all know, or have heard of students, who seemed to never complete their education and continue to obtain grants and loans for living expenses.** The U. S. Department of Education for many years has been aware of these students so actions have been taken to limit the Title IV programs exposure to these situations. As the result of the passage of the Consolidate Appropriations Act of 2012, both the Pell Grant and Direct Loan programs have new eligibility limitations. The Pell Grant has a maximum "Lifetime Eligibility Use" (LEU) equivalency of six full-time academic years. Direct Loans were also limited as the result of this legislation. Undergraduate students are currently eligible for a maximum subsidized loan for 150% of the program in which they are currently enrolled. Both of these limitations have been put in place to save taxpayers money. People who are defrauding the programs are being limited in their efforts because the schools and servicers are required to be actively involved in a series of activities to prevent fraud and abuse.

It goes without saying that these preventive measures take time and effort. We must now not only check potential Pell Grant recipients for enrollment issues, we must also check students to determine if they have eligibility for a subsidized loan. The March DCL GEN-15-05 ED added an additional year to the time frame (now four years) we must check for both programs for each student identified and flagged on their ISIR.

Additional work which these rules cause:

- When a subsidized loan is scheduled for a student we may not have all of the elements involved with that student such as prior school attendance or prior loans received. When that loan is originated to Direct Loan COD, that loan may be rejected. If the rejection occurs research must be done to determine why and then make adjustments based upon prior school attendance.
- For example a student may have attended another school and enrolled in a program of 900 hours. When they come to your school they would have used most of their Subsidized Loan eligibility and are subsequently limited in the amount of Subsidized Loan which they may receive. This issue takes time to resolve.
- A student may have been enrolled in a degree program and used only a portion of their Subsidized Loan eligibility and when they come to your school they may be in a diploma or certificate program which may require our representative to calculate what subsidized eligibility remains.

**Why has this problem now being recognized?** It is another effort by the U.S. Department of Education to avoid students transferring from one school to another to get more loans thus increasing their chance of being in default of a series of loans while they still do not have an

educational credential to make a living. When students' ability to obtain additional subsidized loans is limited the interest paid on the loans is limited, thus saving tax payers money.

**We are often ask “why have the verification procedures changed from what has been done for many years?** For all practical situations we could now refer to it as “Targeted Verification” as opposed to “General Verification”. Theoretically ED reports that the verification process is simpler. ED is now required to tell schools each year what items are going to be verified and what will be required for documentation. Since the requirements have changed, it is sometimes difficult to change our thinking. Examples of the changes are listed below.

- Bogus IRS forms have been submitted to support verification of data entered in the FAFSA, It has been reported that several institution representatives (not known to be Weber clients) have had blank 1040 forms for prior years available to complete to meet verification requirements. When a verification was required they had the student complete a blank 1040 and submit it as a valid verification document. This has led to the official tax transcript from IRS being the only document of record accepted. With the recent intrusion into the IRS data base students have to file a paper application in order to receive an official tax transcript thus delaying the student's financial aid awards.
- There has been an increase in the number of students and their spouses who each have filed taxes separately and each filed as head of household which is improper. The result of this that one on the family members needs to do a revised 1040. For verification purposes a W-2 earnings form is requested for each person so that the verification process can be completed. We have had several school representatives complain that they have never had to provide W-2 documents before, why now? You now have the answer. Just another delay in an otherwise efficient verification process.
- For 15-16 the U.S. Department of Education has devised an elaborate V-Code system for verification which guides schools to the specific verification items to be reviewed. School representatives can no longer assume that the asterisk (\*) on the ISIR means send a tax form and a verification worksheet. It is now defined in more detail with verification code V1 thru V6. The details of these requirements can be reviewed in Dear Colleague Letter GEN-15-11 found on IFAP. Needless to say that these new requirements, implemented for 2016-17 have caused frustrations and delays in processing. Our customer service teams have been working to train school representatives in the details of these requirements. Institutions using the full Virtual Financial Aid Office (VFAO) process may not need this information as Weber & Associates advises the student via email of exactly what is needed.

Now that we have discussed the new processing issues we must address other requirements. These concerns address most of the above issues which could be included under the heading “REPORTING” and “ENROLLMENT REPORTING”.

#### NEW REPORTING REQUIREMENTS

- CIP Codes are now required to be reported for all students receiving assistance. **Why?** There has been nothing written about this requirement but it is our opinion that identifying the program of study the student is pursuing, tying it to the institution, identifying the institution's default rate, ED may place limitations on those programs with the highest default rates. Therefore it is important for the institution using the Online Start Form to provide Weber with the correct CIP Code. Please remember the CIP Code

you send is the one sent to COD. The VFAO system has the codes on file for the 100% virtual students.

- Program Start and End Dates are now required to be submitted when a student's financial aid awards are submitted. This information is used by COD and NSLDS to monitor the 150% rule for subsidized loans.
- Any change in a student's name, address, and any change in the student's enrollment status must be reported to NSLDS in the bi-monthly Enrollment Status Report (Formerly SSCR Reporting). Weber & Associates has made the SURE Report available for easy reporting of these status changes. Whatever changes institutions make through the SURE reporting system are used by the Weber systems and submitted to NSLDS on the institution's reporting cycle. While this is not a complete change, the additions of items other than enrollment status are very important and the U.S. Department of Education is monitoring institutions responsiveness to these NDSLS requirements.
- Finally, COD has been very diligent in monitoring institution's accounts with COD to assure that funds disbursed and refunds made are in balance with loan and Federal Pell Grant originations. Your Weber team consciously works to assure that the COD accounts for each institution are in balance. This takes a great deal of time and effort and institution representatives can assist us by being sure that refunds made are timely with the reports submitted to Weber to be submitted to COD.

Please know all of us at Weber & Associates are working diligently to accomplish the changes and minimize the additional time to process awards.