Bartnicki Bulletin - CDRs, Pell, Prereqs, R2T4, COA, Third-Party Servicers, Training

The CDR benefits (single disbursements and 30 day exemptions) are based on the school's three most recent fiscal years for which official CDRs are available. These can be made up of 2 or 3 year rates IF both rates exist for a given Fiscal Year (FY). A school must pick one rate (either the 2 year or 3 year rate) to be used for each FY. Currently the most recent fiscal year CDRs are FY09, FY10 and FY11. Schools have official 2 and 3 year rates for each of those fiscal years.

HOWEVER, as new fiscal year rates come out in the future, those future FY rates will only have 3 year rates. So, for September 2015 the 3 most current FY CDRs will FY10, FY 11 and FY 12. In Sept. 2015, schools could use either their 2 or 3 year rates for FY10 and FY 11 but can ONLY use a 3 year rate in FY 12 since that is the only official rate that will be produced for FY12. In September 2016, the 3 most current FY CDRs will be FY11, FY12 and FY13; therefore, in Sept. 2016, schools will be able to use their 2 or 3 year rates for only FY11 and will have to use their 3 year rates in FY 12 and FY13 since that is the only official rate that will be produced for those fiscal years. And finally by September 2017, the 3 most recent fiscal years will only have 3 year rates that schools can use since there will be no official two year rates associated with any of the fiscal year rates (FY12, FY13, and FY14).
I just wanted to clarify how we look at each FY since it is possible for a school's 2 year rates to be used to help establish CDR benefits through Sept. 2017, however, which 2 year rates can be used will continuously change as the grouping of the current FYs change.
Please note that for CDR sanction purposes (loss of eligibility), we are now only looking at a school's 3-year rates.

<u>2015-2016 Pell Payment and Disbursement Schedules</u>

ED recently posted GEN-15-02 which contains the Pell Grant Payment and Disbursement Schedules for 2015-2016. The Federal Pell Grant maximum award for 2015-2016 is $5,775 with the minimum scheduled award amount being $588. In addition, the maximum Pell Grant eligible expected family contribution (EFC) for 2015-2016 will be 5198.

Please note, however, that with the recent reinstatement of ability to benefit (ATB) provisions for students enrolled in an "eligible career pathway program," the law established alternate maximum and minimum Pell Grant award amounts for students enrolled in such programs. We will provide more information on eligible career pathway programs and the reinstatement of the ATB provisions in a subsequent communication which will include separate Pell Grant Program Payment and Disbursement Schedules.

<u>Inadvertent Overpayments and R2T4</u>

Several schools have talked to me recently about situations where Title IV funds had been disbursed after a student had actually withdrawn and how to handle those scenarios within R2T4. This type of situation is actually called an inadvertent overpayment and it occurs when an institution disburses funds to a student who is no longer in attendance (for example, when an institution makes a scheduled disbursement on Monday to a student who dropped out on the

previous Friday). Inadvertent overpayments are included in Return calculations as *aid that could have been disbursed* rather than *aid that was disbursed*.

A school is allowed to hold an inadvertent overpayment while determining if the student is owed a post-withdrawal disbursement. However, this is not intended to affect the amount of aid a student would receive under a Return calculation. Rather, it is permitted to avoid a school having to return funds only to have to later request and disburse them if a student is eligible for a post-withdrawal disbursement.

For a more detailed discussion please see the 14/15 FSA HDBK Vol. 5, Chapter 1, pages 44-45.

Health Care and COA

Due to the Affordable Health Care Act I have also been getting a lot of questions around when a school can or cannot include health care costs in their COA. In checking with policy they confirmed that our past guidance regarding health care and COA still applies.

If an institution requires health insurance for all or a category of students attending at the institution, it may include a reasonable amount for health insurance under "miscellaneous personal expenses" in those students' COAs because covering the cost of insurance is a condition of enrollment.

Institutions which do not have similar requirements may not include the cost of health insurance in every student's cost of attendance. The fact that the Affordable Care Act now requires individuals to maintain health insurance does not bear on this question because that requirement is for all people, not just college students – that is, the cost is not specific to the student's educational expenses.

Disability Insurance for Top Athletes and Title IV Aid

I have recently gotten questions from several of our schools around the following situation:

Scenario: Some school athletic departments are paying (or thinking about paying) the premiums on total permanent disability or loss of value insurance policies on high value (or exceptional) student athletes. These policies are designed to protect the future earning potential of star athletes who get injured in college and are unable to have a pro career. Policy payouts can be in the millions. Annual premium payments can run between $50,000-$60,000. Some schools are paying the premiums with specific athletic funds.

Question: Can these policy premiums be included in the student's COA? Must these premiums be treated as EFA?

Answer: For packaging purposes, these payments should be treated as EFA, but may not be treated as a component of cost of attendance, even through use of PJ.

Under our longstanding rules these payments would be considered EFA because they were received as a result of postsecondary enrollment (that is, these payments could only be made

to *student* athletes) and were not wages for employment. A student's COA, on the other hand, refers to that student's *educational* expenses for the period of enrollment, and these insurance policy payments do not fit that definition. The result is that many of these students will remain eligible for Pell (which does not consider EFA), but may lose eligibility for campus-based aid or loans.

Prerequisite Courses to take Other Courses within a Student's Program of Study

Policy has recently provided some update guidance regarding prerequisite coursework necessary for a student to take in order to complete other coursework in their current program of study.

If a student is already admitted into a program of study but needs to take a prerequisite course (usually a lower level course) that is not part of the program but is necessary in order to take a course in their current program of study (usually a higher level course), the prerequisite course in this scenario can be considered "remedial" and would therefore fall under all of our remedial coursework regulations – 34 CFR 668.20. In treating these courses as remedial they count against the remedial course limits (30 semester, 45 quarter hours, 900 clock hours) and must be at least qualitatively evaluated within SAP.

If the prerequisite courses as described above fall within the remedial course limits and the students are otherwise eligible, then these prerequisite courses can be factored into the students' enrollment status and COA.

Please note that these courses are not preparatory/prerequisite courses. Preparatory coursework is coursework required to get admitted into a program of study and is only eligible for limited amounts of Direct Loan funds over a 12 month consecutive period.

Third-Party Servicer Institutional Requirements and Responsibilities

The Department recently posted GEN-15-01 to provide guidance to institutions that contract with third-party servicers that administer any aspect of the institution's participation in the federal student aid programs. We have determined that a significant number of institutions have failed to report, update, and/or have reported incorrect third-party servicer information on the institution's Application for Approval to Participate in the Federal Student Financial Aid Programs (E-App), under the regulations at 34 C.F.R. § 668.25. GEN-15-01 contains the following -

- Definition of third-party servicer
- Institutions requirement to report 3rd-party servicers to ED via E-App
- Third-party servicer contract requirements
- FERPA requirements and third-party servicers; and

- Information security requirements established by Federal Trade Commission apply to Title IV 3rd-party servicers as well as schools

In addition, we remind third-party servicers that they too must submit annual compliance audits to ED. Any third-party servicer that has failed to submit their audit is told within the DCL to:

- Submit a compliance audit no later than one fiscal year subsequent to the date of this DCL (1/9/15); and
- Submit a letter to ED within 60 days of the date of this DCL describing the Title IV-related functions and reason(s) the servicer did not submit its required compliance audits

Any questions regarding third-party servicer notification and/or third-party audit requirements should be directed to our Third-Party Servicer Oversight Group at FSAPC3rdpartyserviceroversight@ed.govor (816) 268-0543.

Training – GE Information

Dear Colleague Letter ANN-15-01 announced the availability of Federal Student Aid's recording of the January 2015 webinar that provided information about reporting GE data to NSLDS. For specific recording links please see ANN-15-01 (http://ifap.ed.gov/dpcletters/ANN1501.html).

I hope that I will see many of my SASFAA colleagues at the upcoming SASFAA Conference in Memphis, TN. And if you won't be able to make it, I am sure I will hear from you via phone, email, text, fax, letter, in-person, drive-by, etc…

Your FED,

DAVE

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ED/FSA/Atlanta