Consolidated Appropriations Act of 2021

Summary of Changes for Higher Education

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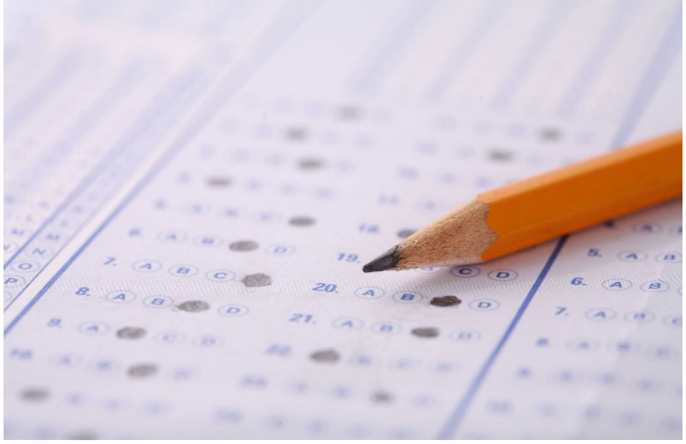
On Monday night, Congress passed both an omnibus spending bill and a stimulus bill. The omnibus bill, the Consolidated Appropriations Act (CAA) of 2021, turned out to contain what many are calling a "mini-reauthorization" of the Higher Education Act. Many of the higher ed related provisions in this legislation are seen as a nod to Senator Lamar Alexander (R-TN), a long-time champion of higher education issues who is retiring after his current term ends in January. Below is a quick summary of some of the highlights of the legislation.



Changes to Federal Methodology and Aid Eligibility

One of the biggest results of the CAA is a change to the Federal Methodology. Provisions of the Spending Bill pertaining to financial aid generally take effect on July 1, 2023 for the 2023-2024 financial aid year.

The bill introduces the Student Aid Index (SAI) as a replacement for the Expected Family Contribution (EFC). The SAI would determine a student's eligibility for all types if Title IV aid, except for the Pell Grant. Eligibility for the minimum and maximum amount of Pell Grant will be based on student dependency status, the number of parents in the household, and the family income as a percentage of the federal poverty level. For Pell Grant awards between the minimum and maximum, eligibility will be calculated by subtracting the SAI from the maximum Pell Grant amount.

The knowledge of these new eligibility factors, will allow for a look-up table to be created, thus enabling students and families to determine what their Pell Grant amount might be, potentially even years into the future. This may help families in their college planning efforts.

Other key Higher Education components of the bill related to aid eligibility include:

- The SAI could be as low as -$1,500, whereas the EFC cannot currently fall below $0.
- Divorced or separated parents continue to only report one parent's information on the FAFSA. However, the determination of which parent to include will now be based on which parent provided more financial support to the student, rather than which parent the student lived with more over the preceding 12 months
- Simple Needs Test – income threshold increases from current $49,999 to $60,000
- Removal of drug conviction and Selective Service questions from the FAFSA
- Restoration of Pell Grant eligibility for incarcerated students
- Increases maximum Pell by $150

• Restores Pell eligibility to students with successful borrower defense to repayment discharge claims

• Gives the ED authority to regulate all Cost of Attendance (COA) components except tuition and fees

• Provisional Independent Status – students can complete the FAFSA as a provisionally independent student if they feel that they may qualify for independent student status based on specific circumstances (abandonment, abuse, neglect, legal asylum, etc.). Schools will need to follow up to with these students to collect documentation to confirm independent status.

Changes Related to Student Loans

The CAA did not make the sweeping changes to student loans that many advocates, and borrowers, were hoping for. Most notably, the legislation does not include broad student loan forgiveness nor does it, to the surprise of many, extend the current COVID related student loan interest and repayment waivers beyond their current end date of January 31, 2021.

The legislation will require the ED to allocate new student loan accounts to servicers based on past performance as compared to the other servicers and based on their capacity and requires the reallocation of accounts from servicers with issues of reoccurring issues of non-compliance and failure to inform borrowers of repayment options. There was also significant discussion around the NextGen discussion project; mostly requiring the ED to explain all the delays and direction changes that have occurred. It also allows for further servicer contract extensions for up to two more year and requires more transparency via publicized student loan data. Other changes of note include:

• Allows borrowers to choose their servicer for new consolidation loans however they can only choose servicers whose contracts were renewed prior to October 1 2017

• Allows employers to make payments on their employees' student loans through January 1, 2026 and not count them as income, an extension of a provision made in the CARES Act.

• Forgives capital expansion loans made to historically black colleges and universities

• Requires additional outreach from the ED to borrowers pursuing PSLF - especially if they have submitted proof of employment but aren't on the right repayment plan

• Adds funds to the TEPSLF account which will make that program available to more borrowers.

• Repeals the subsidized usage period rule for subsidized Stafford loans no later than July of 2023

A report that accompanies the legislation that gives some additional directives to the ED including:

• Requiring additional guidance be given on implementing "ability to benefit" at institutions. (Authors note: I'm not sure yet exactly what this means)

• Requiring the ED to help borrowers who are eligible for disability discharge based on their SSDI status more. Apparently, many are denied due to clerical errors on the borrower's side, so they want the ED to be more proactive about those

• Make it easier on students with parents with substance abuse issues to file the FAFSA - mostly through education and outreach

As of the writing of this article, the President was expected to sign the legislation shortly. MASFAA's GRC will continue to provide updates as further information is obtained.