Jim Rumsey: And I want to thank all of you for attending the Federal Student Aid 2012 Annual Fall Conference. Welcome to the Sunshine State, and the Peabody Orlando Hotel. You may have noticed the famous Peabody ducks parading around the hotel. Well, we've also brought some of our own quacks down from Washington.

[Laughter]

I'll be introducing a couple of them a little bit later. My name is Jim Rumsey, and I'm the chief operating officer of Federal Student Aid, and I'm very delighted to be here.

There are almost 6,000 of you here right now from over 2,000 schools from across the nation. I understand that we even have folks from Hong Kong, Beirut, Australia, England, and France. Again, welcome, and we're glad that you're all here.

I promise you a very full week, including a federal update, general session, town hall, and a resource center. Most importantly, there are 46 training sessions for you over the next four days. Last year, approximately 2,200 schools were represented at our conference. Those schools were responsible for packaging and dispersing about $160 billion in aid which averaged out to be about $48 million per school.

The schools attending our conference in 2011 dispersed over 70 percent of all aid awarded. This is an incredible responsibility that none of us take lightly. The purpose of this training conference is to equip you with the most current policy and operational updates so that you have the knowledge and tools you need appropriately to responsibly administer federal financial aid to students.

Since the inception of the Higher Education Act in 1965, the Title IV student aid programs have gone through many changes. In the almost 50-year history of the programs, we've seen various forms of the aid application. We've seen grant loan programs come and go. There was a time when we sent Dear Colleague letters regular mail. This was about the same time we used overhead projectors for the regional training sessions. Some of you may even when it took us a couple years to go from rulemaking through implementation. Well, of course, we don't do that anymore. It might feel like it, but we don't.

You, more than anyone, know just how rapidly our programs have changed. In just the last few years, we have had a significant number of changes, both through statute and regulation. This has translated into new requirements and reporting for the schools you represent. Additionally, technology has changed the speed at which we institute certain changes within the programs. That is why I appreciate you taking away time from your campus to train with us for a few days.

I believe that the training presented here is unique, and it is critical to ensure that you have the most up-to-date policy and operational information about the federal financial aid programs. I also believe that there is tremendous value in all of us spending time together to share best practices, discuss what is working and what is not working, and what you're hearing from students and parents. We're interested to know what is happening on your campuses. This is one of the many ways we learn to better serve our customers. In fact, the feedback helped inform some new tools and resources we developed, and I want to highlight a few of those for you today.

Last year, federal student aid processed over 21 million aid applications and delivered over $150 billion to 15 million students attending your schools. That is no small feat, but we're still making strides to better inform students about the FASFA and by extension, improve college access. For example, we expanded the FASFA completion project from 18 to 92 cities. This project assists high school counselors in determining how many of their students have completed the FASFA. We also began publishing FASFA completion data aggregated by schools for every school with a FASFA filer. Additionally, we made improvements to the IRS data retrieval tool which allows applicants to retrieve tax information directly from the IRS and automatically populated into the FASFA.

Another way we work to improve college access is through presenting practical, easy-to-read information on our new website, StudentAid.gov. StudentAid.gov consolidated several website into one and provides financial aid information for each phase of the student aid lifecycle. You may have noticed the website reflects our new brand and tagline, "Proud sponsor of the American mind." In addition to introduce StudentAid.gov, Federal Student Aid has increased our social media presence by launching at FASFA on Twitter.

In January, FSA began monthly online town hall for students and families to send questions to our financial aid staff. Over 100,000 people were reached by this event. Based on that success, FSA held monthly issue-specific Twitter town halls such as one featuring online conversations about financial literacy. We are going to take advantage of all the great minds in attendance at this week's conference and host a Twitter office hours tomorrow at 5:00 PM. At this interactive session, students from across the country can submit their financial aid questions to you through Twitter. I encourage you to follow us at @FASFA, and to participant in this session. In fact, the dialogue on Twitter has only confirmed what we already know. The increase in both student loan debt and default calls for an increase in financial literacy among not only perspective students, but also existing students.

As a result, we launched the financial awareness counseling tool this past summer to assist borrowers in managing their federal student loan debt. This interactive tool provides students with five tutorials that cover topics ranging from managing a budget to avoiding defaults. Please encourage the students on your campuses to utilize this counseling tool to assist them in managing their debt.

I would also like to recognize and applaud the schools here that voluntary adopted the use of our financial aid shopping sheet which is designed to help students better understand the amount of aid that they can expect to receive from a given institution. I encourage all schools to utilize this tool for students and families.

For students who began the repayment process, we recently introduced a new online application for income-based repayment, or IBR. This new functionality allow student loan borrowers with federally held loans to import their IRS data directly into the IBR electronic application. This enhancement will result in an expedited and a streamlined experience for the borrower.

In the coming year we will continue to explore ways to better serve our customers. Earlier this month, we published the final rules to help student loan borrowers reduce their monthly payments through the pay-as-you-earn initiative. This program offers payment relief to borrowers and generally has the same terms and conditions as IBR. We look forward to rolling out the implementation of this initiative by the end of this year.

Additionally, we will focus efforts and resources on default aversion. Given the current state of the economy, we must do everything we can to assist borrowers from defaulting on their student loans. This includes making them aware of options such as pay as you earn and income-based repayment. We will also remain diligent in our oversight and monitoring of schools. We all can agree that together we must be strong stewards of taxpayer dollars, and that means ensuring that each school is in compliance with the requirements of the law. For example, we will continue strengthen our oversight efforts to ensure compliance with Title IV rules, especially rules involving the reporting of campus crimes.

Some of you may want to consider attending the session on the top ten audit and program review findings. Another session of interest may be Three-Year CDR: Here and Beyond. As you know, we published the official three-year cohort default rates for the first time in September, and sanctions will take effect in 2014.

I want to applaud all of you in attendance for your dedication to students and your commitment to the integrity of federal financial aid programs.

That said, let's talk about this week. Over the next four days, the 46 breakout sessions are going to focus primarily on the new Title IV requirements and processes. That means fewer discrete sessions than in times past, but it also means we will offer breakout sessions multiple times to ensure that there are plenty of options for you to attend. This is in response to comments we received on last year's evaluations that some of you were not able to attend certain sessions.

We also made the decision to offer sessions through the day, so there is not going to be a designated lunchtime, and this staggered session should avoid the stampede at lunchtime that we typically see, and gives you some opportunity to have a flexible itinerary.

Please take advantage of the many resources available to you throughout the week, including our knowledgeable staff. For hands-on assistance, I encourage everyone to visit our resource center which provides comprehensive assistance on a variety of topics from policy guidance to systems and processes. For real-time updates and announcements, please follow us on Twitter. For conference details, you may also access our mobile-friendly website.

Now it's time for me to turn the session over to my distinguished colleagues. Before I do that, let me remind you that we have always taken measures to manage costs in a prudent and appropriate fashion. Part of being good stewards of taxpayer dollars means learning to do more with less. Integrity and public trust is important to us, so rather than paying for the famous

Peabody ducks to parade in our opening ceremonies, we brought our own ducks. It is my distinct honor and pleasure to introduce our federal update speakers, David Bergeron, the acting assistant secretary for postsecondary education, and Jeff Baker, federal student aid's policy officer, two of my favorite department quacks.

[Laughter]

[Duck quacking sounds]

Come on. Come on. Come on.

Female: *[Laughs]*

David Bergeron: Good morning. Welcome to another FSA conference. We do interesting things. We've been trying to think of things that are amusing and get people's attention first thing in the morning. I hope the ducks helped do that. Normally, or traditionally, or I don't know what the right word is this morning – we've had three of us doing these kind of federal updates. One of our esteemed colleagues, Dan Mitzellen would normally be sitting up here with Jeff and I, and he was with us, as you may recall, at last year's FSA conference when we were all together in Las Vegas. And right after that, he decided to retire and he's probably off somewhere at a beach sitting on a beach or otherwise off enjoying himself, enjoying his retirement.

But we couldn't begin one of these federal updates without Danny in the room, without explaining why it's just Jeff and I. The fun thing about this now is that Jeff and I can now really act as we normally would, both being from Rhode Island. Danny always restrained our interrupting of each other and otherwise causing each other some level of teasing, 'cause this is something that we who are from Rhode Island do from time to time, and Danny being a good native of Washington _____, always kept a better level of decorum than Jeff and I would otherwise. So with that, Jeff.

[Laughter]

Jeff Baker: Yeah, Danny also talked better than we do from Rhode Island.

[Laughter]

So let me get this right. Danny is retired, probably playing golf or laying on a beach, and we're walking around in front of 6,000 people with ducks.

David Bergeron: That's right. That's right. And he would not have allowed the ducks.

Jeff Baker: He would not have allowed the ducks. All right, well, we did come for something a lot more serious, so I'm not gonna recite all – these of the topics we're going to discuss. A couple of announcement on this. We have posted this morning, I think, just in time, this session's federal update session on our IFAP website, so when you get back to your offices, or even while you're here, you can take a look at it, download it and print it out and so on.

And, also, there are sessions. Of course, Jim mentioned all the sessions, and the idea of having federal update at the beginning of the conference is to give you a flavor of the things that our colleagues will be talking about over the next four days. So occasionally on the screen you'll see Session No. So and so. That's to give you a little hint, and we have some slides at the end, showing up all of the sessions. So we'll start with the president's 2020 goal.

David Bergeron: So as many of you know going back to the first drafts that the president made to a joint section of congress right after his inauguration, he announced a goal, and the goal was to lead the world in having the best educated workforce by the Year 2020, and to do that, we need 10 million college graduates, graduates from community colleges, four-year institutions, as well as other programs that lead to less than a bachelor's degree or associate's degree. And that's an increase of 2 million just based on – more than just anticipated growth over the period.

That would mean that every American would have at least one year or more of higher education or advanced training in his or her lifetime. And as I said, it would lead to us having the best-educated and most competitive workforce in the world.

Since the president's announcement, we've actually moved a little bit in the wrong direction. United States has slipped to 14th in the world in terms of the share of 25-34 year olds who have some postsecondary education, with 42 percent of that age group having had some postsecondary education and having a degree or a certificate. In large measure, that slip to 14th really reflects not a slippage in the United States in terms of the percentage, but a growth in the rest of the world. In other countries, there's an increased emphasis on higher education, and that's reflected in their 25 to 35-year-old population having increased the share having a bachelor's degree.

We know that higher education is an economic imperative. By 2018, the share of jobs that will require some form of postsecondary education will have increased, and only ten percent of jobs will be available for people who have less than a high school diploma, and only 28 percent with just a high school diploma. The rest of the jobs will require some form of postsecondary education or training, and that is why it is, as I said, an economic imperative that we increase the share of our workforce that have the degrees or certificates.

This slide just shows this fact dramatically. As you go up the levels of educational attainment, you see the income level increase as well, and in addition to that, the rate at which we pay taxes goes up as well. But we also noticed that enrollment is relatively flat in the United States. We have had a couple of years of growth in higher education enrollment, but in the most recent there's been a very slight decline in the college enrollment, and so we have to do more to increase graduation rate at our institutions of higher education.

Increasing the productivity of our institutions, getting more students through is critically important for our meeting the president's 2020 goal, and a lot of our policies *[blank in audio]*, many of the things that we're pursuing in higher education really are directed at increasing the graduation rate for our college students. And we've seen some areas of growth, some areas of improvement in the last couple years. We were very concerned, for example, about the completion rates of four-year for-profit institutions, but they've gone up by about ten percent in the most recent year for which we have data. And in other sectors like less than two-year public and two-year public institutions, we've seen growth in recent years. So there are reasons to be optimistic that we'll be able to reach the president's goal – our goal, but it really will require all of us to keep a focus on increasing our college graduation rates.

One of the things we are also very concerned about is the fact that tuition and fee growth has outpaced income, and this makes college affordability an increasing concern. It's a concern for us as we think about our aid programs, but it's also a concern I know on your campuses as you try to keep the rate of growth and tuition and the availability of financial aid an important part of what you're doing.

We have been talking over the last couple of years a great deal about the need for work to increase the affordability and quality of our higher education institutions, and our higher education system. We have put forward a blueprint to additionally college completion affordability, and quality. We have done – made some substantial investments in higher education. We have worked with states and institutions around the issue of shared responsibility, and we have also begun to provide students and families with the tools they need to make college more affordable and to improve their ability to plan.

One of the real significant accomplishments over the last several years has been to increase the maximum Pell Grant award, and for 2013-14, that award will go to 5635. Today, 50 percent more students receive Pell Grants than was the case in 2008 with more than 9.5 million students receiving Pell Grants today.

A large part of our ability to increase Pell Grants came as the direct result of our move from bank-based loan program to 100-percent direct loans. That change saved taxpayers $68 billion with $40 billion of that being redirected to Pell Grants.

We've also been working very hard to improve the ability of students to manage their debt and make it easier for them to manage their debt, and we've done that in a couple of significant ways. One really important one, and we'll talk later on in the presentation in a little bit more detail about it, is providing more income-based repayment options to students and ultimately leading to students having their monthly payments capped at ten percent preference their income. We have also been working very hard to make it easier for students to document and qualify for public service loan forgiveness so that students who choose to pursue public service careers will have the ability to repay their loans through service.

Also, we worked very hard last year to make sure that student loan interest rate remained at 3.4 percent for subsidized loans, and so that is a benefit that continues to be available to students today who need intra subsidy on their student loans.

Finally, we've been working to double the funding for the federal work-study program over the next five years and make those work-study jobs more career focused. We know it's really very critical for particularly low-income students to have the ability to use their work experience to help them find jobs after postsecondary education, and so having work-study positions that are focused on their lifelong career goals is critically important and so are working to find ways to encourage that.

Jim mentioned in his remarks the changes that have occurred over the last several years in terms of the FASFA, and today more than 21 million students each year submit FASFA before they enroll in postsecondary education. And that's a 30-percent increase in the number of FASFAs that are filed each year, and each year we've had time required to complete the FASFA decrease. And so we think that we made some substantial progress in that area, but we continue to work to find ways to make it easier for students and families to complete the FASFA.

We've also made it easier for individuals to take advantage of the American Opportunity Tax Credit, the AOTC, and this year nearly as many students will receive the AOTC as received a Pell Grant, and the amounts that they receive are up to $10,000.00 for four years of college.

Two initiatives that we're pursuing that haven't been funded yet, but we are very optimistic that congress will provide us some funding. First is the Race to the Top for Higher Education which would allow for funding of systematic reforms in higher education that would lead to increases in affordability, quality, and productivity at college at all levels. We are still working to encourage the congress to provide funding for that, although it doesn't appear in any of the appropriations bills for Fiscal Year 2013.

We are much more optimistic and think it is pretty likely that we will see funding a First in the World Fund in higher education which would allow us to make investments in individual colleges and nonprofit organizations to develop and implement innovative and effective strategies to boost productivity in enhanced quality. The senate appropriates bill included funding for this initiative and so we're, as I said, cautiously optimistic that we will see additional funding available for this First in the World Fund that we would run under our fund for the improvement of postsecondary education authority. And we are in the process of posting a blog that will describe in detail how we think that we would make the funds available, and how we think that those funds could be used on college campuses.

We're using a blog to solicit public comments because we don't need to go through the formal federal register process that we do for most of the competitions 'cause there'll be first-year funding for this new program. So I'd encourage you to look for that on the department's website in the coming days and to provide us your feedback. We think getting feedback on the things that we're propose is critically important. We think it's important to the way that we design conferences, so it's certainly important in the way that design our programs. So I'd encourage you to look at that and to provide us some feedback.

Also significant is proposals that we put forward to do some reforms on the campus-based programs to make those programs more effective and to serve students better and to encourage institutions to constrain costs.

When we think about costs and we think about where we are with regard to budget, I think it's important for us just to pause for a second and talk about some big numbers. In Fiscal Year 2013, Award Year '13-'14, we anticipate that we will make available to students $165 billion in financial aid. That's a staggering number. Even within federal budget terms, it's a significant number, and so when we think ahead and think about the conversations around the fiscal cliff that we all read about in the press, it's really important for us to recognize that this investment in student financial aid is a critical priority of the administration, and we think it's a critical priority that is bipartisan.

We believe that there are folks that in the congress, as well as people in the administration who are committed to ensuring that students will have the financial aid that they need. And so as we think about the potential sequester, we know that Pell Grants are protected. We know that there's special treatment for student loans, but we also know that there is a strong bipartisan commitment and believe that at the end of the day, we will receive the funds that are necessarily to administer these programs effectively and support the students on your campus. I know at a general session, we couldn't get away without mentioning the potential of a fiscal cliff and a sequester, but I keep telling people that this is something that we need to be concerned about and need to be watchful about. There is a strong commitment to resolving the issue and protecting our aid programs.

As Jim mentioned in his opening remarks, we've been doing some work over the last couple of months, last year or so, to improve the college choice tools that are available to students and families as they plan their postsecondary experiences. Clearly, this is not new to the department. For many years now, we have had a college navigator tool on the National Center for Education's website, and we have been very much involved in the development of this tool, over the past several years as it made its way from college opportunities online to the college navigator. But we don't think we can really stop there. We think that college navigator is a really critical tool at a particular point in the college search, but it really isn't the first tool that probably families and students should be looking at.

I know that a number of us in the Office of Postsecondary Education have had this college search experience in fairly recent years, and find the information that's available sometimes is kind of overwhelming, and so are in the process of providing a college scorecard. The college scorecard would provide view of institutions so that as families are beginning the process of looking at institutions that they could very quickly and easily compare institutions against four or five critical variables, net price, the graduation rate for the institution, the student loan repayment rate, and the median federal debt of students as they exit that institution.

We would love very much to provide information about earning potential, earning outcomes for completers from particular institutions. We know that data is not currently available, and so we won't be providing it in the first version of the college scorecard when it's released in the coming days or weeks. We think that, though, that this tool will be really very helpful to students and families as they begin their search process, and that tools like college navigator and the various other tools will be helpful to students and families as they get further into the search process and begin to really narrow their range of choices, but this scorecard we think will give a good first place to start when we release it in the coming days.

The other tool that we are encouraging institutions adopt, and Jim mentioned the fact that there are about something over 500 institutions that have already adopted the scorecard, and the shopping sheet, and we believe that the financial aid-shopping sheet is a tool that we would like institutions to adopt. As you will notice on the shopping sheet and if you've looked at it before now, it'll be easier to see than on this screen clearly, but we bring over some of the metrics from the scorecard, the graduation which is the student right to know graduation rate, the cohort default rate and the median debt for completers. And then we provide some information about loan repayment on the shopping sheet.

But we dropped two measures that are on the scorecard. One, 'cause we don't have the data. That is to say the employment outcomes. And the other is the net price, and people ask us, "Well, why don't you provide the net price?" Well because the shopping sheet's all about providing students with for them, their specific net price, rather than a general average net price. And so this shopping sheet we think is a useful tool. We encourage institutions to adopt it as just that, as a tool that they can use to provide meaningful information to their students and families in a way that is – and this is the cultural point – comparable across institutions. It is very hard and I joke about this from time to time, having thought back at my daughter's search experience where there were financial aid offers. There were in all different formats, and which made it very difficult for families to make the comparison, even those who are well informed, to the point that my daughter in her infinite wisdom could prove to us that the institution she's now attending was, indeed, the cheapest, even when we knew better.

But seriously, this is we hope a tool that institutions can use. It can't clearly replace as financial aid award letter that has to provide all of the caveats that are necessary, particularly around institutional aid, but it is a tool that for federal aid and for families that are trying to make comparisons, a tool that can be very helpful.

Jeff Baker: Thanks, David. Moving on a little bit to a couple of things that Jim also mentioned are StudentAid.gov websites and social media things. You have seen screens like this before, probably from us, of all the different websites. This is just I think the evolution of these technologies, so they're all different because everyone had the best idea and it got a little confusing to find these websites and to make any sense out of them, so we have come up with our solution, StudentAid.gov, using the best information we have about how to design websites. You'll see a lot of white space using graphics in this case, these profiles of some students with different topics, and then you can click on and go down. For those who are a little bit more verbal than using pictures, down at the bottom you can go directly to a site.

Obviously, these things will change over time, both because the technology gets better and better. The concepts we learned more about how people use the Web, and particularly, we'll learn about how our students and perspective students use the Web, but we're excited about this one-stop start. It's only a start for learning about StudentAid.gov.

Over on the right is how this would show on a smartphone. We chose not to have all of the graphics and try to move them over. You lose a lot there, so this is just where the topic layer is.

Social media, now I'm about the last person that should be talking about social media because I don't know a Tweet from a Twit from a whatever.

[Laughter]

And there's no way I would join Facebook, because I probably don't have any friends.

[Laughter]

But, certainly, our students – and not just our young students, and many of you are well aware of how these social media sites and these applications work is an ever-evolving thing, but we jumped into it with both feet. We are on Facebook. We are on Twitter. We do the Tweets. We do as much social media as we can. We have a designed team in the department and federal student aid to make sure we're staying current on all of these things. Jim mentioned I guess it the Tweets where people go back and forth, and we provide information and so on. I really am never gonna learn this stuff, and that's fine. But you need to learn it, and certainly – and because your students and families use it, so we don't have much choice here, even if you wanted _____. But we're excited about that.

Let me talk now about cohort default rates, and there you see some sessions that we'll be having. Now this is just a quick reminder of a cohort default rate is. Under the law, we look at a cohort of borrowers, your former students who enter replacement on a FFEL or direct loan that they took our for attendance at your institution, and why still FFEL loans for many years to come, so it's a combination. And one year, one federal fiscal year, which begins on October 1st and ends on September 30th, and then we put those in the denominator because a rate is a fraction and a fraction has a numerator and denominator. That's the cohort.

And then we monitor those students for the rest of that federal fiscal year, and through the end of the next federal fiscal year, and any of those that defaulted, we count them and put them in the numerator, and that's your cohort default. And we released the FY10 cohort. Borrowers went to repayment between October 1st, 2009 and September 30th, 2010, in the denominator, and who defaulted by the end of 2011, the two-year rate, we released the draft rates last February and official rates in September.

These are the rates, 2010. This shows you this chart, you've seen before, about where the rates are going 9.3 percent on the 2-year rate. On the FY10 two-year rate, an increasing, but perhaps not surprising increase that we've seen over the last few years in spite of the hard work that you all do on your campuses and certainly the FFEL lenders and guarantee agencies and we in FSA with the direct loan program servicing and so on to try to make sure our students do not default, and make sure they understand all of their options, but it's still going up. We have the economy and that'll take a little while.

I take a little solace. I don't know. I may be surprised that the increase from last year to this year is less than it's been in the past. Maybe that's a trend. Maybe it's a one-year anomaly. But as you know, the law has changed and beginning in FY09 cohort, we are creating three-year rate. In other words, we'll be monitoring the cohort, not just for the year in which they entered repayment, and the next one, but one more year beyond that. And as Jim mentioned, we released the first of these three-year rates, again, the draft rates last February, and the first official rate in September. And not surprisingly, the three-year rate is 13.4 percent. That's in FY09, because we needed the three years. That's about a 50-percent increase from the FY09 2-year rate, and at your institutions, that will differ.

There's a transition period. Most people can't figure out this slide. Let me take a shot at it. This is just to show that for three years, we're doing two rates. So if you look at where the circles are, you see that in 2012, February and September, we released the FY09 three-year rate, and also the FY10 two-year rate. So you had two sets of draft rates and two sets of final rates. And we do that, again, so next February we'll be releasing Draft FY10 three-year rates, and FY11 two-year rates, and then September, the official rates.

In '14, we're done with two-year rates. There are no more two-year rates because in September '14, we'll be releasing the third of the three, three-year rates, and that's where sanctions will kick in for institutions that have cohort default rates for those three years. The three years and three-year _____ of 30 percent or more. So you need to be very careful and pay attention as these rates are released.

David Bergeron: I told Jeff before we started that he had to explain that chart 'cause I don't get it. Every time I look at it, I go, "I don't understand this." I'll let Jeff explain it, and when I present, I don't use it. It just confuses me. But Jeff is right, we have to pay attention to the fact that we're approaching the point where the three-year rates really begin to matter, and so institutions really need to be paying attention to those rates because they will begin to have impacts. It'd be a very odd year lately that we didn't have some ongoing regulatory activity to report on.

In some sense, we thought we'd have more to be reporting at this conference than we are, but it's been a busy year in Washington and we've put our emphasis on getting the most important thing done and the most important thing is the one that affects students the most and, really. As we think about the default rates, we're just talking about it highlights how important it is that we give students the tools that they need s they enter the workforce to repay their student loans in a way that really works for them and the circumstances they find themselves. In.

And so a while back, the president announced a pay-as-earn repayment plan and it fell on us to implement that plan and to work with all of you to go through the rule-making piece to write a regulation that implements the pay-as-you-earn repayment plan. And that repayment plan I'll talk about in a little more detail in a second is basically a modification to the income contingent repayment plan that is available in the direct loan program. Under the income-contingent repayment plan, we got to write the rule. Congress basically said that the department had to have an income-contingent repayment plan, and left it to the sectary through rulemaking to define what that plan is, and so that's what we've been working.

We intend to make that available to borrowers before the end of the calendar year. When we published the final rule back on November 1st, we indicated that we would early implement the rule. That is to say we would allow the borrower to elect the repayment plan and early implement the rule as early as feasible, and we expect that that will happen before the end of the calendar year.

The rule also did something that we think it s really important. It streamlined and consolidates the determination of total and permanent disability for individuals who find themselves unable to work and with the likelihood that they will never be able to work again. And one of the real significant changes as a result of the public comment, probably from folks, including folks in this room, is to permit the acceptance of determinations made by the Social Security Administration. We had not done that in the proposed registration. We got a substantial amount of public comment encouraging us to try to do that. We had throughout the public comment period and really up to days before publishing the final rule on November 1st, worked with our colleagues at the Social Security Administration to make it possible for us to accept a determination which in the Social Security Administration speak, they describe as medical improvement not expected.

And it's a very small percentage borrowers, of individuals who get placed in that category, just as very few people are determined to be totally and permanently disabled under our approach. So we worked with the Social Security Administration and our colleagues and the executive branch to find a way to accept that determination and so the final rule that we publish on November 1st reflects that change. And we're really very pleased with it.

It's an example of my view of good government and I'm very proud of our ability to deliver that and to provide that as a way to support the folks who are among the most challenged of those who are trying to repay their student loan. So very pleased with that change.

As I said, I would take a minute and talk a little bit more about our repayment plans. There is a income base repayment plan that's available in both FFEL and direct loans. And that repayment plan makes the maximum payment amount 15 percent of discretionary income, and it provides that after a period of 25 years, if there's any remaining balance at end of that 25-year period, the balance is forgiven.

Under the SAFRA, the act that permitted us to move to 100-percent direct loans, there was a change to the income base repayment plan which set as the maximum payment amount at 10-percent of discretionary income, and provided for forgiveness of those loans after 20 years of repayment. But that repayment plan only is available for new borrowers on or after July 1, 2014. We recognize that that didn't really help current borrowers who were struggling to repay their student loans and so as I said, the president announced the pay-as-you-earn repayment plan that he wanted us to try to implement.

We did that through amending the income contingent regulations for direct loans, and it provides for reduction in the maximum payment from 15 to 10 percent of discretionary income, and reduces the time for forgiveness from 25 to 20 years. This repayment plan will be available for more borrowers than the statutory changed one in the sense that it will be available for new borrowers as of October 1, 2007, that also received a direct loan on or after October 1, of 2011. So with that limitation, we've been able to move forward, advance, the implementation date of the more generous repayment plan by a couple a years. And so we are, as I said, looking to implement that repayment plan before the end of the year.

We intend to implement it through the use of an online application that builds off of the application that Jim mentioned in his remarks, and provides ability for borrowers to compare the results of the various income base more broadly using that term, repayment options. So we believe that that tool will really help students make informed choices and we think that this repayment plan will help avert the potential default of some borrowers who are struggling in these difficult economic times.

At the same time we were negotiating the rules for the pay-as-you-earn repayment plan and the changes to total and permanent disability. We negotiated an additional set of regulations that would make the direct loan program regulations freestanding. As many of you know the FFEL regulations provided all the rules around original of loans. We will eliminate those and place those in the direct loan program. And we'll also make some change to the reasonable and affordable payments in the context of defaulted student loan rehabilitation. And that regulatory package has been developed. We will be publishing it as a notice of proposed rulemaking in the coming weeks, and we would appreciate your public comment on that. Most of you probably having thought about that rule for a while since negotiations finished way back in March, and so we'll all have fresh eyes out there in community looking at that when it is published. And so appreciate your thoughtful comments on that when we publish it.

Also at that same time, we were working on a set of regulations around transfer preparation, particularly making some changes and improvements to the TEACH Grant program. We also were proposing to make change to the accountability and reporting systems under Title II. Those provisions weren't required to be subjected to negotiated rulemaking, but we negotiated them anyway, and we will be publishing those regulations again as the proposed rule in the coming weeks or months.

We will also be finalizing the Pell Grant regulation that you all saw as an interim final rule that we published last year so that institutions would know how to administer the Pell Grant program during the summer crossover period last year. We are in the process of finalizing that rule. We didn't receive very many public comments, and most of the public comments we received among the few were thanking us for publishing that as an interim final rule and to provide that. So we're gonna finalize that again in the coming weeks.

Last year, I think we mentioned some concerns about fraud rings that were in operation in the student aid programs, and we indicated through a process of public hearings that we would be beginning a process of negotiated rulemaking at some point to address that issue, and it is still on our agenda to do that, so you'll be hearing more from us in the coming weeks around the additional regulatory work we intend to do, including around fraud rings.

While we've been busy with our regulatory work, congress has also made some statutory changes to the student aid programs, and we just wanted to mention a couple of those, to use some of them had been around for a little while and so you probably are very familiar with them, but we wanted to make sure that we covered them at a general session. There was also a general session where we'll talk about ability to benefit and in that session is noted in Session 3. That was addressed in the Consolidated Appropriations Act for 2012. It basically eliminated Title IV eligibility for students without a high school diploma or its equivalent unless they were home schools.

So and that began for the '12-'13 aware year. That was July 1, 2012. We've issued a couple of Dear Colleague letters to remind people of that change. Just to be clear, the recognized equivalent of a high school diploma includes, for example, a GED as well as a state certificate that recognizes by the state as equivalent to the high school diploma, completion of at least at two-year program that is acceptable towards a BA. And, finally, we permit some students that have been documented to have excelled academically in high school and they must enroll in an associate's degree or higher.

There was an exception that we provided in the act when we looked back to see what we could do around making some students eligible for ATB, and those were students who were enrolled in the Title IV eligible program as of July 1, 2012, or had been. So if a student had in prior years been admitted using an ability benefit test or receive aid based on an ability benefit test or he completed 6 credit hours or 225 clock hours, they remained eligible if that enrollment has begun before July 1, 2012.

Jeff Baker: So another thing that has changed, and, of course, you're well aware but we'll just go it quickly, the Consolidated Appropriations Act established yet again, a limitation on the duration of eligibility as to how long a student can received the federal Pell Grant, and the law says 12 semesters, to the equivalent.

What's important about this is that it applied almost immediately beginning with the '12-'13 year, the year that is almost half over, and to all students, and I point those out because as you may be aware, the earlier duration of eligibility which never really got fully implemented was for a select group of students and only for certain Pell Grants. This goes back to the beginning of the basic grant program, the Pell basic grant program, to 1973-74, 40 years worth of information. The good news is, we have 40 years of disbursement information. The bad news is we have 40 years of disbursement information.

[Laughter]

And we didn't have a lot of time. We put a brief discussion of this in the original Dear Colleague letter in January about the Consolidated Appropriations Act, and a whole series announcements, electronic announcements and technical references about how we implemented this for '12-'13, and how we will be implementing it and giving you more information in '13-'14.

Just as a quick reminder, because the statute said, "or the equivalent," we were able to convert that to the percent of a scheduled award that is used. Each year, we look at the student-scheduled award, which is the amount they would get if they were enrolled full-time for the full year based upon their EFC, and then we compare that to the amount they actually received, and that is the percentage. We then add them all up and to get what we call a lifetime eligibility use, or this LEU, and the equivalent of 12 semesters is 6 years, so that's 600 percent. Once the student reaches 600 percent they're no longer eligible for any more federal Pell Grant.

And the last bullet there people wonder why we did this, but if it's greater than 500, but less than 600, then they still have some eligibility, but it would not be for a full scheduled award, because it's something just greater, where it could be just a decimal point greater than 500. They could not get full scheduled award. We provided for '12-'13 some general information in terms of these lists, and e-mails to students, and then in July, we started putting general statements on SARS and ISRs. For '13-'14, we're gonna do a much better job and actually provide the schools on your ISRs with the exact percentages, although it is all available in COD.

[Applause]

Yeah, thanks. This was both a combination of we didn't have a lot of time bringing it up, and as Jim mentioned, the feedback, and we got a lotta feedback on this –

[Laughter]

– to – and we really appreciated that, and we can't – sometimes we can change things pretty quickly. Sometimes we have to wait for the next cycle, and I think as difficult as this is for certainly the students who are gonna lose eligibility and for you to administer it, I think we're moving in the right direction. And what you've clearly asked for, and we will provide, is the LEU, even for people who are not close to the 600 or the 500, because you wanted to do the right thing and we applaud you for that to begin advising students. For example, "Hey, you're only in your sophomore year/second year, but you've already used 400 percent –" you don't use those words, but, "You've already got four years of Pell Grant. You're gonna run out." And so you want that information, and we're gonna make it available for you.

More interesting news.

David Bergeron: So continuing with the legislative changes that have been made to the student aid programs, let me talk about a few related specifically to the student loan programs. The Consolidated Appropriations Act of 2012 also eliminated intra subsidy for direct loans during the six-month grace period. And it did that only for loans where the first disbursement was made between July 1, 2012 and July 1, 2014. So it's a two-year period of time during which loans are being dispersed, where there will be no intra subsidy during the grade period. Any interest that has accrued during the grace period that isn't paid will be capitalized.

One of the things about this, unlike many of the other things that happen in our student loan programs, this will be one of these circumstances where borrowers will potentially have both loans that receive intra subsidy during the grace period and those that don't, and we will keep track of all of that, because this s a change that only affect direct loans, but it will I'm sure cause some borrowers to be a little confused, and we'll try to be as clear I our communication with borrowers as we can be, but you may hear from some of your former students, so we wanted to make sure you're aware of this change. And as of right now, it goes away for loans that were disbursements were made after July 1, 2014, but that's what was covered by the Consolidated Appropriations Act of 2012.

The Budget Control Act of 2011 eliminated eligibility for graduate and professional students for subsidized loans, and these were for loans that with periods that began on or after July 1 of 2012, and the loans that students had received prior to that date did not change, so they continued to be subsidized just as they would have been if the student had – this change had not had been made. And this will be a change that will be enforced through the COD system, which won't permit institutions to award subsidized loans to graduate students any longer.

Probably the most recent change that has happened is in Public Law 112, 141, and we don't generally use the name of it 'cause it makes absolutely no sense to anyone. Even those who live within the beltway and work with federal laws every day, the name of this one is always perplexing, so we just call give the public law number and move. What this public law does, and it isn't effective yet, but we want you to be aware of it because it will come upon us faster than any of us can anticipate, is it limits the number of years that a student can resource a subsidized loan. It applies only to new borrowers on or after July 1, 2013. So as of July 1 of next year, students will have this limitation, and so you scratch your head and say, "Why are we worried about it? It won't happen for years now," and we'll get there in a second.

When a student resources – a student can only receive a subsidized loan for 150 percent of the published time of an academic program. And so the students may not received any subsidized loan that exceeds that, but that begins with loans that are made beginning January 1, 2013.

So here's a little table that kind of gives you an idea of what this means, so if you're four-year bachelor's degree program, a student would have six years of eligibility for a subsidized loan. For a two-year assessments degree program, three years of subsidized loan. When you have down to the bottom row of that change and you see a student enrolled in a ten-week certificate program and they were eligible for 15 weeks subsidized loans. So these students who receive a loan on ultimately 1, 2013, and are enrolled in a ten-year certificate program will lose their eligibility for subsidized loans after 15 weeks. So this will come upon us. That's why said remember this will come upon us much more quickly than any of us really expect. This is why.

Now we know that students transfer, and so this is something we're gonna have to keep track of. But students, when they are, receive the subsidized loan for the program that they transfer into and are enrolled in. So if a student's in the associate's degree program at a community college and transfer to a four-year program at the public four-year institutions, they still have access to six years of subsidized student loans. But what a breakout a student who transfers from a four-year public to a two-year public? Interesting questions. So we subtract the remaining subsidized loan eligibility from their maximum eligibility to come up with what they still are eligible to receive.

I gave you the example of a student who receives three year subsidized loan when they were enrolled two-year program, they still have three years of remaining eligibility when they enter the four-year bachelor's degree program, and so they have three years to complete before this provision affects them and they lose eligibility for a subsidized loan. But as I said, when you get to the student who's enrolled in a bachelor's degree program transferred to community college, been enrolled for three years and they transfer to the two-year program, they have no remaining eligibility for a subsidized Stafford loan.

We will keep track of an calculate the remaining eligibility, and inform students and institutions, just like we are doing today, in the Pell Grant we were talking about a few minutes ago, likely through codes and comments on SARS and ISRs, and we'll use the COD common original disbursement system to do the editing and enforcing of this change. And you'll probably see information about the additional reporting that we will need from institutions to make this all work, including reporting about the program length, something that we've not captured before, and we'll probably put that into the COD reporting system.

Jeff Baker: So now we move to everyone's favorite topic, verification. And at the risk of sounding a little preachy, and you know we've all talked about this, and Jim mentioned it, $150 billion- $160 billion. We have all of us a tremendous responsibility to the American taxpayer, and even if you don't wanna get as lofty as that, we have an interest in making sure that our programs, that we can defend our programs as the tough decisions are made in Washington about funding. The way I like to put it, and people can differ with me, there may be hard decisions. People may make decisions about not supporting our programs. They may do it for fiscal reasons. They may do it for philosophical reasons, but they better not be doing it because they don't think we can run the programs. And that's "we" for all of us, so that's why these things that David talked about some fraud things that weren't gonna do in regulations in all of our efforts here, including verification.

We cannot be in a position of losing all or part of our programs because people can shoe that we don't administer them well. So we do verification, and we've done it for years, but we've changed things. For '12-'$13,000.00 this was the first year where we required virtually all people who were selected for verification who had filed tax returns to either use the IRS data retrieval tool – it's part of FASFA on the Web – or to submit to the institution and IRS tax return transcript either received directly from the IRS. There were, as would be expected, some bumps along the way and we provided some relief – if that's the right word – in April because of the IRS processing flow to allow for about three months where you could accept copies of tax returns.

Let me be very clear here. That is unlikely to occur next spring, so I think you ought to be thinking about what you're gonna do because the IRS is gonna process their tax returns as well as they can, and they've shared with us some things they have about expediting their processing, but they have 200 million tax returns to process, and their primary objective is to get those processed. We're kind of the tail here, and we're not gonna wag the dog. So this relief that we gave last spring is not gonna happen. You need to be thinking about how you're gonna do tentative awards and advice your students that they're gonna have to wait or whatever the situation may be. It's just gonna be that way.

We did, though, in July issue a Dear Colleague electronic announcement, I guess, about some areas where we knew students still were caught up, and these would be people who were victims of identity theft and people who filed amended tax returns. And then just a few weeks ago, there was a little bit remaining, people who just cannot get through the IRS authentication proc. Because of the IRS' rules, what they call "business rule," and also they're very strict as it should be, authentication process. So we did provide – it looks a little complex. There aren't that many people in this category, and we think it's very workable.

Those people who can prove to you that they attempted to get an IRS tax return transcript but we not able to and the IRS responded back to them, either with a letter or a printout from the online screen that they were not able to be successful to get a transcript, they can turn in a copy of their return, but they also must submit to you a signed, executed, dated form, the 4506EZT, or 4506T. This is the IRS tax request transcript form, where they designate your institutions as the third party to whom the IRS would send the transcript.

But you don't send this form into the IRS unless you believe that the tax return they turned into you is not accurate, okay? This is a deterrent maneuver so that people who are gonna mess around with their tax returns and you have some sense of that, they will know that you can turn in this 4506T, and you'll get the exact information from the IRS. We do not expect lots of these to be sent to the IRS, but it's incumbent upon you to receive it from the tax filer, either the student or the parent, and maintain it in the file. So that's for '12-'13.

For '13-'14 – and you've seen this information – we did our federal register that's required in the regulations in a Dear Colleague letter in July about what's gonna happen in '13-'14. We indicated there that for '13-'14, we will include as possible items to be verified, the same ones – the same core items that we did for '12-'13 and you see them listed here. But we did add two new items, again, in this attempt to make sure that we can identify and combat fraud and abuse in our programs.

So some people – and we'll talk about these verification codes in a second – will be required to provide two other verification items to the institutions. That would be their documentation of their high school completion status, so they indicated on the FASFA, whatever the high school completion was, to provide documentation to you, and to identify themselves. We have concerns, frankly, that the person applying for financial aid electronically and particularly distance education programs or any program that does not require necessarily the student to show up and identify themselves each time, we want them to identify themselves by showing up at your institution with a government-issued ID and to execute in front of you statement of educational purpose.

If they're not able to – the federal register notice and the Dear Colleague letter points out that if the student is not able to show up in person, they can execute this in front of a notary public. We are within just a week or so of releasing the specific language about this statement of educational purpose.

Now in our continuing and evolving effort to move to customized verification, which we've talked about for a couple of years, we eventually want to get to the point where our data analysis, our risk model can look at each individual FASFA applicant and determine which item on the FASFA, or which items on the FASFA are prone to error, likely to be an error or possibly to be an error. We're not there yet, and we're taking it very carefully and very slowly.

What we've moved to for '13-'14 is putting an applicant who was selected for verification in one of these five tracking groups, one which we call standard verification. That will be just those 12 or items that we saw on the earlier slide, AGI taxes paid, number in household, number in college, SNAP, and child support paid. And, remember, on food stamps, SNAP, and child support paid, you only verify if it was included on the FASFA, if the applicant listed that they were received food stamps, SNAP, or that they paid child support.

Group 2 are people who the risk model did not select them at being error-prone for the larger set, but we would like to have their claim that they received food stamps, SNAP verified, and that's because getting food stamps and when it's presented gets a person the benefits of the alternative EFC calculations, the simplified needs test, and more importantly, an automatic zero EFC. So we think that's significant enough that we wanna have that verified. And it's pretty easy to be verified. It's just a statement.

Similarly, for child support paid, because child support paid is as important as income. It's a reduction in income, and so for people who indicate, whether it be the student or the parent, that they pay child support, if that's indicated on the FASFA, and we put them in Group 3 because we don't care – I don't say we don't care – but the other issues are not that critical. Only child support would have to be verified.

Group 4 are these people who are gonna have to verify their high school completion and their identity. And if they receive SNAP and child support, we combine those. And there will not be a lot of those. We're gonna be very cautious because we know that we certainly don’t want to accuse anybody of trying to defraud the system, and you certainly shouldn’t do that. It’s just additional information that you can blame us that the feds are requiring. But we wanna be careful and make sure we have our data. So as was mentioned, we get 22 million-23 million FASFA applications. We select about a third to 40 percent of them for verification, but we don’t expect more than a couple a hundred thousand people to be selected for these special groups, and that – a couple hundred thousand means it’s gonna be spread out. Many of you will have none of them. Some will have just a few. And depending upon the nature of your institution and if you’re being targeted by these four groups, you might have a larger number.

And Group 5 is one where we want everything verified because this person meets our profile of error-prone, and also our profile of perhaps having some issues related to they’re trying to abuse the programs. Again, there will not be lots of those. A person will only be in one verification group, so on the ISR there will be the verification flag which says the person’s been selected for verification, and then another field that indicates whether it’s a V1, V2, V3, V4, V5. And then you use this guidance and the guidance in the letters to know what you have to verify.

Let me make a comment about worksheets. We really wanna move to customization, and we really think it’s a mistake to have everyone verify everything. And so last year, as you know, we resisted doing a worksheet. We ultimately did one because you wanted it. We made it much less official than it had been in the past. This year, we’re not gonna do a worksheet. We are not gonna provide a worksheet. But what we are going to do, and there was an electronic announcement and David’s signature three-four weeks ago saying, “We will be releasing within the next couple of weeks suggested –” you don’t have you use it “–suggested text for each of those items that a student may need to verify of how you may ask for it of the text that you may put into your tracking summaries, your worksheets f you wanna create one.” But we can’t tell you what to do, but we – well, we can, but not in this case.

[Laughter]

We strongly encourage you not to create a worksheet with all of the items and send it to everyone’s who selected for verification. That is just overkill, okay? So we’ve talked to your software providers, the big software houses that service a lot of you, and they understand this and they’re comfortable and now they have work with you about seeing if they can give you the right tool.

Finally, in this area, technology, it's not verification, but we have been concerned as many of you have, about what sometimes people call Pell runners, people who apply for financial aid, make themselves eligible for maximum awards, or close to the maximum awards, particularly in Pell Grant, attend institutions for a limited period of time, low-cost institutions where there's a Title IV credit balance. They get a credit balance of Pell Grant funds. Could be loans as well, but most Pell Grant funds, they split and they leave. And then they go do it, again, sometimes in the same semester, sometimes in the same year, and certainly year after year.

So we're going to, again, be very careful and be very prudent about the numbers we select here, but we will be putting some flags on ISRs for '13-'14 using data from the NSLDS about people who seem to be running around from school to school. Now there could be some very good reasons why that's happening, but, for example – and we're not gonna tell you or anyone else all of the details of how we're selecting them – but, for example, if we found a situation where a student received a Pell Grant at four different schools in the same award year – now that's possible.

It's legitimately – it could happen, and we can talk about summers and moving around and families moving and so on, but it's something that we'd want looked into. So we're gonna have some flags, and we're gonna ask you, depending upon the flag, to have a discussion with the student. They will not be a lot of them. And get some documentation to find out what their story is about their running around from school to school.

This will be a deterrent, and some will never show up because we got 'em. Others will come in and provide you information that makes it totally legitimate what's happened, and others will provide you with information that you, in your view, do not feel is adequate, and then we'll give you some guidance about the steps that you can take.

David Bergeron: Thanks, Jeff. The last point Jeff was just making is really critical and reflects kind of our growing concerns about protecting our programs against fraud and abuse. It is really easy for us to argue for additional resources when we know that we've done everything we can to protect those resources from abuse, and so the work around verification is really critical to making that happen.

Just a couple more issues we want to talk to you about. One that

I'm really excited about is our work around experimental sites. We announced a while back a set of experiments that institutions could elect to participate in. There were seven that institutions have signed onto. Two Pell Grant experiments and then the remaining five are direct loan experiments. The Pell Grant experiments are a little behind the loan experiments in the sense that they haven't kicked in yet.

We have identified a contractor that will be helping us with evaluating the experiments that involve providing Pell Grants to people who would normally not be eligible, students who are enrolled in short-term vocational programs or students who had a bachelor's degree who enrolled in vocational programs. And those will have a rigorous scientific random assignment experiment of design, and so we're gonna be implementing that design through work of a contractor.

And then in the direct loan area, we've got a number of experiments that are really designed to improve the – or test different things that could be done, including things like unequal disbursement of loans and limiting unsubsidized loans. And we have schools that are participating in these experiments. Some of the numbers of schools, the Experiment Number 7, a direct loan experiment, related to Plus loans for parents of students with disabilities, only has one school participating in it, and so we're gonna be doing a Dear Colleague letter that would allow institutions or invite institutions to apply to participate in one or more of these experiments for the '13-'14 award year.

And we would encourage you and your institutions to consider participating in these experiments. If you're interested, we'll do a Dear Colleague letter in the coming days that will tell you how to apply to participate in those experiments. And as I said, this is something we're really excited about and we continue to be thinking about different things that we could do in terms of experiments, so – but we encourage you to participate in the seven that we have ongoing.

I know a number of folks are interested in Plus loans. There's a Session 17 that where they'll go through a number of the Plus loan implementation issues. We want to take a minute this morning to talk about the Plus loan program particularly as it relates to our requirement that borrowers not have adverse credit in order before they are determined to be eligible for a Plus loan. And those regulations, those requirements that derive from the Higher Education Act are really there to do two things. First, and in my perspective really the most critical one is to protect borrowers from excessive debt and ultimately default.

We have provided a lot of tools to students to help them repay their student loans. Some of the repayment plans that are available are available to parents, but the income base, income-contingent repayments are not available to parents, and so they're susceptible to having taken on too much debt and risk default. And so we think that that's something that needs to be addressed and the law and regulations _____ them being addressed.

Also is _____ are funds at risk. As I indicated, we need to be good stewards of our funds and it does increase the default risk. And so our regulations require that a borrower that has adverse credit, and that's defined as debts that are 90 or more days delinquent, not be eligible for Plus loans unless there's extenuating circumstances, and I'll talk a little bit more about extenuating circumstances in a minute. And that includes debts that have been sent to collection agencies or debts that have been written off. And the reason that's true is because those delinquencies are the result of a debt having been more than 90 days past due.

We do provide an opportunity for this determination of adverse credit to be reconsidered as part of an extenuating circumstances process, and by "extenuating circumstances," we're talking about a case-by-case determination based on factors specific to the borrower. And some of the things that can be considered and are considered as part of that extenuating circumstances process are things like the browse has made efforts to pay the debt that had been delinquent. Sometimes there are debts that are in dispute, that show up on the credit reports.

Those kinds of things are things that we do consider an extenuating circumstance. And, also, we've begun to – or in the process of using – looking at the cumulative past due debt, and using a minimis amount that a family can have before they lose eligibility. We were joking before that we don't normally use Latin words in our PowerPoint presentations. You can guess who helps us with our PowerPoint presentations, sometimes, and they like to use Latin words. That would be lawyers.

[Laughter]

But the Point here is that we do look at if a borrower has a relatively small of amount of debt we don't hold that against them and through the extenuating circumstances process assure ourselves that the borrower's not gonna default, also that we look at whether or not the family has a prior Plus loan

Jeff Baker: A couple of things just operationally. We reminded people a number of times, so we have had a situation – we always had situations where parents we're denied a Plus loan. We you know, the law and the regulations allow a school in loan limit to award additional loans of a couple thousand dollars in additional – well it could be $6,000.00 or $7,000.00 in additional loans to a dependent student because the parent could not get the Plus loan. And we've always had the situation, but then later on the parent or another parent gets the Plus loan, and it can happen because the parent gets an endorser. It could happen 'cause the other parent applies for a Plus loan and it could happen because of extenuating circumstances, a positive extenuating circumstance decision by the department.

So what do you do if you've already awarded additional unsub? Well, if you do, you cannot disperse any undisbursed funds of that additional unsub. You cannot – once you learn that the parent is now eligible for a Plus loan. But you do not have to return any amount that was dispersed. You do not have to return any amount that was dispersed. Of course, the amount that was dispersed and not returned has to be used in calculating the parents' eligibility because it cost _____ minus other aid, including additional and unsub the student might have received and dispersed.

Also, I think this last bullet is important. Often the student and the parent and the school working together will say, "Yeah, we understand that the student was able to get some of this additional unsub, maybe even all of it," but we really – the parent really wants us this be their responsibility. So particularly because we're direct loan only and the direct loan using COD is relatively easy to reverse transactions. You can agree that even the amount that was dispersed will be returned by a download adjustment and, then the Plus loan will be originated and dispersed, and that will put all of the burden, if they choose, if the family chooses on the parents.

David Bergeron: So last topic we wanted to cover this morning gainful employment, and there's a Session 23 where – somebody's giving me hand signals. I think this session number may not be the right one. So check your programs to find out what the right session number is. It's not 23.

So the gainful employment, we did an electronic announcement back in June that – or July that talks about the status of gainful employment. The United States District Court or the District of Columbia ruled in a case brought by the Association of private Sector Colleges and Universities against the department in which he – the judge vacated most of the gainful employment regulations that we had published back on October 29 of 2010, and June 13th of ’11. And so we want to just briefly tell you kind of the status of where things are right now, and then more detail will be provided in the breakout session.

One of the things that’s really important to mention and take note of is the fact that the court made clear that we have the authority to regulate in this area, that the court found that we were trying to address real problems that we existing in the student aid system at programs that were required by law to lead to gainful employment. And so we think it’s really important that people understand that we have clearly the authority to regulate in this area. It just took issue with some of the provisions. One of the provisions that the court took issue with and which the court vacated, were the reporting requirements and, therefore, institutions are not required to report gainful employment information to the secretary beyond that, that we have already received.

That said, institutions still have the ability if they so choose to submit corrections to us of the information that we’ve previously had reported. So we are not currently collecting at this point, don’t intend to collect, information from institutions., but institutions can still do that.

The court also vacated the requirements around new gainful employment reporting. There are, however, some programs, new programs that have to be reported under other rules that go over VA programs. And we published at electronic announcement on the gainful employment page. And to IFAP on November 21st, it’s like an Electronic Announcement 41, that addresses this issue. It’s really important that institutions that are required to seek approval that they do so, and it generally has to do with provisional certification.

The court left, though, in placed the provisions related to disclosures, and we indicated to institutions in the registration and in communications afterwards that we’d be doing a disclosure template we’re not gonna that be providing in that template at this point. We are waiting until after we hear more from the court before we decide how to deal with this issue of disclosure, and so we are at this point waiting until we hear more to issue that, but so institutions have been directed institutions to update their gainful employment program disclosure information by January 31st in the same year they did last year. That's the Electronic Announcement 42 that we published on the 23rd that addresses that issue. And there is another session talking about the disclosures. That session number is correct; it's 47.

Here's a list of other sessions related to topics that we talked about today.

Jeff Baker: And we want to thank and remind you we have a town hall meeting on Friday morning, and we'll be more than happy to entertain questions about anything that David and I talked about this morning, and certainly everything else,

Thank you very much. We need to clear the room. You have sessions coming up. Thanks.

[Applause]

[End of Audio]