

CSAC Summary of the SAFRA Act



Health Care and Education Reconciliation Act of 2010

Prepared for the April 15, 2010, Commission Meeting



Legislative History

H.R. 3221, the Student Aid and Fiscal Responsibility Act (SAFRA)

- Introduced in the House on July 15,'09, by Rep George Miller (D-CA)
- Reported out of the House Education and Labor Committee on July 21, '09
- Approved by the full House on Sept 17, '09

H.R. 4872, the Health Care and Education Reconciliation Act of 2010

- Includes select SAFRA provisions
- Approved by House on Mar 21, '10
- Approved by Senate on Mar 25, '10 with two minor amendments
- Re-approved by House same day
- Signed into law on Mar 30, '10



Federal Pell Grants

- Pell is a hybrid of discretionary (\$4,860) and mandatory (\$490) appropriations
- Sets formulas for increasing the maximum Pell amount through FY 2017-18
- Note that CPI “plus one percentage point,” as proposed in the President’s Fiscal Year 2011 budget proposal was not included in the final bill



Federal Pell Grants

- Beginning with FY 2018-19, the mandatory add-on remains flat
- Mandatory funding is allocated for the increases
 - Will cost \$22.6 billion over the FY 2010-2019 period (CBO)
- Partially funds projected Pell Grant shortfall for a cost \$13.5 million through FY 2012
- Full funding of the maximum Pell Grant is still dependent upon the annual appropriations process, as Congress will need to appropriate sufficient funds to provide for the first \$4,860 (discretionary) of the maximum grant



College Access Challenge Grant Program

- Provides mandatory funding of \$150 million for each fiscal year from FY 2010 through FY 2014
- Increases minimum state grant from 0.5% of the appropriation to 1.0% of the appropriation
- Makes no additional changes to the College Access Challenge Grant Program
- Additional funding that would have provided for State Innovation and Completion Grants and Innovation in College Access and Completion National Activities was not included in the final bill



Investment in Historically Black Colleges and Universities and Minority-Serving Institutions

- Continues two year funding for HBCUs and MSIs as stipulated in the HEOA
- HBCUs and MSIs would receive \$255 million for each of the award years FY2010 through FY2019 for a cost of \$2.55 billion over 10 years
- Includes no authority to award these grants after FY 2019



Community College and Career Training Grant

- Provides \$500 million in mandatory funding each year for FY 2011 through FY 2014 for the Community College and Career Training Grant Program
- Includes a provision that each state receive no less than 0.5% of the total appropriated funds
- The American Graduation Initiative containing approximately \$10 billion to help community colleges graduate 5 million more students by 2020 did not make it into the final bill



Federal Family Education Loan Program

- Authority to make or insure new loans under the Federal Family Education Loan (FFEL) program ends on June 30, 2010
- Existing FFEL loans continue to be eligible for program benefits
- Beginning July 1, 2010, all new Stafford, PLUS and consolidation loans will be made under the Direct Loan (DL) program



Federal Family Education Loan Program Cont.

- The Congressional Budget Office (CBO) estimates that the termination of the FFEL program will result in a reduction in mandatory spending
 - \$28.6 billion over the FY 2010-2014 period
 - \$61.0 billion over the FY2010-2019 period
- The proposal to use approximately \$3 billion of the savings from the termination of FFEL to keep the interest rate at 3.4% did not make it into the final bill



Payments for FFEL Servicer Job Retention

- Allocates \$25 million in each of FY2010 and FY2011 for FFEL program servicers for the purpose of retaining jobs at locations where the servicers were operating on January 1, 2010



Non-Profit Servicers for DL Program Loans

- Mandatory funding provided for administrative costs for non-profit servicing contracts for the FY 2010-2019 period.
- To be eligible to service DL program loans, non-profit services would be required to meet the standards for servicing federal assets that apply to other servicing contracts and have adequate capacity.
- The Secretary shall contract with eligible non-profit servicers to service 100,000 loan accounts each. The Secretary can adjust loan volume based on performance.
- A separate pricing tier at a competitive market rate will be established for the first 100,000 accounts.
- While no actual funds are attached to this provision in the reconciliation bill, CBO estimates the 10-year cost to be approximately \$1.4 billion.



Technical Assistance Support for Higher Education Institutions

- In FY2010, \$50 million in technical assistance will be provided to institutions to establish or administer DL programs at their school and may include the provision of technical support, training, materials or other financial assistance.



Income Based Repayment (IBR)

- Expands the Income Based Repayment (IBR) Program for new borrowers beginning July 1, 2014.
 - Loan payments would not exceed 10 percent of a borrower's prior year income (from 15 percent currently)
 - Maximum number of years of income based repayment before the borrower qualifies for loan forgiveness would be reduced to 20 years (from 25 years currently)
- Estimated cost of \$1 billion over five years and \$1.5 billion over 10 years.



In-School Consolidation Loans

- Between July 1, 2010 and June 30, 2011, borrowers who have multiple types of federal loans and who have not yet entered repayment on at least one of their loans would be eligible to consolidate their loans into the DL program.
- To be eligible borrowers would have to have at least two of the following three types of loans:
 - DL program loans;
 - FFEL program loans held by an eligible FFEL program lender; and,
 - FFEL program loans that have been purchased by the Secretary through an ECASLA program
- While the interest rate on these loans is otherwise set, there will be no upward rounding to the nearest one-eighth of 1%.



Extension of Direct Loan Program to Foreign Institutions

- Currently the only federal student loans available to eligible students attending foreign institutions are through the FFEL program.
- Beginning July 1, 2010 eligible students would be able to receive DL program loans for study at foreign institutions.
- Funds will be disbursed through a US financial institution.



100% Transition to Direct Lending

- Taxpayers will save more than \$4 billion a year in reduced entitlement subsidies
- Funds can be invested in more grant aid to students seeking a higher education
- The process for schools to transition from FFEL to Direct Lending is relatively simple
- Students still in school will see no change unless they currently have a FFEL program loan
- Those students will need to make the transition to Direct Lending by signing a new promissory note



More Student Loan Provisions

- The Administration's plan to remake the Perkins Loan Program to reward institutions that enrolled and graduated large numbers of low-income students did not make it into the final bill



Additional Provisions of Interest

- Significant financial assistance programs for health professions majors including
 - Independent students' parental financial information no longer required
 - Federal nursing student loan program limits increased
 - Allied health loan forgiveness program established
 - Pediatric specialty loan repayment program established