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Information/Action Item

California Student Aid Commission

Update on federal legislation affecting Commission programs

This tab is intended to provide an overview of recently passed federal legislation which makes major changes to federal financial aid and funding for specific higher education programs.

On March 17, 2010, parts of H.R. 3221, the Student Aid and Fiscal Responsibility Act (SAFRA), were incorporated into the budget reconciliation bill, the "sidecar" bill to health care reform legislation. Four days later, the House passed both the health care reform measure and the accompanying reconciliation bill. The health care reform bill (originated in the Senate) went to the President for his signature, and the reconciliation bill (originated in the House) went to the Senate.

On March 25th, the Senate passed the reconciliation bill with two minor amendments, and because of budget reconciliation rules, had to send it back to the House for concurrence. On the same day, the House passed the amended reconciliation bill and sent it to the President. The President has since signed both pieces of legislation into law.

The passing of the reconciliation bill, also known as the Health Care and Education Reconciliation Act of 2010, brings with it sweeping change to the student financial aid world. Following is an analysis of the salient provisions relevant to Student Aid Commission programs and the students of California.

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Health Care and Education Reconciliation Act of 2010
SAFRA Act

Major Provisions of the Health Care and Education Reconciliation Act of 2010

Title II, Subtitle A – SAFRA Act

- **Pell Grant Provisions**
    - Amends the Higher Education Act (HEA) to provide a mandatory add-on to the discretionary appropriated award amount to set the maximum annual Pell Grant award.
    - For 2010-11 through 2012-13, the mandatory add-on will be $690 (according to the College Cost Reduction and Affordability Act of 2007 this add-on was set to increase to $1,090 by 2012-13 but the SAFRA Act amends that CCRAA provision).
    - For 2013-14 the mandatory add-on will equal the greater of $5550 or prior year's total maximum, whichever is greater, increased by the most recent year's Consumer Price Index-Urban Populations *minus* the prior year's appropriated maximum or $4860, whichever is greater. That amount is to be rounded to the nearest $5.
    - For 2014-15 through 2017-18 the mandatory add-on will equal prior year's total maximum increased by CPI-U *minus* the prior year's appropriated maximum or $4860, whichever is greater. That amount is to be rounded to the nearest $5.
    - For 2018-19 and following the mandatory add-on will equal the add-on from 2017-18.
    - Appropriates $13.5 billion towards Pell Grant shortfall through FY 2012.
- **College Access Challenge Grant Provisions**
    - Amends the HEA by authorizing and appropriating $150 million for each of the next five fiscal years (2010 through 2014) for the College Access Challenge Grant program.
    - The minimum allotment for a state shall not be less than $1.5 million, or 1.0 percent of the annual appropriated amount.
    - All other provisions of the Challenge Grant as established under CCRAA remain unchanged.
- **Investment in Historically Black Colleges and Universities and Minority-serving Institutions**
    - Amends the HEA by extending funding for programs under this section until fiscal year 2019.
    - All other provisions of this provision as established under CCRAA remain unchanged.
- **Community College and Career Training Grant Program** (Title I, Subtitle F)

- Appropriates $500 Million a year for fiscal years 2010 through 2014 for community colleges to develop and improve educational or career training programs.
- Ensures that each state receives at least 0.5 percent of the total funds appropriated, or $2.5 million.

- **Student Loan Program**
  - The authority to make loans under the Federal Family Education Loan (FFEL) program will be terminated after June 2010. Holders of existing FFEL program loans will continue to be responsible for servicing the loans, and guaranty agencies will continue to administer the federal loan insurance.
  - Beginning with Annual Year 2010-2011, all new Subsidized and Unsubsidized Stafford Loans, PLUS Loans, and Consolidation Loans will be made under the William D. Ford Federal Direct Loan (DL) program.
  - DL program loans will be serviced by private for-profit and not-for-profit servicers under contract with the United States Department of Education (USDE).
  - The Secretary of Education (Secretary) is authorized to enter into agreement with a state-owned bank to make loans with the same terms and conditions as loans that were made under the FFEL program on July 1, 2009.
  - $25 million is provided for each of Fiscal Year (FY) 2010 and FY 2011 for payments to servicers of FFEL program loans for the purpose of retaining jobs at locations in the United States where those services were operating in the capacity of FFEL servicers on January 1, 2010.
  - Amends the requirements of the DL program to award contracts to service DL program loans to establish a separate category of contracts specifically applicable to not-for-profit servicers [does not include guarantee services]. Under the proposal, the Secretary may initially contract with eligible not-for-profit servicers to service 100,000 borrower loan accounts. The Secretary will be permitted to adjust the number of accounts serviced by not-for-profit servicers based on their performance. Not-for-profit servicers will be compensated at competitive market rates. The SAFRA Act provides mandatory funding for administrative costs for not-for-profit servicing contracts for FY 2010 through FY 2019.
  - Provides $50 million for FY 2010 for technical assistance to Institutions of Higher Education (IHEs) that participate in or seek to participate in the DL program. Technical assistance will be provided to assist IHEs in establishing and administering DL programs at their schools, and could include the provision of technical support, training, materials, and other technical or financial assistance.
  - Amends the income-based repayment (IBR) plan for new borrowers, as of July 1, 2014. The threshold to qualify for repayment according to the IBR plan and for setting maximum monthly payment amounts will be reduced from 15% of income that exceeds 150% of the poverty line, to 10% of income that exceeds 150% of the poverty line. Also, borrowers who repay according to

the IBR plan will be eligible to have any loan balance that remains unpaid after 20 years forgiven at that time, down from 25 years under current law.

- Temporarily amends the requirements for certain borrowers to consolidate loans during the period from July 1, 2010, to June 30, 2011. During this one-year period, borrowers who have multiple types of federal student loans and who have not yet entered repayment on at least one of their loans, will be eligible to consolidate their loans into DL program Consolidation Loans without having the interest rate rounded up to the nearest higher one-eighth of 1%.
- Extends the DL program to foreign IHEs. Effective July 1, 2010, and concurrent with the termination of lending under the FFEL program, the availability of DL program loans will be extended to eligible students enrolled in foreign schools.

Additional provisions of interest in the main health care reform measure, the Patient Protection and Affordable Care Act of 2010

Enacted on March 23, 2010, the Patient Protection and Affordable Care Act (H.R. 3590) provides significant financial assistance programs for health professions majors.

- **Independent students' parental financial information no longer required**
  - "The Secretary of Health and Human Services shall not require parental financial information for an independent student to determine financial need under section 723 of the Public Health Service Act (42 U.S.C. 292s) and the determination of need for such information shall be at the discretion of applicable school loan officer."
  - This amendment will reduce filing confusion with the Free Application for Federal Student Aid (FAFSA) and will reduce financial aid office workloads.
- **Nursing Student Loan Program limits increased**
  - Amends Section 836(a) of the Public Health Service Act (42 U.S.C. 297b(a)) to increase the annual and aggregate nursing student loan limits from $2,500 to $3,300 (from $4,000 to $5,200 for the final two years of a program).
  - Aggregate limits will rise from $13,000 to $17,000 for fiscal years 2010 and 2011. After fiscal year 2011, annual and aggregate limits shall be adjusted to provide for a cost-of-attendance increase.
- **Allied Health Loan Forgiveness Program**
  - Assures an adequate supply of allied health professionals to eliminate critical allied health workforce shortages by authorizing an Allied Health Loan Forgiveness Program.
  - Eligible individuals must have graduated and received an allied health professions degree or certificate from an institution of higher education and be employed full time as an allied health professional in a federal, state, local, or tribal public health agency or in a setting where patients might require health care services, including acute care facilities, ambulatory care facilities,

personal residences and other settings, as recognized by the Secretary of Health and Human Services.

- **Pediatric Specialty Loan Repayment Program**
  - Requires the Secretary of Health and Human Services to establish and carry out a pediatric specialty loan repayment program under which eligible individuals agree to be employed full time for a specified period (not less than two years) in providing pediatric medical subspecialty, pediatric surgical specialty, or child and adolescent mental and behavioral health care, including substance abuse prevention and treatment services.
  - Qualified health professionals will agree to work in an area with a shortage of the specified pediatric subspecialty that has a sufficient pediatric population to support such pediatric subspecialty, as determined by the Secretary.
  - Payments will be made on the principal and interest of undergraduate, graduate, or graduate medical education loans of not more than $35,000 per year for each year of qualifying service for a period of not more than three years.