

# FEDERAL UPDATE

**IHEP Symposium on Financial Literacy and  
College Success at  
Minority-Serving Institutions  
San Antonio, TX  
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**Allison G. Jones  
Assistant Vice Chancellor  
Office of the Chancellor  
The California State University  
ajones@calstate.edu**

# FINANCIAL LITERACY AT MINORITY-SERVING INSTITUTIONS

- American Indian Tribally-Controlled Colleges and Universities (HEA Sec. 303, Sec. 316)
  - Amends examples of authorized activities to include education or counseling services designed to improve the financial literacy and economic literacy of students and their families
  - Dear Colleagues Letter (GEN-08-12)

# FINANCIAL LITERACY AT MINORITY-SERVING INSTITUTIONS

- Alaska Native and Native Hawaiian-Serving Institutions
  - Amends authorized grant activities under this provision to include education or counseling services designed to improve the financial literacy and economic literacy of students or their families

# FINANCIAL LITERACY AT MINORITY-SERVING INSTITUTIONS

- Historically Black Colleges and Universities
  - Amends authorized grant activities under this provision to include education or counseling services designed to improve the financial literacy and economic literacy of students or their families, especially with regard to student indebtedness and student assistance programs under Title IV . . .

# FINANCIAL LITERACY AT MINORITY-SERVING INSTITUTIONS

- Hispanic-Serving Institutions
  - Includes financial literacy as an authorized use of funds

## ADDITIONAL PROGRAMS RELATED TO FINANCIAL LITERACY

- HEOA made certain changes affecting financial literacy initiatives that will impact all institutions, including MSIs:
  - Consumer Education Information Provided by Guaranty Agencies
  - Financial Literacy: Study and Report
  - TRIO

# Consumer Education Information Provided by Guaranty Agencies

- Requires each guaranty agency working with the schools served by the agency . . .
  - To develop and make available high-quality educational programs and materials to provide training for students and families –
    - in budgeting,
    - financial management
    - debt management,
    - cost of using high interest loans to pay for postsecondary education, and
    - how budgeting and financial management relates to the Title IV student loan programs

## Financial Literacy: Study and Report

- Secretaries of Treasury, Education, and Agriculture (with respect to land grant colleges and universities) required to enhance financial literacy among postsecondary students . .
  - Through development of initiatives, programs, curricula
  - To improve student awareness of short- and long-term costs associated with student loans and other debt, and
  - assisting such students in navigating the financial aid process.

## TRIO

- Adds **financial and economic** literacy to authorized activities for Educational Opportunity Centers
- Changes current allowable service of personal counseling to “individualized personal, career, and academic counseling”

# RECENT LEGISLATION IMPACTING STUDENT FINANCIAL ASSISTANCE

- **College Cost Reduction and Access Act of 2007 (CCRAA)**
- **Ensuring Continued Access to Student Loans Act of 2008 (ESCALA)**
- **Higher Education Opportunity Act of 2008 (HEOA)**
- **American Recovery and Reinvestment Act of 2009 (ARRA)**

# **COLLEGE COST REDUCTION AND ACCESS ACT OF 2007 (P.L. 110-84)**

## **STUDENT AID PROVISIONS**

- **Increased Pell Grant amounts**
- **Increase in Income-Protection Allowance (IPA)**
- **Increase in Automatic-Zero threshold**
- **Expanded Definition of Independent Student**

## **ENSURING CONTINUED ACCESS TO STUDENT LOANS ACT OF 2008 (P.L. 110-227)**

### **Unsubsidized Loan Limits—*HEA Sec. 428H***

- **Provided an additional \$2,000 unsubsidized Stafford loan for dependent undergraduates (excludes dependent students whose parents are ineligible for PLUS loan).**
- **Increased annual loan limits for independent undergraduates (and dependent students whose parents are ineligible for a PLUS loan).**
  - **From \$4,000 to \$6,000 for first two years**
  - **From \$5,000 to \$7,000 for third year and beyond**
- **Provides corresponding aggregate loan limits to match these increases**

# ENSURING CONTINUED ACCESS TO STUDENT LOANS ACT OF 2008 (P.L. 110-227)

## PLUS Loans

### Eligibility--HEA Sec. 428B (a)(3):

- Allows parents to be considered eligible even if, during the period of January 1, 2007, through December 31, 2009, the parents are or were . . .
  - No more than 180 days delinquent on a mortgage payment on their primary residence or any medical bill payments
  - No more than 89 days delinquent on any type of other debt

### Repayment—HEA 428B (d):

- Parents have the option to defer repayment until after students graduate from college

# ENSURING CONTINUED ACCESS TO STUDENT LOANS ACT OF 2008 (P.L. 110-227)

## Expansion of ACG and SMART Grants—*HEA Sec. 428B (d)*

- Both programs available to all Pell-eligible students
- Allows for part-time student eligibility (as long as student is enrolled at least half-time)
- Eligibility is based upon grade-level instead of academic year
- ACG only: students can receive the award if they are in certificate programs
- SMART only: students in five-year programs can now receive SMART funds in the fifth year

# HIGHER EDUCATION OPPORTUNITY ACT OF 2008 (P.L. 110-315)

## **Pell Grant Authorized Increases—*HEOA Sec. 401, HEA Sec. 401 (b)(2)(A)***

- **\$6,000 for academic year 2009-10**
  - **\$6,400 for academic year 2010-11**
  - **\$6,800 for academic year 2011-12**
  - **\$7,200 for academic year 2012-13**
  - **\$7,600 for academic year 2013-14**
  - **\$8,000 for academic year 2014-15**
- **These increases are only authorized awards, not the actual grant amounts**

### **Also:**

- **Sets the minimum award at 10 percent of the actual maximum award each year**
- **Authorizes a year-round Pell Grant**
- **Introduces a lifetime limit on Pell award eligibility for 18 semesters**

# HIGHER EDUCATION OPPORTUNITY ACT OF 2008 (P.L. 110-315)

## Simplification Proposals:

- **An Early Application and Estimated Award Demonstration Program—*HEOA Sec. 473 (a), HEA Sec. 480 (a)***
  - that would allow dependent students to receive an estimate of federal, state, and
  - institutional aid in the fall of their senior year, using data from the prior year.
  
- **A Reduction of Income and Asset Information to Determine Eligibility Study—*HEOA Sec. 483 (a), HEA Sec. 483 (f)***
  - that would make the FAFSA easier to complete by identifying formula changes
  - that reduce the required amount of financial information, without significantly
  - redistributing federal aid, and while also addressing state and institutional needs.
  
- **Development of paper EZ FAFSA—*HEOA Sec. 483 (a), HEA Sec. 483 (a)***
  - For those who qualify for low-income students (SNT or Auto-zero EFC)

# HIGHER EDUCATION OPPORTUNITY ACT OF 2008 (P.L. 110-315)

## College Costs

- **State Commitment to Affordable College Education—*HEOA Sec. 116, HEA Sec. 137***
  - State appropriations must not drop below the average amount from the previous five years, or they will have their College Access Grants withheld
  
- **College Affordability Lists—*HEOA Sec. 111, HEA Sec. 132***
  - Secretary will publish six annual affordability “watch lists” in which institutions with the highest and lowest tuition growth will be featured
  
- **Net Price Calculator—*HEOA Sec. 111, HEA Sec. 132***
  - The Secretary must consult with institutions to create a net price calculator (price net of grant aid)

# HIGHER EDUCATION OPPORTUNITY ACT OF 2008 (P.L. 110-315)

## Service Member Benefits

- **Requires the Secretary to publish information on the FSA website about student financial assistance available from other federal departments and agencies**
- **Automatic-zero EFC provision for children of deceased veterans**
- **Expands eligibility for Upward Bound**
- **Loan discharge for disability**
- **Scholarship program for family of post- 9/11 veterans**
- **In-state tuition benefits**
- **Easier re-enrollment**

# AMERICAN RECOVERY AND REINVESTMENT ACT (P.L. 111-3)

## Student Aid Provisions

- **\$17 billion for Pell Grant shortfall and also to boost Pell Grant by \$500, for a \$5,350 maximum amount in 2009-10**
- **\$200 million for College Work-Study**
- **\$13.9 million for American Opportunity Tax Credit, which results in an increase from \$1,800 to \$2,500**

# President Obama and Vice President Biden

- New American Opportunity Tax Credit
  - To make college affordable for all Americans
  - Universal and fully refundable credit will ensure that the first \$4,000 of a college education is completely free for most Americans,
  - Cover two-thirds the cost of tuition at the average public college or university, and
  - Make community college tuition completely free for most students.
  - Recipients of the credit will be required to conduct 100 hours of community service.

# President Obama and Vice President Biden

- Simplify the Financial Aid Application Process
  - Streamline the financial aid process by eliminating the current federal financial aid application,
  - Enabling families to apply simply by checking a box on their tax form,
  - Authorizing their tax information to be used, and
  - Eliminating the need for a separate application

# Questions?

[ajones@calstate.edu](mailto:ajones@calstate.edu)