

A Year in Review: The Biggest Financial Aid News of 2019

By Hunter B. Martin

Higher education policy increasingly became mainstream news in 2019 as Democratic presidential candidates announced a variety of policy proposals that include increasing the maximum Pell Grant award, overhauling loan forgiveness, and implementing a federal free college program. After taking control of the House during 2018's midterm elections, Democrats gained subpoena power and have since led a number of hearings on the Department of Education's (ED) handling of the backlog of borrower defense claims and the problematic implementation of the Public Service Loan Forgiveness (PSLF) program. ED also handed down final rules on borrower defense, gainful employment, state authorization, and accreditation, as well as guidance on foreign gifts reporting.

In 2019, lawmakers continued to work to reauthorize the [Higher Education Act](#) (HEA), with House Democrats introducing the [College Affordability Act](#) (CAA), and Sens. Lamar Alexander (R-Tenn.) and Doug Jones (D-Ala.) proposing the [FAFSA Simplification Act](#), a bill that contained several provisions from a [scaled-back HEA reauthorization bill](#) Alexander released a few weeks before. Meanwhile, bipartisan efforts led to both the House and the Senate passing the Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act, which was later signed into law by President Donald Trump.

Here is a look back at some of the biggest financial aid news from 2019:

FUTURE Act

In December, a bipartisan group of senators introduced the [FUTURE Act](#), which will provide \$255 million in permanent, annual mandatory funding to Minority-Serving Institutions (MSIs) and [improve the federal financial aid system](#) by simplifying the financial aid application, verification, and student loan repayment process for millions of student loan borrowers.

Following its unanimous passage in the Senate, NASFAA released a [statement in support](#) of the bill, a [call to action](#) urging members to contact lawmakers in the House to support the bill, and signed on to a [letter of support](#) with more than 40 other higher education groups. The House later [passed an amended version of the bill](#) by a vote of 319 to 96 before it was sent back to the

Senate for a final unanimous vote, and then passed to the desk of the president to be signed into law. The president signed the FUTURE Act on Thursday, Dec. 19, 2019.

College Affordability Act, Skinny HEA Reauthorization Proposal

Democrats on the House Committee on Education and Labor released a comprehensive HEA reauthorization bill, the [College Affordability Act](#) (CAA) on October 15. [The bill](#) would increase funding for existing federal student aid programs, including increasing the maximum lifetime Pell Grant eligibility to 14 semesters and expanding Pell eligibility to cover postbaccalaureate studies. It would create several new programs — Emergency Financial Aid Grant Program and the Direct Perkins Loan — targeted toward vulnerable student populations. CAA also aims to simplify the Free Application for Federal Student Aid (FAFSA) as well as the loan repayment system by implementing a monitoring system for borrowers in income-driven repayment programs and for borrowers seeking loan cancelation for total and permanent disability. The bill would make improvements to PSLF to enhance program transparency.

NASFAA President Justin Draeger issued a [statement about CAA](#), saying it would “make historic investments in students, particularly low-income students who are underrepresented in higher education.” During the committee markup of the bill, lawmakers — mainly Republicans — introduced 60 amendments, most of which were voted down. After three days of debates, the House education committee voted along party lines to [move the bill to the floor](#) for a full vote.

Meanwhile, Sen. Lamar Alexander (R-Tenn.), chairman of the Senate Health, Education, Labor, and Pensions (HELP) Committee, introduced a [narrow reauthorization bill](#) in late September, which largely focused on simplifying the FAFSA. The bill received stiff opposition from Senate Democrats, who have said they will only support a comprehensive bill. Alexander then released an even “[skinnier](#)” [bipartisan bill](#) with Sen. Doug Jones (D-Ala.), which specifically targets FAFSA simplification. The bill, the FAFSA Simplification Act of 2019, is [supported by NASFAA](#) and the National College Access Network. The bill “takes a commonsense approach to shorten the FAFSA application to an extent that would not deprive institutions of crucial information needed to appropriately disburse billions of dollars of financial aid to eligible students,” NASFAA President Justin Draeger said in a statement of support.

Mass Public Service Loan Forgiveness Rejections

Congress created the PSLF Program in 2007 with the goal of encouraging college students to pursue careers in public service in exchange for the opportunity for loan forgiveness after 120 consecutive payments. But since the first cohort of borrowers became eligible for forgiveness in 2017, [ED reported](#) that only approximately 1% of applicants were approved for loan forgiveness, totaling about \$52 million in loan discharges. Borrowers were most often denied forgiveness due to not meeting certain program requirements or having missing information on their applications.

Seeking to solve issues with the program, Congress then created the Temporary Expanded PSLF (TEPSLF) program, which extended forgiveness to borrowers who made some or all of their 120 monthly payments under extended or graduated repayment plans, instead of an approved plan. However, borrowers also faced trouble receiving forgiveness under TEPSLF, as they had to first have been denied forgiveness under PSLF to qualify — only approximately 4% of applicants received forgiveness under TEPSLF, totaling about \$28 million in loan discharges. In response to outcry from borrowers and higher education advocates, the House Subcommittee on Higher Education and Workforce Investment [held a hearing](#) to address the disparity between rejected and accepted applications for both programs and [released a report](#) condemning ED's management of the program and lack of oversight over its loan servicers.

Perkins Loan Reimbursements

After [months of pressure](#) from the higher education and [financial aid community](#), ED announced it would release guidance on how it will [reimburse institutions](#) for canceled loans from the Perkins Loan program, which expired in 2017. ED is statutorily required to reimburse institutions for cancelled Perkins loans, however, it has failed to do so since fiscal year 2010, often citing a lack of federal appropriations. But in 2019, ED announced it would use the Perkins Fund to provide institutions over \$400 million in reimbursements.

Confusion and Investigations Over Foreign Gifts Reporting Requirements

In the summer of 2019, [ED opened investigations](#) into several institutions to examine whether the schools were properly reporting foreign gifts, under the requirements found in Sec. 117 of the Higher Education Act (HEA). Under the Trump administration, ED increased scrutiny over the management of the reporting process of foreign gifts, especially those from China. NASFAA wrote in a [letter to ED](#) that the investigations, combined with a lack of guidance from

ED, put institutions in an “impossible situation.” ED later released an Information Collection Request (ICR) in September, which was met with [immediate criticism](#) from institutions and higher education advocates for going beyond the requirements listed in the HEA under Section 117. ED has since [sent a revised ICR](#) to the Office of Management and Budget (OMB). It appears to be similar to the September release, but does clarify some of the confusion around the \$250,000 threshold stated in Section 117 statute by confirming that institutions are not expected to report gifts under the threshold, unless the aggregate value of all gifts from that source total at least \$250,000 in a calendar year. NASFAA will continue to advocate on this issue and [joined community members](#) in recommending ED adhere to statutory requirements for reporting foreign gifts.

ED Released Final Rules on Gainful Employment, State Authorization, and Borrower Defense

ED released a number of final rules during 2019 including plans to [rescind gainful employment](#) (GE) regulations, and instead update the College Scorecard to include program-level data for all schools participating in Title IV student aid programs. In response, [NASFAA wrote to ED](#) to express concern over eliminating the rules and urged Congress to instead take steps to regulate and sanction poorly-performing programs.

ED also released final regulations on [accreditation and state authorization](#) of distance education, to take effect July 1, 2020. The final rules drew immediate criticism from left-leaning higher education organizations and Democratic lawmakers who felt the regulations would weaken institutional accountability.

In September, ED released final rules on borrower defense. NASFAA broke down the [financial responsibility standards](#), new [borrower defense framework](#), and different types of [loan discharges](#) laid out in the final rules. These regulations were announced after several years of lawsuits against ED regarding borrower defense and a current backlog of about 240,000 pending claims. [Education Secretary Betsy DeVos testified](#) before the House Committee on Education and Labor over the lack of processing the borrower defense claims in December. Just days before the hearing, DeVos also announced a new framework for borrower defense, under which applicants would only receive partial relief based on if the median earnings of graduates from their school were shown to be lower than the median earnings of graduates of similar

programs across all institutions. The [partial relief methodology](#) was slammed by Democratic lawmakers and economists for what appeared to be faulty math. DeVos testified that she believed some students received value from their degrees, which informed her reasoning as to why only partial relief was necessary. DeVos had previously faced criticism for her [lack of oversight over for-profit colleges](#) earlier in the year. The final rules on borrower defense will go into effect on July 1, 2020.

Aid Offers: Bills to Improve Offers, CAA, NASFAA Efforts

ED in the spring released [guidance on financial aid offers](#) and what language institutions should avoid in financial aid offer letters. Sens. Chuck Grassley (R-Iowa), Joni Ernst (R-Iowa), and Tina Smith (D-Minn.) then introduced the Understanding the True Cost of College Act, aimed at standardizing financial aid offers. NASFAA has previously [expressed support](#) for legislation to standardize terminologies and definitions in aid offers, however, the Understanding the True Cost of College Act instead proposes a full standardization. The House also introduced a bill seeking to improve financial aid offers called the Financial Aid Communication and Transparency Act of 2019 (FACT Act), which [NASFAA has supported](#). The bill would mandate ED to conduct consumer testing that establishes standardized definitions and groupings of aid types and would also determine additional elements that should be included in financial aid offers, but still allows for flexibility.

2020 Presidential Candidates Plans for Higher Education

Beginning with Sen. Elizabeth (D-Mass.) announcing her presidential bid in February 2019, last year dozens of candidates released policy proposals on higher education, including plans to [overhaul PSLF](#), [double the maximum Pell Grant](#) award, and make [public college tuition-free](#) for students from families making up to \$100,000 per year. Stay up to date with the latest in the 2020 presidential race with [NASFAA's Presidential Cheat Sheet](#).

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