DJA
FINANCIAL AID SERVICES, INC.

JUNE 2022 NEWSLETTER

IMPORTANT DATES:

May 31-June 2nd
CECU Convention & Exposition

June 30
Deadline for 21/22 FAFSA's

July 4
DJA closed in observance of Independence Day Holiday

July 30
Deadline for 20/21 DL Close-out

IN THIS ISSUE:

REMINDER: DEADLINES ARE MUCH CLOSER THAN THEY APPEAR!

21/22 FAFSA'S must be processed by June 30, 2022. It is important to keep in mind that you must allow time to submit and receive the ISIRs back prior to that date; if there happens to be an error you will need the time to re-submit the FAFSA for additional processing.

The closeout deadline for the 2020-21 Direct Loan Program is Saturday, July 30, 2022. This is the last processing day before the end of the program year. All school data must be received and accepted by this date to be included in a school's final Ending Cash Balance for the year.

If your school participates in the FWS and FSEOG programs, you should be in the process of wrapping up those awards and examining your current expenditures. Schools that plan to return unexpended campus-based program funds to the USDE or request supplemental (FWS) funds for community service jobs, must complete and submit a Reallocation Form to the Department before midnight, August 15, 2022. The Final Form, Instructions, Desk Reference and Technical Reference for FISAP 23-24 (reporting for 21-22 expenditure data) should be released early this month, with the online FISAP to be available on COD by August 1, 2021. The deadline for schools to submit their 2023-24 FISAP and the required signature pages is September 30, 2022.

Now is also the time to review your 2021-22 Pell disbursements to make sure you are all set before the deadline of September 30, 2022 for posting disbursements to COD. Additionally, final corrections for 21/22 ISIRs is September 10, 2022.

Lastly, be sure to read the recent announcement of the extension of the certain verification requirements for the 2022-23 award year as a result of the continued COVID-19 pandemic.

Thank you and as always stay safe!
Deborah John, President

IN THE NEWS: STUDENT LOAN INTEREST RATES FOR THE 2022-23 AWARD YEAR SET TO INCREASE

Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans first disbursed on or after July 1, 2013 have fixed interest rates that are determined in accordance with formulas specified in sections 455(b)(8)(A) through (C) of the Higher Education Act of 1965, as amended (HEA).

The interest rate is determined annually for all loans first disbursed during any 12-month period beginning on July 1 and ending on June 30 and is equal to the high yield of the 10-year Treasury notes auctioned at the final auction held before June 1 of that 12-month period, plus a statutory add-on percentage that varies depending on the loan type and, for Direct Unsubsidized Loans, whether the loan was made to an undergraduate or graduate student. Loans first disbursed during different 12-month periods may have different interest rates, but the rate determined for any loan is a fixed interest rate for the life of the loan.

For each loan type, the calculated interest rate may not exceed a maximum rate specified in the HEA. The maximum interest rates are 8.25% for Direct Subsidized Loans and Direct Unsubsidized Loans made to undergraduate students, 9.50% for Direct Unsubsidized Loans made to graduate and professional students, and 10.50% for Direct PLUS Loans made to parents of dependent undergraduate students or to graduate or professional students.

Direct Loan Interest Rates for 2022-23
On May 11, 2022, the Treasury Department held a 10-year Treasury note auction that resulted in a high yield of 2.943%. The chart below shows the interest rates for Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans first disbursed on or after July 1, 2022 and before July 1, 2023.

Interest Rates for Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans First Disbursed on or After July 1, 2021 and Prior to July 1, 2022				
Loan Type	**Borrower Type**	**Index** **10-Year Treasury Note**	**Add-On**	**Fixed Interest Rate**
Direct Sub Loans	Undergraduate Students	2.943%	2.05%	**4.99%**
Direct Unsub Loans	Undergraduate Students	2.943%	2.05%	**4.99%**
Direct Unsub Loans	Graduate/Professional Students	2.943%	3.60%	**6.54%**
Direct PLUS Loans	Graduate/Professional Students and Parents of Dependent Undergraduate Students	2.943%	4.60%	**7.54%**

UPDATE ON THE USE OF "PROFESSIONAL JUDGMENT" BY FINANCIAL AID ADMINISTRATORS

As the COVID-19 pandemic continues to be ongoing, the Office of Post-Secondary Education reiterated previously issued guidance reminding FAAs of the statutory authority they have to exercise professional judgment and encouraging the use of that authority to reflect more accurately the financial need of students and families affected by the COVID-19 pandemic.

Section 479A of the HEA gives an institution's FAA the authority to use professional judgment to adjust, on a case-by-case basis, the cost of attendance or the values of the items used in calculating the EFC to reflect a student's special circumstances. In making case-by-case determinations, the FAA must obtain and retain in the affected student's file documents supporting and substantiating the reasons for any adjustment. The HEA does not provide a framework for the FAA to calculate the expected student or parent contribution or for the adjusted aid amounts.

At all times, but particularly during this period of economic hardship, FAA's may use documentation of unemployment—including, but not limited to, receipt of unemployment benefits—to reduce or adjust to zero the income earned from work for a student and/or parent as well as make corresponding adjustments to Adjusted Gross Income (AGI). A letter from the state unemployment agency or other evidence that a student or parent is receiving unemployment benefits is sufficient to adjust the calculated expected student or parent contribution to account for the loss of employment on the family's ability to contribute to educational expenses. Institutions making these adjustments should retain these letters in your student records to support the adjustments to student or parent income. The Department understands that some financial aid administrators have been reluctant to use professional judgment because the percentage of students for whom an institution makes professional judgment determinations has been a factor the Department uses to select institutions for program reviews. In consideration of the continued economic hardship resulting from the COVID-19 pandemic affecting students and their families, the Department will not negatively view increased use of professional judgment or use it as a selection criterion for a program compliance review for the 2022-23 award year.

The Department also used this Dear Colleague letter to remind institutions of the electronic announcement of September 30, 2021, which also had an update issued on October 15, 2021. That announcement explains the effect of the American Rescue Plan (ARP) Act change to the tax treatment of unemployment benefits on student aid eligibility for the 2022-23 year. Please see that announcement for guidance on how to treat the conversion by the ARP of some unemployment benefits from taxable to untaxable income by excluding the non-taxable portion of those benefits from the applicant's Adjusted Gross Income (AGI) or untaxed income. This treatment does not require the use of professional judgment because it is considered to be a correction of FAFSA® data, and, as with the guidance in this letter, it will result in a change to the EFC calculation that is beneficial to students.

Update on the use of "Professional Judgment" by Financial Aid Administrators (Updated April 29, 2022) | Knowledge Center

AVAILABILITY OF THE 2022 GUIDE FOR COMPLIANCE ATTESTATION ENGAGEMENT OF PROPRIETARY SCHOOLS EXPENDING HIGHER EDUCATION EMERGENCY RELIEF FUND GRANTS

The U.S. Department of Education, Office of Inspector General has published the 2022 version of the Guide for Compliance Attestation Engagements of Proprietary Schools Expending Higher Education Emergency Relief Fund Grants (Guide). The Guide applies to and provides requirements and guidance for compliance attestation engagements of proprietary schools, as defined in Title 34 of the Code of Federal Regulations § 600.5, receiving Higher Education Emergency Relief Fund (HEERF) grants through the Coronavirus Aid, Relief, and Economic Security Act; the Coronavirus Response and Relief Supplemental Appropriations Act, 2021; the American Rescue Plan; or any future acts passed by Congress that include HEERF (collectively, HEERF grant programs).

As a condition of the HEERF awards, a proprietary school must have a compliance audit conducted of its administration of the HEERF grant for any fiscal year during which the eligible school expends $500,000 or more in total HEERF grant program funds, is on Federal Student Aid's Heightened Cash Monitoring 1 or 2 list in a fiscal year in which it expended any HEERF grant program funds or has closed or is in the process of closing. The HEERF compliance audit must be conducted in accordance with Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States, and the Guide. To satisfy the HEERF compliance audit requirement, the Guide requires an examination-level attestation engagement.

The Guide is effective for fiscal years beginning after June 30, 2021, and thereafter (with early implementation allowed and encouraged). This Guide supersedes the March 2021 version and the associated Dear CPA Letters.

If you are a proprietary school subject to audit in accordance with the Guide, please ensure that your auditor is using the correct version of the Guide, based on your fiscal year end. The Guide and the related transmittal letter, which includes a summary of major changes, are available on the OIG Non-Federal Audit website at https://www2.ed.gov/about/offices/list/oig/nonfed/proprietary.html.

https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2022-05-20/availability-2022-guide-compliance-attestation-engagements-proprietary-schools-expending-higher-education-emergency-relief-fund-grants

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DEPARTMENT OF EDUCATION ANNOUNCES NEW VERIFICATION REQUIREMENT WAIVERS FOR 2022-23

The Department of Education released a Dear Colleague Letter, Gen-22-06 on May 18, 2022, providing information about the extension of certain verification requirements for the 2022-23 award year as a result of the ongoing economic, social, and physical impacts of the COVID-19 pandemic. Changes to 2022-2023 Verification Requirements | Knowledge Center

A few notes from the announcement:

- The wavier applies no matter where institutions are in the verification process, e.g., if documents have been collected or requested, but verification has not been completed, or if an institution has not started the verification process or requested verification information.
- Institutions maintain the discretion to select students for verification according to consistently applied institutional policies. However, the Department encourages institutions to consider amending such policies to limit selection in a manner that offers relief to students and families during the ongoing national emergency.
- This waiver begins effective the date of this announcement and applies for the remainder of the 2022-2023 FAFSA processing and verification cycle.

Verification of Identity/Statement of Education Purpose:

- Institutions are reminded that we have suspended the in-person submission and notary requirements for verification of Identity/Statement of Educational Purpose, and provided other flexibilities, as described below, through the end of the payment period that begins after the date on which the Federally declared national emergency related to COVID-19 is rescinded.
- In completing the verification requirements for the Identity/Statement of Educational Purpose, as described in this DCL, institutions may accept:
  - copies of the required verification documents electronically. This may occur by uploading a photo of the documents (including from a smartphone), PDF, or other similar electronic document through a secure portal at the institution, by email, etc.
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Reviewing Subsequent ISIR Transactions and Resolving Conflicting Information

- institutions are still required to review all subsequent ISIR transactions for the entire processing year, even if an earlier transaction was verified, except if a student is no longer enrolled at the institution.
- If an institution has conflicting information concerning a student's eligibility, including documentation obtained during the verification process, the institution must resolve the discrepancies before disbursing Title IV funds

System Reporting Requirements

- Because this change to the verification policy is occurring mid-year, there will still be many 2022-2023 Central Processing System (CPS) transactions selected for verification.
- Even if verification is no longer required, institutions must report a valid Verification Status Code for every student selected for verification by the CPS. Institutions should report a "V" (if verification was completed) or an "S"

- "blank" is not an acceptable verification status code, except in the case when a student is selected after he or she is no longer enrolled at your institution.

When Verification is Still Required

- the waiver being extended under this notice does not include a waiver of verifying Identity/Statement of Educational Purpose.
  - an application selected for Verification Groups V4 and V5 must still verify Identity/Statement of Educational Purpose.
  - this applies to any student file where verification was not completed as of the effective date of this Dear Colleague Letter.

FY 23 SEQUESTER-REQUIRED CHANGES TO THE TITLE IV STUDENT AID PROGRAMS

Because the *Budget Control Act of 2011* (the sequester law) remains in effect, this announcement provides information regarding sequester-required increases to Direct Loan fees and sequester-required reductions in Iraq and Afghanistan Service Grant and TEACH Grant award amounts that apply to loans and grant awards where the first disbursement is on or after Oct. 1, 2022, and before Oct. 1, 2023 (FY 23 Sequester). For FY 23, the sequester-required changes are the same as the FY 22 and FY 21 sequester-required changes.

Direct Loan Program

The terms of the sequester increase the loan fees charged to Direct Loan borrowers for Direct Subsidized/Direct Unsubsidized and Direct PLUS Loans from their statutory rates of 1% and 4%, respectively.

The FY 23 sequester fees are the same as the FY 22 and FY 21 sequester fees. This means for all loans where the first disbursement is made **on or after Oct. 1, 2020, and before Oct. 1, 2023**, the loan fees are as follows:

- 1.057% for Direct Subsidized Loans and for Direct Unsubsidized Loans. As an example, the loan fee on a $5,500 loan would be $58.13.
- 4.228% for Direct PLUS Loans (for both parent borrowers and graduate and professional student borrowers). As an example, the loan fee on a $10,000 loan would be $422.80.

Loan fee calculations that result in more than two decimal places must be **truncated** (not rounded) to two digits after the decimal point (cents).

Note: Institutions may now begin submitting Direct Loan origination records to the COD System where the first disbursement will be on or after Oct. 1, 2022, using the loan fees provided in this

As a reminder, the loan fee percentage for a loan is determined by the date of the first disbursement of the loan. Any subsequent disbursements of that loan, even if made on or after the relevant October 1, have the same loan fee percentage that applied to the first disbursement of that loan.

To review the sequester required loan fees for the Iraq-Afghanistan Service Grant and TEACH Grant programs you may review the May 19, 2022 Electronic Announcement in its entirety at https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2022-05-19/fy-23-sequester-required-changes-title-iv-student-aid-programs

EXPANSION OF COLLECTIONS PAUSE TO DEFAULTED FFEL PROGRAM LOANS MANAGED BY GUARANTY AGENCIES

In Dear Colleague letter dated May 12, 2021 (updated May 24, 2021), the U.S Department of Education follows up on the March 30, 2021 announcement declaring an expansion of the pause on federal student loan interest and collections on all defaulted loans in the FFEL Program that are managed by GAs. These flexibilities will be in place for the same period of time as the pause for loans held by the Department, which is currently slated to run through September 30, 2021.

There are three populations of FFEL Program loans covered by the announcement:

- Population 1 includes outstanding loans on which a default claim was paid prior to March 13, 2020, that are not subject to an active bankruptcy filing, and are still in default as of the date of this letter;
- Population 2 includes outstanding loans on which a default claim was paid on or after March 13, 2020 and on or prior to the end date for the pause for loans held by the Department, that are not subject to an active bankruptcy filing, and are in default on or after the date of this letter; and
- Population 3 includes outstanding loans that were in default during the pandemic (regardless of when the claim was paid) and for which that default was resolved through rehabilitation or consolidation prior to the date of this letter.

Actions Required to be Taken for Population 1

GAs must take the following actions for loans in Population 1:

- Interest rates must be set to 0%;
- Payments received through Administrative Wage Garnishment (AWG), the Treasury Offset Program (TOP), and other forms of involuntary collection since March 13, 2020, must be refunded;
- Borrowers who made voluntary payments must be given the option for a refund of those payments;
- All forms of involuntary collection must be suspended;
- All collection attempts (including billings) must cease; and
- Borrowers with active rehabilitation agreements must be notified they are not required to make further payments to receive credit toward rehabilitation.

Actions Required to be Taken for Population 2

GAs must take the following actions for loans in Population 2:

- All actions required for Population 1 loans;
- Deleting the GA's trade line from a borrower's credit report entirely; and
- Mandatory assignment of these loans to the Department.

Actions required to be Taken for Population 3

- All actions required for Population 1 loans; and
- Sending financial adjustments and associated money to purchasing lenders (for loan rehabilitations) or the Department (for loan rehabilitations or consolidations).

The Department explains in more detail each action that GAs must take and waivers of the Higher Education Act of 1965, as amended (HEA), and the Department's implementing regulations that the Department will exercise to facilitate these actions in the complete Dear Colleague. We invite you to read it here: Expansion of Collections Pause to Defaulted FFEL Program Loans Managed by Guaranty Agencies (Updated May 24, 2021) | Knowledge Center.

COMPLIANCE CORNER

WHAT COLLEGES SHOULD KNOW ABOUT INCOME SHARE AGREEMENTS AND PRIVATE EDUCATION LOAN REQUIREMENTS

The Department of Education recently shared a blog taking action to remind all colleges and other entities involved in recommending, promoting, or endorsing private education loan products that they must comply with existing consumer protection requirements for preferred lender arrangements established under the Higher Education Act. Their published blog came shortly after the Electronic Announcement regarding Income Share Agreements and Private Education Loan Requirements.

Recently, the Consumer Financial Protection Bureau (CFPB) issued a Consent Order against a student loan originator for misleading borrowers about income share agreements (ISAs), failing to provide required disclosures, and violating the prohibition against prepayment penalties for private education loans. The CFPB concluded in its Consent Order that a student loan originator's ISAs are private education loans under the Truth in Lending Act (TILA) and its implementing Regulation Z. Additionally, in January 2022, the CFPB updated its examination procedures for private student lending to explicitly reference ISAs.

Accordingly, the Department provided an electronic announcement clarifying that such ISAs used to finance expenses for postsecondary education are private education loans under 34 C.F.R. 601.2(b). The Department also reminds institutions of higher education (institutions) of their obligations when recommending, promoting, or endorsing private education loans under 34 C.F.R. Part 601.

BACKGROUND

Title 1, Part E of the Higher Education Act of 1965, as amended (HEA), requires lenders that make private education loans and institutions involved in certain arrangements regarding those loans to make specific disclosures to borrowers of those loans, report related information to the Department, and comply with critical protections and prohibitions against conflicts of interest. The Department's regulations governing these requirements on institutions and lenders relating to private education loans are in 34 C.F.R. Part 601.

These additional disclosures and requirements are intended to ensure:

- an informed student loan borrower;
- the borrower's choice of lender;
- transparency and high ethical standards in the student lending process, including the maintenance of a code of conduct for employees of institutions;
- institutions' selection of preferred lenders based on the best interest of borrowers; and,
- a prohibition on institutions' revenue-sharing arrangements with lenders.

INCOME SHARE AGREEMENTS

Traditionally, private education loans have been loans made by lenders to help students pay the costs of higher education. These loans typically have a fixed or variable interest rate and borrowers repay the loans in regular installments over a period. ISAs have these features too, though they are often marketed as an alternative to conventional student loans to help students pay postsecondary education expenses. Borrowers may use private education loans to assist with costs not covered by Federal student financial aid or to attend non-accredited institutions that do not want to participate or are ineligible to participate in the Direct Loan Program. Certain banks, other financial institutions, and institutions may also offer other financial products to help students finance their postsecondary education.

The CFPB is responsible for enforcing TILA and its regulations. Since the Department's authorizing statute and regulations expressly incorporate the TILA definitions, it follows that any product, including an ISA, that meets the TILA and Regulation Z definitions of a private education loan also meets the definition of that term under the HEA and the Department's regulations.

The CFPB's findings and conclusions under the consent order provide guidance to institutions about the applicability of the regulations under 34 C.F.R. Part 601 when recommending, promoting, or endorsing ISAs. For example, the CFPB found that ISAs marketed by a certain student loan originator are:

- "private education loans" under Regulation Z because they are, among other things, "extended to a consumer expressly, in whole or in part, for postsecondary educational expenses." 12 C.F.R. § 1026.46(b)(5).
- "private education loans" under TILA because they are "an extension of credit that… [i]s extended to a consumer expressly, in whole or in part, for postsecondary educational expenses, regardless of whether the loan is provided by the educational institution that the student attends" and are "not made, insured,

or guaranteed under title IV of the Higher Education Act of 1965 (20 U.S.C. § 1070 et seq.).” 12 C.F.R. § 1026.46(b)(5).

REGULATORY AUTHORITY

With some exceptions, 34 C.F.R. 601.2(b) defines private education loan as:

Private education loan: As the term is defined in 12 C.F.R. 226.46(b)(5), a loan provided by a private educational lender that is not a title IV loan and that is issued expressly for postsecondary education expenses to a borrower, regardless of whether the loan is provided through the educational institution that the student attends or directly to the borrower from the private educational lender.

Responsibility of All Entities in the Making of Private Education Loans. Institutions and institution-affiliated organizations are reminded that they must comply with the private education loan requirements in 34 C.F.R. Part 601, including critical disclosure, consumer protection, and reporting requirements. These regulations are applicable to all institutions that participate in the Title IV programs, including for students enrolled in programs that don’t qualify for Title IV aid.

In the future, the Department may provide additional guidance regarding private education loans and other requirements under 34 C.F.R. Part 601. If you have questions about the provisions in this electronic announcement, please contact Rene Tiongquico at Rene.Tiongquico@ed.gov.

EA: Income Share Agreements and Private Education Loan Requirements | Knowledge Center

BLOG: What Colleges Should Know About Income Share Agreements and Private Education Loan Requirements - ED.gov Blog

DJA CALENDAR

DJA MONTHLY WEBINARS

General Participation Requirements - Wednesday, June 1, 2021: 11 a.m. CST

NOTE: There may be a difference between DJA local time and your time zone. To determine your time zone equivalent, click on this link to view a time zone map: http://www.worldtimezone.com/time-usa12.php

Webinars are free to clients. There is a fee of $45 for all others who may be interested in joining us for these presentations. Invitations are automatically sent to all clients, however if you do not receive an invitation, email Renee Ford at rford@gotodja.com. After registering, you will receive the log-in information. Questions can be directed to Renee by email or by calling toll free at 1-800-242-0977.

2022 DJA WEBINAR SCHEDULE

JUN 1	General Participation Requirements
JUL 13	Campus Crime Report (note date change)
AUG 10	Entrance and Exit Counseling (note date change)
SEPT 14	Cash Management (note date change)
OCT 5	Enrollment Reporting Using NSLDS
NOV 2	Program Integrity (Audits, Program Review)
DEC 7	1098-T Reporting

FSA WEDNESDAY WEBINAR SERIES

FSA is going to continue their Wednesday Webinar series as they were widely attended during this past spring and winter sessions.

Four webinars will be conducted through June- September 2022. The schedule is listed below:

Wednesday June 15, 2022 1-3 pm ET: Awarding Title IV Aid for Summer, Intersessions and Modules
Wednesday July 27, 2022, 1-3 pm ET: R2T4 for Clock Hours
Wednesday September 7, 2022, 1-3 pm ET: September Federal Update
Wednesday September 21, 2022, 1-3 pm ET: From Announcements to Regulations: Finding Answers Using FSA Resources

For links to join the webinars, visit the Dear Colleague Announcement: Live Internet Webinars – Wednesday Webinar Series, June–September 2022 | Knowledge Center

2022 CECU Convention and Exposition

The Annual CECU Convention is scheduled for May 31-June 2, 2022 in Las Vegas, NV.

DJA will be attending as an exhibitor and we are excited to see attendees in person! We would love to visit with you should you have any questions on our third party financial aid servicing and consulting options, in addition to our New Leaf financial aid administration software we now provide. Please visit our booth and chat with our Director of Client Services, Kristi Cole at kcole@gotodja.com! To learn more about the CECU Convention schedule exhibitors visit https://www.career.org/convention.html.