

# Summary of Federal Student Aid Changes in FY 2012 Budget Bill

(Excerpts from National Association of Student Financial Aid Administrators, 12/16/11)

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## Provisions Affecting All Title IV Programs

- Ability-to-benefit (ATB) options for establishing general student eligibility for Title IV funds are eliminated for students who first enroll in a program of study on or after July 1, 2012. Neither ATB testing nor earning six credits applicable to a degree or certificate will satisfy the academic qualifications for receiving Title IV funds. A student will need to have a high school diploma or its recognized equivalent, or have been home schooled, to meet the eligibility criterion.
- Qualifying income for the Automatic Zero EFC determination is reduced to \$23,000, beginning with award year 2012–13. The law currently sets that threshold at \$30,000, but directs the Department of Education to adjust it annually based on the Consumer Price Index. For 2012–13, the threshold was scheduled to increase to \$32,000, from \$31,000 used in 2011–12. Auto zero applies only to EFC calculations for dependent students (based on parent income) and independent students with dependents other than a spouse (based on the combined income of the student and spouse).

## Provisions Affecting Pell Grant Only

- Maximum award remains \$5,550. The bill sets the maximum appropriated amount for 2012–13 at \$4,860, and reaffirms the amounts available for the mandatory add-on, which results in the total of \$5,550 for award year 2012–13.
- Minimum award remains 10% of maximum, but the bump-up for students whose calculated award is at least 5% of the maximum but less than 10%, has been eliminated.
- Duration of eligibility is reduced from the equivalent of 18 full-time semesters to the equivalent of 12 full-time semesters. The text that grandfathered students who received Pell prior to July 1, 2008, is removed. Thus, this reduction will affect all students beginning with the 2012–13 award year, not just those who received a Pell Grant for the first time on or after July 1, 2008.

## Provision Affecting Direct Loans Only

- Interest subsidy during the six-month grace period is eliminated for new Stafford Loans made on or after July 1, 2012, and before July 1, 2014. The repayment period still begins 6 months after the student is no longer enrolled at least half-time, but interest that accrues during those six months will be payable by the student rather than be subsidized by the federal government.

## Provisions Not Included in the Bill

Several items that were included in the original House bill did not make their way into the final bill, including revoking Pell eligibility for students who attend less-than-half-time; reducing student income protection allowances (IPA); and the reinstating of previously excluded forms of untaxed income to the EFC calculation. In addition, the original House bill would have also prohibit expenditure of any funds by ED to implement, administer, or enforce the program integrity regulations relating to gainful employment, state authorization, or credit hour definition, nor may funds be used to develop new regulations pertaining to the definition of gainful employment or the application of that term.

All other student aid programs (excluding Pell) will be impacted by an across-the-board cut. NASFAA will share those final numbers once they are made available.

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