

Financial Aid Advisory Committee
Meeting Notes
May 26, 2016

<u>Committee Members in Attendance</u>	<u>Committee Members Absent</u>	<u>THECB Staff</u>	<u>Audience</u>
Chris Murr Delisa Falks Lisa Blazer Harold Whitis-Via Tel-Conference Zelma De Leon Anna Drake Lyn Kinyon Carl Gordon Doris Constantine Carolyn Mallory Shannon Crossland Rosario Juarez Jeannie Gage	Sandi Jones Audree Hernandez Cathy Sanchez Melissa Elliot Mary Gallegos-Adams	Ken Martin Charles Puls Lesla Moller Wanda Carr Roosevelt Sanchez Michelle Williams Andrea Thomas Shebah Spears Connie Cooper Katherine Carson	Diane Todd Sprague-UT Austin Rissa Potter-CPUPC Elizabeth Puthoff-ICUT Lois Hollis-ICUT Liz Bolin-UNTS

Agenda Item	Main Discussion Points	Formal Decision/Action Required
<u>B. Consideration of Approval of Minutes of the meeting held on February 25, 2016</u> Chris Murr, Chair	Motion to approved minutes from February 26, 2016	Minutes approved

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<u>C. Presentation and Discussion: Interventions to Improving Borrowing Decisions</u> Dr. Lesley Turner, Asst. Professor-Dept. of Economics University of Maryland-Via Skype	<p>Early results of a randomized controlled trial - phase one of a study that will be ongoing.</p> <p>Goal: Determine if community colleges can provide information to students about loan eligibility in a way that increases attainment but minimizes unnecessary borrowing.</p> <ul style="list-style-type: none"> • Trial focused on financial aid offers that include zero loans or loan amounts that are less than the amount (of federal loans) for which students are eligible • Approximately 50% of community colleges participating in federal aid programs do NOT include loans in aid offers • Selected two community colleges (with higher than average enrollment and high degree of student need) for pilot study based on student-level randomization of loan offers, stratified by student characteristics • Results are not available for one of the two institutions (no attainment data). • Approximately 7% more students who received a non-zero loan offer borrowed, indicating that loan offers have a fairly strong effect on borrowing. • Including a zero loan amount in the award offer seems to have as much impact as more costly and comprehensive debt reduction initiatives implemented by some institutions 	None

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	<ul style="list-style-type: none">• Students who received a loan offer for a certain amount were much more likely to borrow that exact amount than any other amount• Effect of loan offers on attainment - the researchers could only look at short-term persistence (no effect was shown) but will continue to follow the students in the study over time• Increase in credits earned by students in the study compared favorably with those of two other, more costly intervention strategies (<i>CUNY ASAP and Opening Doors</i>)• Pell grant-eligible students seemed to benefit more (in terms of credits earned) from borrowing additional \$4,000 than other students; same effect on GPA• Recruiting additional schools to participate in the study, with a goal of establishing packaging policies that are more tailored to student characteristics, etc.• Would like to look at the effects of other strategies such as interactive budgeting by students before they consider their financial aid offers <p>Discussion:</p> <ul style="list-style-type: none">• A member asked if any work had been done to determine how students who were offered a zero-interest loan are paying their costs; are they working more, are they using credit cards, or are they just living more of a Spartan lifestyle?• Unfortunately, the survey had a very low response rate and the answer is unknown. The researchers are planning to ask schools to match their student records to credit report data from Transunion to determine if students are using credit cards for education costs in lieu of loans. They also hope to get data from the state earnings and unemployment records.• A member mentioned the emphasis that auditors place on transparency – making sure the student is aware of the amount for which he/she is eligible. What are the administrators at the institutions (in the study) saying about that? Dr. Turner's conversations with community colleges often center around guidance from the Department of Ed. and what institutions believe they are required to do...the idea is to present an offer that is perceived by the student as a recommendation [not to obscure the facts about eligibility]...students tend to trust the judgment of the institution.• A member mentioned the amount of developmental education students need, and students reaching loan limits quickly. Another member mentioned that NASFAA is proposing "dynamic loan limits" allowing community colleges to set a limit to borrowing.	
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<p><u>D. SFAP Department Update</u></p> <p>Charles Puls, Deputy Assistant Commissioner – Student Financial Aid Programs</p>	<p>Updates for Borrower Services</p> <ul style="list-style-type: none"> • Helms software migration continuing on track with a projected launch of late January, 2017 • Rinn Harper has been promoted to Director of Borrower Services (replacing Janie Miramontes) • Stephen Wessels has joined staff as Assistant Director for Call Center <p>Updates for Financial Aid Services (FAS)</p> <ul style="list-style-type: none"> • Leah Smalley, Assistant Director Of Financial Aid Services will oversee training and resources provided to institutions • Glenna Howle has joined FAS as a customer service representative • Sophia Rodriguez has been promoted to Program Specialist • New Program Specialist to be hired within the next month • Goal is to have a toll-free number for institutions by the end of the summer <p>Administration</p> <ul style="list-style-type: none"> • Working to clean up rules; Connie Cooper and Wanda Carr are looking to start a new chapter that will make it easier to find information on financial aid programs • In September staff will be proposing the repeal of late reporting penalty rules because they are not being enforced and do not benefit students; staff will focus more on outreach to schools to ensure timely reporting. <p>Financial Literacy Aid Committee (FLAC)</p> <ul style="list-style-type: none"> • Monday an invitation was sent, soliciting member nominations from all chancellors and presidents of public and private institutions • A communication will be sent via the TASFAA listserve soon • Limited to 24 members; focus will be on the goal of the 60x30TX - Student Debt Goal within the plan 	<p style="text-align: center;">NONE</p>

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<p><u>E. External Relations Update</u></p> <p>Rick Svatora, External Relations at THECB</p>	<p>Proposed recommendations for the 85th state legislative session were deferred for consideration until June 29, 2016 special called Board meeting.</p> <p>The Commissioner provided testimony at the May 10, 2016 meeting of the House Higher Education Committee. There was a lot of discussion about tuition set asides, in keeping with the Lieutenant Governor's stated a commitment to do something about tuition set asides. There has been discussion about whether there is a link between tuition set asides and a possible reduction in tuition or some sort of re-regulation of tuition based on a repeal of set asides.</p> <p>Highlights from the Commissioner's testimony:</p> <ul style="list-style-type: none"> • The average exemption and waiver per FTSE is \$1,155.00. \$1,155 represents 14% of tuition and fee revenue on the FTSE basis at public universities. • TEPG set asides in FY2015 amounted to \$147 million and those resulting from HB3015 (in the 2003 session) was \$197 million 	<p style="text-align: center;">None</p>

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	<ul style="list-style-type: none"> • HB3015 - 41% of the set asides went to students with a zero EFC and TEPG 52% went to students with a zero EFC • Net tuition and fees have increased 91% since deregulation in 2003, but state appropriations have declined by 27% • Nationally, the average debt of 2015 bachelor's graduates was \$35,000, up from \$12,000 20 years ago. 71% of the nation's 2015 bachelor's grads had debt compared to 61% in Texas. (Source for national data: Wall Street Journal National data include publics and ICUTs) • The CAL loan default rate is 4% - lower than the national average • Strong recommendation that we do whatever we can to improve time-to-degree, including outcomes-based funding. A graduation bonus is being recommended by the Board, as part of formula funding, to reward institutions for graduating students in general, and at-risk students, specifically • Recommendation to increase funds for Advise Texas <p>Discussion</p> <p>Question raised about reverse transfers/students receiving Associates Degrees and community colleges possibly receiving some of the graduation bonus funds. The graduation bonus is only for 4-year institutions, but the Formula Advisory Committee has recommended an increase to \$215.00 for success points to adequately reward those community colleges for the progress they are making.</p> <p>Rick commented that he expects a renewed interest (during the upcoming session) in making sure community colleges receive the support they need, because of the affordability issue.</p> <p>A member asked if, as part of performance-based funding, students who transfer from a community college to a 4-year institution are part of the discussion. Currently the graduation bonus is geared for 4-year public institutions.</p>	
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<p><u>F. Discussion of Prior-Prior Year implementation on individual campuses</u></p> <p>Chris Murr, Chair</p>	<p>During the past six months schools have been discussing how to do this and the issues to be resolved (what the vendors would be doing, guidance from the Dept. of Ed., Board of Regent decisions). Update on the progress in making Prior-Prior year implementation as successful as possible:</p> <ul style="list-style-type: none"> • One member mentioned their institutions intention is to make sure that the admissions and the financial aid process are aligned so that students can apply for financial aid and receive an award package earlier • Discussion about the best time to start communicating with students regarding financial aid without confusing them • Timing will be different for incoming new students compared with continuing students, whose awards must be made after the satisfactory academic progress has been determined • Ideal timing varies among institutions, depending on factors such as admissions deadlines (not a factor for community colleges) and packaging software • At the recommendation of the FAAC, the THECB is holding off on proposing rule changes for program deadlines, until institutions have a better idea of their new processes and deadlines 	<p>None</p>

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	<ul style="list-style-type: none"> • A member asked if there had been any discussion about changing the deadlines for schools to submit student budgets; Chad will look into this (these budgets are handled by another department in the agency) • Discussion about any new CB rules relating to a new timetable for the 2018-2019 academic year should occur in the fall of 2016 • Two things drive the timing of announced allocations: (1) finalizing the FADS data (currently due from institutions on December 1, but typically all data are not in until February; <i>this ties into the discussion by the data subcommittee</i>) and (2) state appropriations • At the recommendation of the FAAC, the THECB is beginning discussions about possibly proposing that the agency be allowed to carry forward any unspent program funds from one biennium to the next. This would eliminate the need for a reallocation process and may allow for allocations at an earlier time. If this occurs, negotiated rulemaking will be required. • Additionally, the concept of providing institutions a 2-year allocation would have to be considered by the appropriate Negotiation Rule Making Committee (NRM) for each program. Specific caveats about any reductions in appropriations would need to be included. <p>Comments: A question was raised about ensuring that institutions provide the FADS data on time, absent any penalties. The THECB will be proactive in communicating with institutions that historically have not met the deadline in the past</p>	
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<p><u>G. Update on the Data Collection Sub-Committee</u></p> <p>Doris Constantine, Sub-Committee Chair</p>	<p>This assignment is complicated and will not be finished quickly and easily. The full Subcommittee has not met, but a smaller group has been working with Shebah, DeChá and Leah and the decision is to reduce the options and work on them in stages.</p> <p>Step 1: Financial Aid Services (THECB) is working internally concentrating on end of year (EOY) reports to determine:</p> <ul style="list-style-type: none"> • The purpose of the reports • Are they for determining renewal awards only? If that is the case, how can those reports be simplified/reduced? <p>One of the comments from a recent report by THECB internal auditors encouraged staff to determine if the number of required reports could be reduced.</p> <p>Discussion: A member asked if there was a timeline for this. DeChá will confirm whether or not the only reason for the EOY report is to determine renewals, and if so, perhaps this information can reported in another manner in lieu of the current EOY report. It is critical to assess the institutional impact of any changes to reports, but the THECB is very open to significant change.</p>	

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<p><u>H. Discussion – Request for feedback on SFAP’s performance</u></p> <p>Charles Puls, Deputy Assistant Commissioner – Student Financial Aid Programs</p>	<p>What is the Student Financial Aid Program at THECB doing well? Comments</p> <ul style="list-style-type: none"> • Structure being provided with uniform forms, negotiated rulemaking, information in a format that is easy to understand • The dedicated phone line for institutions • The organizational structure that was developed • Improved communication, willingness to look at changes • The dynamics of the committees that have been formed • Within the loan area (immediate responses, accurate), follow-up courtesy calls • The institutional calendar • Being open to the committee suggestions, being directed to the right person when there are questions 	None

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<p><u>I. Discussion – Request for input regarding timeframe for returning funds</u></p> <p>Charles Puls, Deputy Assistant Commissioner – Student Financial Aid Programs</p>	<p>Audit process identified a rule regarding the timeframe for returning B-On-Time (BOT) funds, but returned fund rules for other programs are not that specific. Directive is to have more specific information to institutions regarding the return of all state funds.</p> <p>Example approaches:</p> <ul style="list-style-type: none"> • Align state requirements with federal requirement for returned federal funds • Prompt disbursements to students - within 3 days of receiving the funds from the THECB • Prompt return of funds - within 45 days of a student becoming ineligible for the funds • Prompt cancellations – schools could return funds up to 120 days after the disbursement <p>Feedback from TASFAA Board - Improve THECB internal processes for disbursing to institutions, offering a better predictor for schools to know when they will have the funds</p> <p>Comments:</p> <ul style="list-style-type: none"> • A member likes the clarity and standardization it will provide, and this will work for grant funds, as the funds are disbursed immediately to the student and follow-up occurs • This timing may not be possible for CAL and BOT because typically the funds are disbursed to schools 10 days before the start of classes and the student may not even be enrolled yet; may need to provide a caveat excluding the CAL and BOT funds • Another member noted that TEXAS Grant reallocated funds may be difficult to disburse to the student’s account within 3 days because it may not be sufficient time to get the student to do what he/she needs to do (affidavit). Clarification was provided that this year TEXAS Grant reallocations were done differently; institutions this year requested the funds before they were disbursed. There was a deadline to request the funds. 	None

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	<ul style="list-style-type: none"> • Another member stated that it is a good idea to align the rule for state funds with the one for federal funds. • In the case of grants, an option could be to either return the funds or reassign them to another eligible student within the specified timeframe 	
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<p><u>J. Update on BOT Reconciliation Project</u></p> <p>Rinn Harper-Borrower Services Director- Student Financial Aid Programs</p>	<p>Over the past 6 months staff have been working on the reconciling process with the BOT program for years 2010-2014.</p> <p>Ran a BOT disbursements query from the FADs system and compared those with HELMS internal system data (for over 43,000 loans).</p> <ul style="list-style-type: none"> • Identified potential discrepancies for 1,182 loans • Loans in the FADs system, but not in HELMS, and vice versa • Loans in both systems, but the amounts did not reconcile correctly • Some were cleared up in-house • Some required help from the institutions <p>Common themes discovered:</p> <ul style="list-style-type: none"> • Technical issues with the institutional financial aid management system - incorrect fields being populated in FADS • Funds applied to wrong year • Gross vs net • Communication issues between the Financial Aid Offices and the Business Offices on campus, particularly with cancellations • Manual data entry errors • Situations that occurred after FADS data had been reported - changes to loans after FADs was updated in December <p>Ten percent of the discrepancies required some type of adjustment to a borrower's account, requiring return of funds, a cancellation of a disbursement, or a refund that did not occur.</p> <p>Impact on borrowers</p> <p>Although this is a relatively small number out of 43,000 loans, the impact could be significant for individual borrowers. For example:</p> <ul style="list-style-type: none"> • Loans had been forgiven, requiring reversal of forgiveness to apply the cancellation, and then process the forgiveness (time consuming). • Prior to forgiveness borrower had made payments; in addition to removing and re-processing the forgiveness, a refund had to be processed. • The borrower had defaulted, resulting in judgments obtained by the OAG for incorrect amounts; in some cases the OAG may not have pursued a judgment based on the lower balance. <p>Next Steps</p> <ul style="list-style-type: none"> • Will perform reconciliation of FY2015 funds based on FADS data 	<p>NONE</p>

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	<ul style="list-style-type: none"> • Will perform reconciliation on an annual basis, possibly in the March-April timeframe for BOT and CAL • The adjustments will be done more quickly with less impact to students • CAL (much larger program) reconciliation will begin with FY2010 • Lessons learned - hope to improve programming and reduce discrepancies, reducing the need to ask schools for additional information <p>Discussion:</p> <p>Question about possibly automating process of reaching out to schools. The THECB will look at this, but inaccurate reporting on the part of institutions is at the core of the matter and eventually schools will not be able to certify FADS until the data reconcile with HELMS data.</p>	
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<p><u>K. Update on FAAC Nomination Process</u></p> <p>Charles Puls, Deputy Assistant Commissioner – Student Financial Aid Programs</p>	<p>Next month staff will send nomination form to presidents and chancellors and will follow up with an email to the TASFFA list serve.</p> <p>Rule change for advisory committees as a whole for the agency will allow nominations from K-12 sector. Committee records indicate we have 6 potential slots available (not filled yet) of the 24 allowed. Two of those will be for the K-12 sector.</p> <ul style="list-style-type: none"> • This year only one person is rotating off; Lisa Blazer's last meeting will be September 2016. • Seeking to balance representation among the different sectors <p>Anna Drake, the student representative whose term has ended, was recognized for her service to the Committee.</p> <p>Matthew Vandermause was recently approved by the Board as the new FAAC student representative.</p>	None

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<p><u>L. Adjournment</u></p> <p>Chris Murr, FAAC Chair</p>	<p>Suggestions on agenda item for next meeting</p> <ul style="list-style-type: none"> • Presentation on SFA Almanac • Presentation from TG-How to effectively get schools into the pilot project and financial and Literacy • Discussion with Laurie Kowalski regarding repayment plans <p>Next FAAC Meeting set for September 8, 2016</p> <p>Adjournment at 12:35pm</p>	None