



**[JEFF:]** Good morning, everyone. I don't obey rules. I had to turn off my cell phone before I got in trouble up here.

Thank you very much for joining us this morning for our Federal update. First of all, all of the folks who came with their school colors, school sweatshirts, t-shirts, and so on, why don't you stand up and we'll all give you applause for your school spirit.

We talked about it, Dan, David and I, and we're so old we can't remember what schools we went to, so we're wearing our United States Department of Education school spirit. Thanks very much.

We're going to do this perhaps a little bit differently than we've done these updates in the past with three of us at this very small table. If we weren't good friends before, we will be soon. We're going to kind of go back and forth in the presentation a little bit, so it won't be one of us doing 20 minutes and so on. We'll probably interrupt each other, as we do at work. We'll probably interrupt as we do in our offices pretty consistently, so we appreciate....

**[DAVID:]** All the time – not consistently – all of the time.

**[JEFF:]** Yes, all of the time. So, let me get to the agenda.

**[DAN:]** But, before we do, Jeff, I want to pick up on something that Michele mentioned yesterday about going green with our nice bags, and I don't know about you, but I just kind of wonder what this bag was before it was a bag, but it's very nice. It holds all of my accessories adequately.

**[JEFF:]** These people came to learn something. Let's help them out a little bit here. Okay, we do have a lot of information to share with you and we'll go through it rather quickly. We're going to try very much to save time for questions at the end. This presentation will be posted to our IFAP website along with the slides and so on, as all of the others are, so we're going to talk a little bit about my least favorite subject, which is the stimulus money American Recovery and Reinvestment Act.

**[DAN:]** Boy, am I glad his name was on every announcement.

**[JEFF:]** Yeah, my name was on it. Default rates a little bit. I will talk about the legislation which, you know, has been basically the basis of this conference. A little information and statistics about our loan programs, a little bit more, and Michele and Jody did a wonderful job yesterday, but we always like to have the last word, so we'll say a little bit more about simplification and the IRS data retrieval. David will talk about the regulatory efforts. We'll talk about experimental sites, things on the VA, and then your favorite subject, two Pell's in an award year, and we'll spend a little time on that in addition to the sessions that we've had and we just added one. So, let's move right into it.



AARA, or the stimulus bill, the Federal Student Aid programs did receive some significant funding. The Secretary mentioned this on Tuesday; 200 million dollars in the Federal Work-Study Program and a little over 17 billion dollars in the Pell Grant program in order for us to get the Pell Grant amount maximum award that we have. The Work-Study got a little confusing and we apologize. We were told frankly that there would be no special reporting and then in September we were told they would have to be reported, so we appreciate the efforts of the schools that did report at the end of first quarter and about 70% of the schools did report. We'll catch up and make sure that all schools do the proper reporting for the quarter that is going to end at the end of this month. We really do appreciate that. We had gone out and told people you wouldn't have to do any reporting on Work-Study and then I know we look a little silly, but we had to go back on that. The slide just before this did say for the Pell Grant there is no reporting required. Trust me, again, maybe? So, we thank you very much for those schools.

Default rates. Perhaps not unexpectedly, the cohort default rate, the most recent one that was released at the end of September, shows an increase in the last couple of years. A number of factors, of course, but we think the economic situation we've been in for the last two or three years and as a lag will catch up with our programs and we'll probably see some increases in the future. That, I think, means that we have to work, all of us have to work harder to make sure our students understand the responsibilities, but also the ways they can avoid default, the ways they can avoid default by working with their lenders or the Direct Loan folks for deferments and forbearances and alternative repayment plans, IBR and so on. You should be aware by now that out of the Higher Education Opportunity Act, the Congress made a change to the calculations for cohort default rates. Without spending a lot of time on it, for years the calculations, we set a cohort of a federal fiscal year and we monitor those borrowers for that year and one more year and see how many default, and that's the numerator. Starting with the FY'09 cohort, the law changes and we monitor it for three years. The cohort year, fiscal year '09, '10 and '11, and then we release it in '12 and it will be a three-year. Now, unless you're the smallest school or some other very strange thing, there is no way that your cohort default rates are going to do anything but go up. You're adding another year, and so we have to be aware of that. In this chart, you'll see it when we post this; it kind of shows you the cohort years of a two-year and a three-year, when they'll be, how they'll be monitored and when they will be released. Now, we've received a lot of questions from press and others about what will be the impact of three-year cohort default rates. We also know that schools need to get an understanding of that, because it's one thing to say "Yeah, I guess rates are going to go up because it's another year." So, we calculated three-year rates for the past three years where enough time had gone by. So, the fiscal year '05 rates, which were released, the official two-year rates were released in '07; we've now tracked those rates for '05, '06 and '07 and the next one, the fiscal year '06 rate, '06, '07 and '08, and the fiscal year '07 rate, '07, '08 and '09. So, we went backwards in time to see what your cohort default rates would have been had they been measured on a three-year basis. They're not official, they don't have any impact, they're informational. On Monday, when we get back to the office, we will be posting an electronic announcement on our IFAP website that will explain this in a little more detail



and explain to you that you can go to NSLDS, as a financial aid professional, just as you can now, and you'll be able to see not only your official two-year rates, which you've seen for years, but what these sample three-year rates would have been had we been measuring them for three years. Now, they're not official, they don't take into account some appeals and, you know, mergers and those kinds of things; they're just a rough idea of where your rates would have been had we been measuring it for three years back then. The following Monday, which I think is the 14<sup>th</sup>, we will be making that information public. We'd be asked for it anyway, so we're going to make it public and we want to give you a week or so to kind of think about it because you may get questions from press or whatever. But, it is what it is and we thought it'd be very important that you have an idea of what those rates might be in the future rather than get surprised in a year or so.

**[DAN:]** I'll spend the next couple of minutes talking about our agenda, the legislative agenda, and on Tuesday morning you heard the Secretary talk about the President's vision. We've put it up on the screen there. You see the full quote from the President's address to a joint session of Congress last winter. The important part is right there down at the bottom that's in bold and for us in the Office of Post-Secondary Education and the Office of Federal Student Aid and, indeed, across the Department, that last statement there, that is our "put a man on the moon and return him safely to the earth." Everything we're doing now is pointing towards this goal of returning to our place as the country with the highest proportion of college graduates by 2020. And, so the President did release his budget last winter, a very aggressive program budget. The House of Representatives has acted on that through the passage of the Student Aid and Fiscal Responsibility Act. Everything we talk about in Washington has a shorthand, of course, so this is SAFRA. So, when you hear us say SAFRA, this is what we're talking about. Again, the House passed it this past summer. The Senate continues to work on companion legislation. You know, this slide is actually a couple of months old. We're still expecting Senate markup in the next couple of weeks. We know they're close because, you know, a normal course of events for us is, you know, we do provide what is known as technical drafting assistance to the Hill. You know, this is without our ideas, our policy preferences, but just to help the Congress get the language right, and the requests for technical drafting assistance have basically dried up. So, we know they're close, but we also know that there's another big legislative push in the Congress these days and you know it as well, you all read the newspapers and you can say it with me, two words, health care. So, again, I think as far as we're concerned with our part of this, we're pretty much done. But, again, there are larger legislative issues that the Congress needs to address and is in the process of addressing. Again, SAFRA does implement a number of the administration's proposals for student aid, most importantly increased funding for the Pell Grant Program and also to put increases in the Pell Grant maximum on sort of a reliable and more predictable path. You know, for a few years in the not-too-distant past we were at a \$4,050 maximum award in the Pell Grant Program, which seemed like forever four or five years in a row. Again, that is because it's subject to the annual appropriations process and there are competing, obviously competing priorities. What we have proposed, and the House is going along with, is to provide for a knowable path of an increase in the Pell maximum each year tied to the rate of



inflation general price increases. The legislation also, Michele and Jody talked about this on Wednesday, yesterday, about the increased aid for surviving children of persons killed in action in Afghanistan and Iraq, the Iraq and Afghanistan service grants, and again, we did put out an electronic announcement a couple weeks ago, I think it was November 6, with additional information on that. But, again, you had heard Jody talk about that yesterday.

Also in the bill are some changes to the Need Analysis, basically moving us toward a circumstance where all of the income information that we would be using, both taxed and untaxed, would be retrievable from a tax return. So, we'd be eliminating a good deal of the current untaxed income as well as certain of those income exclusions. We'd be essentially retaining information that is easily obtained from an IRS tax return. We'd also be eliminating assets from the calculation of the expected family contribution, but there would be a screening question. So, there would be a threshold amount and essentially a checkbox on the form so that a family or student with, as we say, assessable assets, meaning it's not your home, it's not your retirement account, it's not your small business, it's not your family farm, but if those assets were above a certain dollar value, then you the student would be eligible only for unsubsidized aid; again, a way of modifying the formula to help simplify the application for Federal Student Aid. Also, in the House bill, a modification to our drug penalty would eliminate the provision with regard to possession of a controlled substance. The provision relating to sale of a controlled substance would remain and it would remain as the two-strikes-and-you're-out provision; again, first offense you're ineligible for two years, second offense you're ineligible forever unless you complete an approved rehabilitation program and regain eligibility that way. Also in the bill is something called the American Graduation Initiative, implementing some of the administration's policy proposals, and I'll let David talk a minute or two about that.

**[DAVID:]** The American Graduation Initiative really moves away from financial aid and tries to address some of the institutionally based issues in higher education. When you think about where low-income students go, so often the first point of entry into our higher education system is community colleges, and so the goal of the American Graduation Initiative is multifaceted, but a large component of it, a large aspect of it, is to really try to provide additional support to community colleges as they work to reach and serve low-income students. Under the American Graduation Initiative, community colleges would receive grants to improve the instruction that they provide to students, to work with local employers to develop job-specific and occupationally specific training that is in high demand in the local communities. Also, we know that for many community college students or community colleges there are issues around access to support services that help students persist and attain degrees, and so we would provide grant funds to community colleges to allow them to work to improve the quality of their support services and the availability of those support services to students. We'll also be looking in the American Graduation Initiative for ways to promote and foster and support other reforms that really deal with issues of credentialing for future employment needs. We know that, as I said, community colleges serve multiple roles. They serve as an access point for low-income students, but they also support the local workforce



investment and we are going to provide support in the forms of grants to institutions, particularly community colleges, that work to foster connections to local workforce needs. Another aspect of the American Graduation Initiative is to support free on-line training at both the high school and the college level through programs that would be developed by the Department in conjunction with other federal agencies that are already doing some on-line training at the postsecondary and high school levels, like the Armed Services, and so we would develop these open courses that institutions could use to help their students and high schools could use to help their students prepare for postsecondary education and then begin the process of completing through these courses that we'd make available. Another aspect is to address the facility needs of community colleges. We would do that by creating a loan fund that states would establish to do construction and other infrastructure projects on their campuses at community colleges and then use the revenues at those community colleges to repay those loans. I've seen many of my colleagues and friends at tribal colleges; we would, under some of the bill provisions, look to find ways to support other kinds of facilities' constructions for tribally controlled community colleges as well. We already have programs for historically black colleges and universities to provide construction funding, but we're looking for additional ways to work in that area as well. We know facilities are stretched right now, particularly at community colleges that have had significant enrollment increases, and we're trying to address that issue through the American Graduation Initiative.

**[DAN:]** Also, within the President's budget request was a provision that would modernize and expand the existing Perkins Loan Program to something that we would call a Federal Direct Perkins Loan Program. And, basically, the policy rationale, the policy reasoning, here was that if we can find a way to expand the availability of federal student loans as a substitution for more expensive, in our view, certainly, less desirable what we call private-label loans, non-federal student loans, we think that's a good idea. Of course, you know, these days the private-label loan market is not quite as, oh let's say, robust as it was a year or three ago, but still, our thinking was if we could find a way to give you some discretion and some additional loan funds to help ameliorate the need for your students to rely on private-label loans. So, we were looking at the Perkins Program and thinking about moving it away from what we've known for 40 or 50 years now, I guess, of kind of a cash-based program. The Congress appropriates some federal capital contribution or, for the past several years, not, and you match it with some cash and you make loans to your students and they repay them and you have a revolving fund, and you can make some additional loans. But, what we've decided to do is rather than use this kind of cash basis, move to the same funding scheme that we have in Direct Loan, which is basically a cash advance from the Treasury that does not require an annual appropriation. You're already doing this with Direct Loans; you have an otherwise eligible student, you put the information in the system, you get the Direct Loan money. It doesn't matter how many students you have; if they're eligible, you get Direct Loan money for your students, similarly in the FFEL Program with our system of subsidies and guarantees. This would be, in the Direct Perkins Program, a little bit different in that there'd be a cap on the lending, and overall that'd be about 6 billion dollars a year, which is a 4-fold increase, roughly, over your current lending levels in the



program. So, with this, we think we could make these loans available to more students at more institutions. These days, we have about 1700 or 1800 of you making loans to somewhere around a half million students a year. Again, we think we can get those numbers up significantly to something around 2500, 2700 institutions ultimately, maybe two and a half million students borrowing in the program. The program would retain some features, the 5% interest rate, but we would move it over to the unsubsidized side; again, where students/borrowers would be responsible for paying the interest while they're in school. But, again, this would, if you think about this as kind of an additional source of federal lending where you have some discretion and control ultimately over the recipients, but operationally would still be handled much like a Direct Loan. You know, we'd originate through the COD system and the Department would be responsible for the servicing. So, you would have no backend responsibilities in the program, as you do now.

Again, we're not talking about kind of a cash allocation here, we're talking about an allocation of what we're calling lending authority that would total six billion dollars, not unlike what we currently have in the campus-based programs, basically a two-parter, a minimum amount or hold-harmless amount, and then an additional amount based on some kind of an index distribution just like we have in FSEOG and Federal Work-Study, and when we used to have in Perkins when we used to have FCC every year. So, again, a hold-harmless amount in the House bill that provides for a hold-harmless equal to the average amount of lending that you did in the program over the last five years, and then there'd be some kind of an index distribution. What we had proposed is something that took into consideration your efforts around holding your tuition prices down, increasing the availability of need-based grant aid and also how well you're doing in terms of graduating or having your Pell recipients complete your program and graduate from your schools, so again, using the index-based part of the distribution to advance some of our policy goals. Again, the details of that obviously need to be worked out. The House bill has addressed this. They're not quite what we had proposed, but something very similar, basically starting with the current campus-based institutional-need formula, self-help need formula, undergraduate and graduate, a tweak here and there, and then adding on to that index based on how well your institution has done in terms of getting your Pell Grant students to persist as well as how good a job your institutions are doing relative to other institutions in your sector of keeping your tuition prices affordable. Again, this is still being worked through. There is in the House bill and under our proposal an effective date of July 1, 2010. The notion is that this is a big bang. You know, June 30th the old program ends, July 1st the new program begins. We know the clock is ticking on this one, and we know we would have to collect new information from you in order to implement this. I think as we sit here and as we've had conversations, I think all of us would pretty much be stunned, shocked and amazed if this provision, if enacted, were not pushed off until next year. So, I really think it's going to be July 1, 2011; that's where all of the arrows are pointing at this time, if the new program is established.

The old program, as I said, big bang theory, new program starts, old program ends. You still have responsibility to service those old loans. We'll do it for you if you like.



You can continue to do it yourselves if you like, but the point is that over the next X number of years, at least ten, probably more, the loans will still have to be serviced. We'll need for you to make sure that we get our share and we will make sure that you get your share of the loan funds as they are collected.

So we've talked about big increases in the Pell Grant Program and the new Perkins Program, quadrupling of loan volume. David talked a bit about the American Graduation Initiative. There are some other provisions in the House bill. Boy, that sure sounds expensive and, well, it is. But, we feel we can pay for these changes without, as you heard the Secretary say on Tuesday, without asking the taxpayer for any help, so without increasing taxes, and those of us who have been in Washington for a while know that we're not also talking about increased user fees, revenue enhancers, any of those kinds of things that in the past have been used as sort of substitutes for tax increases. The way we can do this is by moving to 100% Direct Loans and using the savings that we get from that, from moving away from the FFEL Program, the savings over the next ten years to fund these initiatives as well as some others. Again, this is like I mentioned for the Direct Perkins Program, this is a big bang approach, no phase-in, July 1, 2010, would be the effective date for moving to 100% Direct Loans. This would be all kinds of loans, as you see, sub, un-sub, PLUS, Parent PLUS, Grad PLUS, consolidation loans. Also, and we've heard a bit about this this week so far as well as over the past several weeks, concern from our foreign institutions that our students attend and are otherwise eligible for FFEL loans and how they will be accommodated in this new program. So, we do have a way to do that and I think you heard the announcement a little bit later this afternoon we do have a "Birds of a Feather" session scheduled to talk in more detail about how we would accommodate foreign schools under the new 100% Direct Loan scheme. Also important to note, I mean we stop FFEL on June 30<sup>th</sup>, start all Direct Loans on July 1<sup>st</sup>, what about the existing FFEL portfolio? It's still out there, half a trillion dollars, roughly, that will still need to be serviced--lenders, servicers, guarantee agencies as our conduit for claims payments. They'll still have to do what they've always been doing in that regard. So, there is still, again, a clean break on July 1<sup>st</sup>, but, as we talked about with the Direct Perkins Program, a continuing need for servicing and activities around existing loans.

**[DAVID:]** I wanted to give you kind of an update on the loan programs to follow up on some of what Dan was just talking about. Jeff is known to take and edit these presentations before we do them and...

**[JEFF:]** I stayed up all night working on them while you guys were partying.

**[DAVID:]** Yes, yes, yes, but he changed the heading of the slide. The heading of the slide, in my version of the presentation, was "What a Difference a Year Makes." And the reason that it had that title is, you know, when we got everything said and done with the 2007-2008 year, the Department had made about 19% of the loans in the student loan programs through Direct Loans and then, you know, we did a little short-term loan purchase early in the year and we ended up owning about 21% of the loans made for the 2007-2008 year. This year, after we finished the loan purchase programs, and



these numbers may change a little bit as people go back and review and audit the information, we ended up making about, I think it's about 26% of the Direct Loans and we ended up buying 56% of the FFEL loans made for the year, for the 2008-2009 year. That means that we ended up owning, if I did my math correctly, about 82% of the loans made for the 2008-2009 year. We did that, my colleagues in Federal Student Aid did that, without much public notice. A remarkable accomplishment, a remarkable feat by everybody at the Department, and particularly our colleagues at Federal Student Aid, to make those loan purchases possible so that your students could continue to get loans. Over the last year, also, we've seen some significant numbers, increases in the number of institutions participating in the Direct Loan Program and we can expect that for the 2009-2010 year, you know, there are 2,017 institutions that have already originated loans in the Direct Loan Program. We expect that some institutions that haven't made Direct Loans will do that, at least for some of their spring loans as they prepare for what might happen on July 1, 2010. And so we expect that will continue to increase and that participation in the Direct Loan Program will continue to increase.

Just to give you a sense of what happened with regard to the loan purchase program specifically and how we came to hold 82% of the loans, the Department ended up buying 76% of the loans both in dollars and in number of loans that were made. In the course of a couple weeks, as I said, we did something remarkable; we purchased about 46 billion dollars in loans as an agency. And here's the bottom line. I said it before, we ended up owning 82.4% of the loans made for the 2008-2009 year and 82% of the loans, the dollar value of loans. We expect that, given that ECASLA is continuing, this will be a likely outcome for the current academic year as well as we continue to purchase student loans.

So, this is just to give you some background information about what we see in the data, what the data is telling us about the trends so that we can put into perspective the move to Direct Loans that you are all considering. As you consider that, we want to remind you that for most of the processes, for most of the things that you do, Direct Loans is very similar to the FFEL Program; you confirm eligibility, you determine the amount of the loan, you make sure that there is an MPN, and you create and send a certification of the loan origination to a lender. In the case of Direct Loan, the lender is the Department, and it's very similar to the grant programs in the sense that you draw down your funds from COD and use the same data transmission system you use for Pell Grants. You know, when we think about the concerns that many have about whether or not the Department is ready and prepared to move to Direct Loans, if that's what the Congress chooses to do, or we end up in a circumstance as we are today, one thing we do know is that Federal Student Aid has worked very hard to be prepared for whatever they need to do. They made the systems enhancements they've needed to make in COD, and I'm saying this as a colleague but also somebody who sits in a different part of the organization and watches what they're doing as they implement the policy decisions that are made, and I have extraordinary confidence in their ability to move to Direct Loans. Jeff is going to talk a bit about the preparations that have been made to be ready to do what needs to be done as we move forward.



**[JEFF:]** Thanks, David. And, this is a little background and reminder, a little history lesson; we in Federal Student Aid began to ensure that we were able to handle increased volumes in the Direct Loan Program well before the legislation that is being considered, well before the President's budget proposal, frankly well before the election a little over a year ago. No one had to be a genius to look at the capital markets and understand that our lenders in our FFEL Program were going to have difficulty finding capital and that one of the solutions, and there's a whole number of them including the loan purchase program, but one of them would be to make sure that we're able to provide funding, credit financing for students and families in the Direct lending program. So, working with our contractors and internal staff, we began the gearing-up. I am 100% confident that we can do 100% Direct lending. In fact, we could do close to that right now with probably a week's notice. We certainly, as we watch this legislation, will be able to do that. What that means is we've increased or prepared to increase on short notice the computing capacity in our Common Origination and Disbursement System. That's technology, that's not a magical thing, that just takes a little money and a little foresight, but we also have geared up and will continue to gear up our customer support and customer service functions in COD both for schools and then to a somewhat lesser extent for students. We're also, in our servicing, moving ahead. We did mention earlier that we've entered into contracts with four additional servicers to service not only the FFEL loans that we purchased, but the increasing volume in Direct Loans. We are working with them and they are on performance-based contracts. Customer service is very important. You will see when you get back to your offices, if you haven't seen already, an announcement we put on our IFAP website asking some of you to participate in customer service satisfaction studies with our servicers to make sure that they are performing absolutely at top notch to service our loans, to provide you with the support you need, and to provide borrowers and families with the support that's needed. On the COD side, we have developed a number of teams that can help schools, in many cases one-on-one, with what's needed to move to Direct Loan, if schools just want to explore what the impact, or actually want to get moving on those kinds of things. We have transition teams available. We have already focused on a number of target audiences, some graduate and professional schools. Why? Because they are the ones least likely to be familiar with COD. If they were a FFEL-only graduate and professional school, they probably don't have a lot of experience with COD and, as David mentioned, if you are in the Pell Grant Program or ACG or SMART or TEACH and using the COD program, Direct Loans is not a whole lot different. There's a promissory note, but not a whole lot different. But, our graduate and professional schools need a little help. Some of the smaller career and other colleges, smaller schools, foreign schools, as we mentioned, some special efforts there. We have done specialized webinars at the request of members of Congress for schools within their states and I think we've done a half dozen of those. And, we're open for business to work with any school or groups of schools that feel that they would like a little handholding and a little help in understanding the process of getting into it.

Very quickly, and you'll see these slides over and over again in all our training and when you look at this presentation on our IFAP website, places to go, websites, links to e-mail addresses and so on, the training activities that we're going to have, we've already



begun and continue to do that. We're going to have a whole other series once we get over the holidays and get into the spring term. Look for our announcements, both these that are mentioned here and others that we put out. We are not resting on laurels, we're going ahead, we're listening to folks and if more training is needed, different kinds of training are needed, training in different parts of the country, we're going to go ahead and do that in our conference. For COD, which is the first place you really have to start, you can call that number or click on that, you know, send something to that, go to that website and get the information that you need.

**[DAN:]** Just maybe one or two items on the FAFSA simplification. Of course, you heard Michele and Jody yesterday and they did talk about utilizing enhanced technology in redesigning, rebuilding the FAFSA on the Web application including, you know, new language, XML. Personally, I know HTML stands for a hypertext markup language; I can only imagine that XML stands for something like Extraordinarily Magical Language because I hope you've had a chance to look at the new application here. I've played with it a little bit myself and I'm talking not only as somebody sitting up here telling you about these things, but also as someone whose family, we are a 12-time user of the FAFSA, 3 recent college graduates in the family, 11 of those 12 FAFSA on the Web, and boy, this is way better than what we have experienced over the past couple of years. You know, one of the examples that we use as a kind of stereotypical case, Laura is a first-time college student, a family of 4, 2 parents. You know, the current year, this is basically what she needs to step through to get through the various pages of the form and, again, taking advantage largely of technology, when Laura comes back for her second year and fills out the FAFSA again, basically this is what she'll be presented with. So, again as we've said previously, fly-in help boxes, fly-over text, all these other cool things, but something that we really think is very valuable. The other thing we should point out is that you've heard us up here last year talking about a different approach to FAFSA simplification. I mean there are basically two approaches you can think about. You know, if you're interested in simplifying the form you think about the form follows formulas, so do something about the formula. Well, it takes a while to do something about the formula. The other approach is, you know, take what you have and utilize your technology and make the experience easier for your user and you don't have to wait for legislation to change elements of the formula, and that's basically what we've done here in the Department and Federal Student Aid is to take that second approach and look at something we want to get done quickly, something we don't want to have wait for the Congress to act on. As we said, with the SAFRA legislation, the Congress is acting on some provisions in the formula, but, again, there's still another year off if that legislation is passed. So, again, this was something that we were able to do in a fairly quick fashion and I think, again, just speaking personally here, that our colleagues in Student Aid have really done a good job in moving this forward for the upcoming year.

I think I heard a little bit of it yesterday when we talked about putting certain graduation, retention, and those transfer rates on the FAFSA on the Web in the output documents associated with submitting a FAFSA, and I just want to make sure everyone understands that we're not making this information up, this is what you, your schools



have reported to us, have reported to our National Center for Education Statistics as part of the IPEDS annual data collection survey. So, again, maybe you don't like some of the numbers, we don't like some of the numbers, maybe there could be better measures, but, you know, this is what we have right now, this is what you are telling us right now and we really think that it's important to get this kind of information out to our students and their families, prospective students and their families, to help them make decisions around what is the best college postsecondary choice they have available to them.

**[JEFF:]** I want to just take a couple minutes, just have about four slides here to kind of recap a little bit on the IRS data retrieval that Michele talked about yesterday. There's a conceptual change here in that this is not a consent process. A consent process with the IRS is when the tax filer--they call them filers, tax filers, not tax payers; I don't know what that means--when the IRS, a consent by a tax filer to release tax information to a third party. This is what you did when you applied for a mortgage or refinance, or something like that, and that was one of the stumbling blocks, and 7 years, 8 years we've been working on this.

**[DAN:]** Wow, you remember? I thought you guys had repressed this by now.

**[JEFF:]** Yes, yes. It's been a very long time.

**[DAN:]** August 2002.

**[JEFF:]** With some strong, frankly, with some strong push from the highest levels of the administration we got some movement on this, but one of the things was to change this from a consent process to an opportunity for the tax filer, to request the information to go to the tax filer who can decide what to do with it. And this was a breakthrough that we had with our friends at the IRS. As Michele mentioned yesterday, if you have any concern about the security and privacy of your tax information, don't worry about it. They are the tightest people you ever want to meet in terms of protecting your information. It's been very frustrating in a way for us, but Dan and David and I, we talk about it all the time, you know, that's a good thing, that's a good thing, and we appreciate that as tax payers and as public servants here. So, you know, it's a conceptual difference, but it works. We think it will work when we bring it up in another month and a half or so and we'll need to monitor it. You saw this slide yesterday; this is where the, at a point in the FAFSA the applicant will be given an opportunity, the student or the parent, to do this. If they answer a couple questions, they come over here, they're in the IRS site now; that was very critical. It was mentioned yesterday. They're now in the IRS site, we have nothing to do with this, this is one-on-one between the Internal Revenue Service and the tax filer. If they do click the right boxes and decide to do this and it matches, the information comes back, we're still not part of it; this is not on FAFSA on the Web until the tax payer, deciding what to do with their information, if they want to transfer it in, they hit that transfer box and it comes over. You heard yesterday about the timeline for this. Generally speaking, when we get going, at least it looks like, because the tax files won't be available until early summer,



that's why that slide that you saw yesterday had a July date for the year for the first time because we're building this thing, the IRS is building this thing probably as we speak. This won't kick in until the end of January next year. There are some ideas in conversations with our friends at IRS to make this more of a real-time situation, to be able to get access to tax data, perhaps as people file, particularly as more and more of their people, tax payers file their taxes electronically. We're looking at the possibility of having this in our future year, maybe as early as 2010-11, but certainly by the year after that, to have this available in a corrections mode so that it's not just for people who begin their initial FAFSA in July or August or September, but people who are in a correction mode and that will certainly help get more and more people being able to utilize the data retrieval. We're asked about verification all the time; it came up yesterday a little bit, it's come up at many of our sessions, it came up in the sessions that Michele and Ginger did on this IRS retrieval. We agree with you that we see great possibilities here of minimizing and maybe even eliminating at least some of the verification having to do with tax information. There are codes that you saw yesterday that will come to you on the ISIR.

**[DAN:]** Let the applause rise.

**[JEFF:]** We're keeping track of applause between what we did today and what Jody and Michele did yesterday, and they're kicking our butts, guys, so help out, you know. Thank you.

**[DAVID:]** We cheated just then.

[ inaudible ]

**[DAN:]** Those rules are not written down.

**[JEFF:]** Yes, we'll do whatever.

**[DAN:]** That's right. It's impossible if you don't write it down.

**[DAVID:]** That's right.

**[JEFF:]** Make this stuff up. I don't know what I was talking about. So, we very clearly see and are very hopeful, and we just can't make a pledge here yet, that some kind of a model where you do get an ISIR that students have, or parents have, gotten this information from the Internal Revenue Service, they have not changed it yet, that that should satisfy any verification requirements for any items that would come from the tax return. We're going to work on that. If I stay on this all morning, we'll get plenty of applause. There are a couple of things. One is, David is going to mention in just a minute on the regulatory process, that we have verification on the agenda and presentations were made to the negotiated rule-making team by the staff, Michele and others about this data retrieval so that they understand and we're hopeful there. But, frankly, we're not going to do it, at least not in any general way for this 2009-10 stuff



that's going to start in January. This is critically important that we get it right and so we're going to monitor this, we're going to ask some schools to help us do some quality assurance on the data that you get. Once we get a comfort level, and we don't think it's going to take a lot, that the data that is coming over from the IRS is accurate, is what would be on the tax return, we are likely, either sooner if we can, but at least through the regulations be able to minimize a whole lot of verification based upon this.

**[DAVID:]** Yes, I know, I know, I know. I can't beat that. I will say that we've been a little busy with regulations, and I hope that through the regulations that we published a couple of weeks ago, you know, we're going to be able to do some things that you needed help with in coming out of the Higher Education Opportunity Act that was passed a couple years ago. One of the things that I should say is we had five negotiating committees, one that did not relate to the Federal Student Aid, the discretionary grants committee, where we still haven't published an NPRM because they're not subject to the master calendar, but, you know, it's remarkable that we published significant regulatory documents in the last week of October to meet the November 1<sup>st</sup> deadline. We did two loan committees and published two loan regulations, one on October 28<sup>th</sup> and the other on October 29<sup>th</sup>, one dealing with school-based issues that dealt with issues related to program participation agreements, consumer information related to the loan programs, exit and entrance counseling, cohort default rates, and Perkins Loans cancellations. So, that package, as I said, published on October 28<sup>th</sup>. On the 29<sup>th</sup>, the next day, we published a general and lender guarantee agency loan issues package. That package addressed issues related to total and permanent disability, teacher loan forgiveness, permissible and prohibited activities of guarantee agencies, just to mention a couple of the things that were in that package. We also published a grants and other issues package status. The package that has gotten so much interest because of its inclusion of provisions related to two Pells in an award year, and everybody knows it for that, but it also did a number of other things related to 2009-10, for-profit institutions, readmission of service members, fire safety, missing persons, and peer-to-peer file sharing just to mention a couple of things that were in that package. Also that week, we published an accreditation package that will implement the changes made in the Higher Education Opportunity Act as they relate to how the Secretary recognizes accrediting agencies and that regulation deals with issues related to what our creditors are going to be looking at at your institutions on such issues as distance learning, direct assessment programs, teach-outs and transfer of credit. Finally, I would mention that the Academic Competitiveness and National SMART Grant final rules were published in mid November. Those rules are not subject to the master calendar, so they will be effective. The only change there of any note is just a clarification that in order for a one- or two-year certificate program to be eligible for an Academic Competitiveness Grant that it has to be offered by a two-year or four-year institution, but that final rule was also published, just so you know about it.

There are currently ongoing two negotiated rule-making committees. One committee dealing with very important, very significant program integrity issues, another on foreign schools. Both of those committees have met for the first time. When we get back to Washington, we do not have any real rest because we go right into negotiations next



week for that committee. The materials from that committee have gone out to the federal negotiators on Monday as the people were gathering here. This committee will deal with the issues around verification and, you know, taking into account the issues that come out of the IRS work that Jeff was just talking about, but also look holistically at verification in a way to really try to reduce burden to the greatest extent possible for all of you. The committee's also looking at issues like satisfactory academic progress, definition of credit hour, state authorization as a component of institutional eligibility. It also is looking at issues related to misrepresentation ability to benefit, which is an issue that comes out of work that the Government Accountability Office did fairly recently and we're responding to. They also are dealing with issues related to high school diploma for the same reason. You can look at this slide in detail when you get back to your office because we want to get through and at least allow a little time for questions.

Another committee is starting on foreign schools. For reasons I don't understand, I ended up being the federal negotiator for that, something I've always said I will never do. I don't have a poker face, so you could tell that, can't you? I don't play poker, I don't do that because everyone sees what I'm thinking just by the expression on my face. And so I did this kind of on a lark, I guess--no, not really. But, I really felt very strongly that there are some really compelling issues around foreign schools that they participate [ inaudible ] program, and we haven't deal with them in many years; it's probably been 18 years since we negotiated anything on foreign schools, but we're going to look at a number of, a lot of requirements to look at really define for the first time what a foreign school is, address issues related to non-degree programs at foreign institutions, and then deal with a number of issues related to foreign medical schools that come out of the Higher Education Opportunity Act, issues related to foreign veterinary schools and, for the first time, foreign nursing schools are eligible to participate in the aid programs as of July 1, 2010, and we're going to need to have some rules in place to make it easy for those institutions to serve students well, and so that is another issue. These committees will meet, as I said, program integrity meets again next week, there are meetings in January and one in early February, and then you'll be looking for notices of proposed rule-making in late spring, early summer of next year that will include these provisions. We hope that they not only strengthen the program in terms of their integrity, but also to the extent that we can reduce some burden on all of you, particularly in some of these areas that we know are so difficult.

One of the other things we're doing that is really significant is we're working on experimental sites, and Jeff and I had a session yesterday on experimental sites. We will have another tomorrow afternoon. I encourage people to think about participating in our experimental sites. We did publish a notice back in late October and established a soft deadline for receiving suggestions for participation in those experiments by December 18<sup>th</sup>. It is important to know that at this first stage these suggestions don't bind your institution to do anything and what we will be doing over the coming weeks is to work with you and other institutions if you submit a suggestion and with folks who are knowledgeable on program evaluation in order to develop really rigorous experiments with control groups or other research methodologies that yield significant findings that will allow us to change policies and, again, to reduce the burden and unintended



consequences of some of the rules. Once we've designed these experiments and understood what the reporting requirements would be, we would send out a second notice telling you about the experiments and providing you an opportunity to sign on to those experiments. We envision allowing the institutions that made the suggestions having right of first refusal to participate in the experiments, and that will encourage some of the ideas to come forward at this stage, but really we'll be looking for broad participation of institutions in these experiments either as a control group or as an experimental group, and so we would encourage you to follow what's going on with regard to experimental sites and if you have time tomorrow afternoon, join us at our session and we'll talk about it some more.

Let me talk just a minute about VA benefits. We did issue an electronic announcement back on August 14<sup>th</sup> which noted the change made to the technical amendments related to the treatment of VA benefits that will become effective for the 2009-2010 year, and those veterans benefits are no longer considered as either estimated financial assistance or resource including the VA and institutional share of the Yellow Ribbon Program. With that, I'm going to turn it back, I think, to Jeff.

**[JEFF:]** I'm going to spend a few minutes rather quickly on two Pells in an award year, but I want to ask you a favor first. Everybody kind of take a deep breath, kind of relax. I think that there was, at least at the beginning of the conference, a fair amount of misunderstanding. I think that it's a good thing we don't pay Fred by the person that comes through his sessions because we'd have to go into more deficit, and we did add this session, so we think we're providing more and more clarity and I wanted a little bit of that now. In addition, we will be providing training in the spring, webinars, in-person training, all kinds of services in the two Pells in an award year. This is going to be rather quickly done, but I just want to set it up. But I do have to, and I don't mean to be rude, we don't mean to accuse anybody of anything, but frustration is there and we appreciate that; hopefully we will minimize a lot of it, but folks, this is free grant money for poor kids, that's what we come to work every day to do. Now, we may not be delivering it the way you would prefer, or maybe ultimately we would prefer, and maybe there'll be some changes made, maybe we can, you know, the Congress needs to do it, but it's free money for poor kids and that's what's important. If you keep that in mind, you know, curse under your breath, slam a book on the floor or something, but then go ahead and serve these kids.

**[DAVID:]** And they can call me up and yell at me.

**[JEFF:]** Yeah, and I know, and we know you do that and we know you love your students and you see them every day, so I'm not trying to say we know something that you don't know, but just remember the perspective here. I think it worked out pretty well. Authorized by the ATOA, effective for the 2009-10 award year, the year we're in now, the word in the third bullet, 'must,' is underlined. Pell Grant is an entitlement, not a budgetary entitlement, you know, a big deal, but, for students. If they're eligible, they get awarded. Frankly, we've been frustrated over the years about summers and stuff like that and have done the best we can to make sure schools understand if the student



is eligible, they get their Pell Grant. Now, with two Pell Grants in an award year, there's almost no reason an eligible student would not be able to get a Pell Grant for any payment period in which they're otherwise eligible. The objective here in the statutory language uses the word "accelerate," and that's one of the reasons why, something I'm going to talk you in just a minute, it came out in our final regulations. Okay. Eligibility. First scheduled award, business as usual. You know, the student has to be full-time, three-quarter-time, half-time, or less than half-time. They have to be in a program, and have to be otherwise eligible. But, to get funds from the second scheduled award, it's all the same thing except that they have to be enrolled at least half-time, that's a statutory requirement. And, of course, the last bullet, they've already used up all of 100% of their first scheduled award, so they need money from the second scheduled award.

I've got some slides here. I don't know if this is helpful or not and you've seen some of these, and Fred has some slides, and we'll put more on the presentations for him, but this is prior law. You know, there are a million examples and I use a nice simple two semesters, a student with zero EFC, but it applies in any combination. Here's a student who would have gotten for this fall term that's just ending 50% of \$5350, if I did the math right, \$2675, gets it in the spring, but that's 100%. Under prior law, she would not be able to get anything for the summer, at least not out of the 2009-10 award year. Maybe she could've got on a line below, if you chose to, get her summer out of the 2010-11 and we bumped it up because we're hopeful the President's budget calls for an increase to \$2775, but if she got that in the spring and the summer's full-time and then in the fall again, there wouldn't be anything left for this student for spring of 2011, and unless she was graduating, that would be a problem. But now, with two Pell Grants in an award year, this student could get the summer out of 2010-11, 2009-10, and get 150%, and then do it again next year. And I'll show you later a more realistic version of that. That's the deal here. That's \$2700 or \$2600 for a poor student that they wouldn't be able to get otherwise and be able to go to school and be able to accelerate their program. Actually, you could award a student at the beginning, what you call a header, for summer and then fall and spring, and then what you call, and we say that because in Pell we don't think about headers and trailers, but we know you operate that way sometimes, again out of the 2009-10 award year, summer, fall, spring and summer again, 200%. That's why we call it two Pell Grants in an award year. Now, you may not do that for some reasons that are coming up, but that's the reality here, that's \$5350 more for some poor students that they wouldn't have gotten otherwise. It works for clock-hour schools as well. Some people thought it was only for term-based. Here's a clock-hour one, I won't go through the details, but this student would not have been able to get a Pell Grant for the last part of his program, but now is able to, ends up with, because of the way the calculations work, 160%, 60% more than they would've received otherwise.

We have published final regulations, David just mentioned them, that are effective, because of the master calendar, for the 2010-11 year, the year that begins on July 1<sup>st</sup> or the crossover period. What that means is, if you are awarding, and you must award if the student is eligible, even for 2009-10, if you are awarding funds out of the second scheduled award for this coming spring, that's clearly out of the 2009-10 award year, or



next, this coming summer, if you award it out of the 2009-10 award year, then you must award the student the Pell Grant, but these rules that we're going to talk about in a minute do not apply because they don't apply until 2010-11. So, what that means is, because of the frustration and we understand about some systems work that you have to do, frankly that we have to do, and your vendors and so on, you have a little time on this, you have a little time on this even though the regulations were just published.

I want to talk about crossovers because that's one of the things that happened in the regulations that there's some concern about. That's just longstanding policy of what a crossover payment period is, and I'm not going to spend a lot of time on that. The requirement is, because we want to get the poor student, the needy student, the most money possible, if the student is enrolled in a summer crossover, crossover July 1<sup>st</sup>, you determine the higher award and award that. It's either some additional money from the prior award year or, you know, the award year that's just ending, starting to use some of the second scheduled award, or it's the beginning of a first scheduled award into the new year, into the new year. You do that for Pell totally separate from what you might decide to package the student for other Title IV aid or some of your other aid. Some of the frustration about systems not being able to award a summer from a different year, think about it a little bit, talk to your software people, talk to your vendors. A calculation of the Pell Grant, even though you've taken that, let's say, out of the next year, because it's higher, but you want to treat it as a trailer, just throw those Pell dollars into your packaging module and then package the rest of your summer from the year before, or the other way around. I know it's not that simple, but we're giving needed money to poor kids. The earlier slides showed the student getting the summer out of the 2009-10 year, just to make the point that they can get more than 100%. In reality, for our sample student here, you would not give this student next summer out of 2009-10 because 2010-11 is higher, so you'd give her that, but, see, she'd be able to get the additional money come spring of 2011, and that's the way a four-term thing might work for the student where the award next year is higher.

Okay. The other thing that was of some concern, and I think still was some confusion and hopefully people that have talked with us have gone to some of the sessions we've had, that you kind of understand where we are on this. It is true that in negotiated rule-making, and we didn't reach consensus because of this, and in the NPRM, we had a much stricter, if I can use that term, acceleration requirement. We do listen to your comments and they were loud and clear about that, and so staff put the comments together, recommendations, senior policy people in the Department made a change. But, in order to give some meaning to the statutory word of acceleration, at least one credit hour in the payment period for which the student is receiving funds out of the second scheduled award has to be applied to the student's new academic year. Don't get hung up on grade level and all that kind of stuff. The best way, at least that I find, others can do it differently, to explain this is to give you a couple of quick examples here. Here's a student who in fall of 2009 got 50%, she enrolled full-time, and same in spring, she completed them all, no problem, but she is at 100%. In summer of 2010, now I don't want to confuse you because in my earlier example, this wouldn't even be a problem because summer of 2010 would probably come out of the 2010-11 year which



is higher, but this is if for whatever reason it has to come out of the second scheduled award. She is totally eligible because all of the six hours she is going to be enrolled in next summer, she doesn't need any of them; this is a school that defines her academic year as 24, she doesn't need any of them to complete the earlier academic year, so she's eligible for second scheduled Pell Grant funds for summer. This student similarly got paid 50% as a full-time student, but ran into a little problem in the spring and only completed nine credits, but because she completed 15 in the fall, she's the same thing. She doesn't need any of the credits for summer to go back to the prior, her prior academic year. Here's a student who didn't complete 24,, only completed 21 credits, but she is enrolled in six, this is where the one credit hour. She didn't complete 24. The NPRM said she would've had to complete 24; we've changed it. Since she's taking six hours, she needs three of them to go in effect back to complete the 24 credits for the academic year, but three of them are going to be for her new academic year; she's fine to get this money. This student completed 18, only 18, and she's only taking six; she's not eligible because all six of those hours are going back to complete her first academic year. Now, remember there's one exception I already mentioned, depending upon her EFC and whether she applied and all that, it's likely that she's going to get summer out of next year anyway and it won't even matter, and in a minute I'm going show you another exception. And here's a student who is eligible because she's taken 12 hours in the summer and a non-eligible student because she's not taken enough credits to complete the first academic year. Now, all of that said, the statute in the regulations, the regulations allow for the financial aid administrator to determine that there were unusual circumstances, special circumstances that prevented the student from completing the hours and kind of like a professional judgment, the FAA administrator can say for one of those earlier students, "Yeah, she didn't complete enough units, enough credits, but the reason was because there was a sickness in the family," or something like that. Those kinds of things you can, just like in professional judgment, case-by-case basis, document it and the student could get the additional funding. Those are some of the things, you know, that it could include. It can't include the student just dropping courses because they didn't like the professor or they didn't like the grade they were getting; that's not helping acceleration.

Very quickly, bear with us, we probably should've changed that little graphic there.

**[DAVID:]** Yes, I think so. I think so.

**[JEFF:]** We have a few minutes left and so if you have some questions about anything we discussed this morning or some other things, there's microphones one, two, three, four, five, six. We were told to go in order, so...

**[DAN:]** Number one.

**[JEFF:]** Number one. And, and please, if you're leaving, please have respect to your colleagues and keep the noise down.

**[AUDIENCE:]** Good morning, Jeff.



**[JEFF:]** Hi.

**[AUDIENCE:]** On the IRS data retrieval, I know that it's been determined that if people are divorced, that's probably not going to be a good option for them. What about people who are filing as head-of-household and all of the other things that we deal with? Are those people going to be able to use the IRS data retrieval?

**[JEFF:]** Yes, if they legitimately file as head-of-household, then their tax numbers are their tax numbers.

**[DAN:]** Like you are married, filing separately.

**[JEFF:]** You know, the one that's complicated is, and Michele mentioned it yesterday, if they're married filing separately, they really should not use this, because we're only to get half of the information.

**[AUDIENCE:]** All right, thank you.

**[DAN:]** Okay. Number 2.

**[AUDIENCE:]** Jeff, and I think of the three of you as the Three Musketeers; I've heard some people allude to the Three Stooges.

**[DAVID:]** More accurate, actually.

**[DAN:]** Yes, it's actually more accurate.

**[DAVID:]** Yes, indeed.

**[AUDIENCE:]** Well, anyway, I want to talk to Larry, I mean Jeff. Jeff, looking at the summer Pell for 2011, if a student has continuing eligibility, like the 21 hours completed or the 24 hours completed, but you do not yet have a valid ISIR for 2011-12, how do you award that student?

**[JEFF:]** Thank you. You award that student based upon the, in your example, the 2010-11, because that's all you have, and here's the third thing, where I know there's been some frustration. If she applies later, whatever the deal is, and you get a 2011-12 and the EFC and the payment schedule give her a higher amount, you are obligated for a limited period of time to change the award. I know that's complicated, but, how do I say this as nice as I can? It's a hundred bucks in my example for a student, so we give it to her. Now, we're going to put in the regulations provided that the Secretary will put in a Federal Register notice, because we don't, we know you can't do this all year long, we're not expecting that, but sometime, probably sometime in September, we've thrown the idea out, maybe the 22<sup>nd</sup> of September, which is also a deadline for other things up until that point. We'll hear back from you. If we do it that way in the first year and it's



totally disruptive and there's many more than we think there's going to be, it's something that we purposely did in the regulation that we can change every year. Okay, so that'll happen.

**[AUDIENCE:]** Thank you.

**[JEFF:]** We're going to have to move quickly, so I've asked you to, ask the question quickly. There's someone in three?

**[AUDIENCE:]** Yes. My question was about completed credits and examples that you were giving. Does completed mean successfully completed, or does completed mean just attempted?

**[JEFF:]** No, it means credits that have been completed so that they apply towards the student's academic year of 24 credits.

**[AUDIENCE:]** So, that's successful?

**[JEFF:]** Successful, yes.

**[AUDIENCE:]** Thank you.

**[JEFF:]** Right, yes. Four.

**[AUDIENCE:]** Okay, Peter Miller, what school am I at? Anyway, on the American Graduation Initiative, I thought I might try something different here, you mentioned a lot about community colleges. In the infinite wisdom long, long ago in a state far, far away, we combined our community colleges and our university system into a single element and, for instance, at my school one of our five colleges is the Community and Technical College and we serve that function; we have associates, we have, you know, 15-credit certificate programs and all kinds of fun things like that. Would schools such as mine be able to apply for these types of funds using that particular example? Second question...

**[JEFF:]** No. You only get one. We got people in line.

**[AUDIENCE:]** Okay.

**[JEFF:]** That's it.

**[DAVID:]** Let me answer the question really quickly. We know that there are systems out there like yours where there are community colleges that are embedded with four years or those kinds of decisions that state systems made for lots of great reasons and, in the statutory language that we've seen, that's accommodated, so that institutions that are principally two-year publics would be eligible, even if they're embedded within some other system or in another institutional structure.



**[JEFF:]** Let's go to number 5.

**[AUDIENCE:]** Congratulations on the ability to absorb all those FFELP loans; could you guys help the VA with some of their workload issues?

**[JEFF:]** No, they're not good enough for that. Back there, number five?

**[AUDIENCE:]** Good morning, Tara [ inaudible ] from Northwest College. We're a FFELP school, we're transitioning to DL, and I have questions about--our lender and guarantee partners in the past have spent a lot of time and money and effort on default prevention, and can you tell us what the Department and/or its four contracted servicers will be doing for us and for our borrowers in the default prevention area?

**[JEFF:]** Well, it's an important, it's critically important, obviously, to the Department and there are a number of things. Our servicers, to be very specific, have as part of their performance-based evaluations their ability to do default prevention and ultimately prevent defaults. We're also having conversations with guarantee agencies and other organizations that do default prevention as well as our own staff and our own contractors. We are not going to let that go because we know the wonderful work that many guarantee agencies and other entities have done to try to help students avoid delinquencies and defaults. We're committed to it and, and you need to hold us responsible if you think we're not living up to it.

**[AUDIENCE:]** Excellent. Thank you so much.

**[JEFF:]** In the back, six?

**[AUDIENCE:]** Okay. Currently, students are not allowed to borrow in FFEL and Direct Loan for the same academic year at the same school. Will the Department consider some type of relief from this restriction, particularly with the transition to 100% Direct Loans?

**[DAVID:]** Yes, we will find a way to address that problem. We're aware of it.

**[JEFF:]** Yes, we're aware of it. It shouldn't be very difficult, because the program doesn't exist anymore, so you only have one choice.

**[AUDIENCE:]** Right. Great, thank you.

**[JEFF:]** We're going to, could we go around the room one more time and I think that's all we have, barely have time for that. Sally?

**[AUDIENCE:]** Hi.

**[JEFF:]** Quickly, please.



**[AUDIENCE:]** Just a quick question regarding, we have a lot of families out there now that have zero income due to the elimination of TANF, that type of thing. They also are receiving some type of need-based benefit, but yet they're still being selected for verification. Can we get rid of that?

**[JEFF:]** Well, we're going to look at verification, a whole lot of things, but I'm not sure that.... The whole purpose of verification is to make sure the information they're providing is accurate, so that case may be exactly right, but we won't know unless we verify it.

**[AUDIENCE:]** Okay, thanks.

**[JEFF:]** I'm going to have to ask, we're only going around the room once more, so I apologize to people in line. So, one more person, two, three, four, five, and six and that's it. Sorry.

**[AUDIENCE:]** Good morning. My school does not have summer programs. We don't process aid or anything. Are we required to process aid, under a consortium agreement, Pell Grants specifically, if students choose to go to a community college or an abroad program during the summer?

**[JEFF:]** Let me make sure I clarify. You don't offer classes in the summer?

**[AUDIENCE:]** No. Not on our campus.

**[JEFF:]** Entering into a consortium agreement is your choice. So, if you don't want to, and if you're in a consortium, either school can pay. So, you need to make your decisions in working out with the other school whether you're going to enter into it and who is going to pay. And if you come to a point where, yes, you want to enter into it to help the student but the other school doesn't want to pay, it's going to be back on your lap to decide what to do. Okay?

**[AUDIENCE:]** Thank you.

**[JEFF:]** Three? Is there someone at three way back?

**[AUDIENCE:]** Thank you, Jeff. Lois Madsen, Vatterott College, St. Louis, Missouri. Yes, Jeff, Missouri.

**[JEFF:]** She's an old California friend.

**[AUDIENCE:]** A suggestion. For those of us who have multiple OPE IDs that we manage through our corporate offices who are managing the transition to Direct Loan, we are pleased at the support that we're receiving from the Direct Loan staff, but for those of us that have multiple OPE IDs, it would be helpful to have one contact rather than one per OPE ID. Save us time, save you guys time.



**[JEFF:]** Yeah. I'm looking down at Bill [ inaudible ] We'll work out that kind of thing to make sure we can provide it as easy as possible. Thanks, Lois, for the suggestion.

**[AUDIENCE:]** Thank you.

**[JEFF:]** Over here, number four? Number four?

**[AUDIENCE:]** Peter Miller from Truckee Meadows Community College. I want to talk about R2T4 and push that the web services or the website really needs a facelift, an update to make it more user-friendly, the ability to clean up some of the old data that's out there, and I would be happy and, again, Peter Miller of Truckee Meadows Community College, to provide some great ideas to educate the Department if it wants to listen, so, but it's not user-friendly.

**[JEFF:]** Okay. Thank you. We'll look at that. I apologize. They need to clear this room for the sessions that come up next. Thank you very much for hanging around with us.