



**2005**

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# **Federal Update**

**December 2, 2005**

**Dan Madzellan**  
**Office of Postsecondary Education**

**Jeff Baker**  
**Federal Student Aid**



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# **President's Fiscal Year 2006 Budget Request**

## **Higher Education Act Reauthorization and Reforms**



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# **FY 2006 Budget Priorities**

- **Pell Grants**
  - **Increase the Maximum Grant by \$100 Annually for the Next Five Years**
  - **Eliminate Funding Shortfall**
  - **Establish \$1,000 State Scholars Award**





# **FY 2006 Budget**

## **More Student Benefits**

- **Allow “Year Round” Pell Recipients**
- **Make Active Duty Military Independent**
- **Eliminate Pell Grant “Third Award Rule”**
- **Improve FSEOG and Work-study:**
  - **Equitable Institutional Formulas**
  - **Additional Funding for Graduating Pell Recipients**
- **Clarify the “Drug Question”**





# **FY 2006 Budget Borrower Benefits**

- **Increase Stafford Loan Limits**
- **Extend Expanded Teacher Loan Forgiveness**
- **Retain Variable Interest Rates for Non-consolidation Loans**
- **Standardize Extended Term Repayment Plans**
- **Re-establish Low Default Waivers:**
  - **30-day Delayed Disbursement**
  - **Multiple Disbursements**
- **Provide for “Reconsolidation” Loans**





# Who Pays?

# Everyone!



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# Lenders

- **Create a 25 Basis Point Annual Loan Holder Fee for Non-consolidation Loans**
- **Double the Lender Fee on Consolidation Loans**
- **Eliminate Rollover of Tax-exempt Financed Loans**
- **Reduce Insurance to 95 Percent**
- **Exceptional Performer**
  - **Modify Rules**
  - **Set Insurance to 97 Percent**





# Guarantors

- **Deposit the Guaranty Agency Fee**
- **Reduce Reinsurance by 3 Percentage Points**
- **Align Collection Retention Amounts with Direct Loans**





# Institutions

- **Eliminate the Perkins Loan Program**
- **Recall the Federal Portion of Institutional Revolving Funds**





# Borrowers

- **Establish Variable Interest Rates on Consolidation Loans**





# Students

- **Index the Minimum Pell Grant Award**
- **Implement a Lifetime Limit on Pell Recipients**





# FY 2006 Program Budgets

(dollars in thousands)

<b>Program</b>	<b>President's Request</b>	<b>House Passed</b>	<b>Senate Passed</b>	<b>Conference Report</b>
<b>Pell Grant</b>	\$ 17,952,821	\$ 17,683,000	\$ 17,477,000	\$ 17,477,000
(Max Award)	\$4,150	\$4,100	\$4,050	\$4,050
(Shortfall)	\$ 4,300,821	\$ 4,300,000	\$ 4,300,000	\$ 4,300,000
<b>FSEOG</b>	\$ 778,720	\$ 778,720	\$ 804,763	\$ 778,720
<b>FWS</b>	\$ 990,257	\$ 990,257	\$ 990,257	\$ 990,257
<b>Perkins</b>	\$ -	\$ -	\$ -	\$ -
(Cancellations)	\$ -	\$ 66,132	\$ 66,132	\$ 66,132
<b>LEAP</b>	\$ -	\$ 65,643	\$ 65,643	\$ 65,643
<b>Math/Science</b>	\$ 50,000	\$ -		





# Title IV Aid Available

<b>Program</b>	<b>FY 2005 (AY 2005-06)</b>	<b>FY 2006 (AY 2006-07)</b>
<b>Pell Grant (Max Award)</b>	<b>\$ 12,901,175,000 \$4,050</b>	<b>\$ 13,591,660,000 \$4,150</b>
<b>FSEOG</b>	<b>\$ 985,722,000</b>	<b>\$ 985,722,000</b>
<b>FWS</b>	<b>\$ 1,184,229,000</b>	<b>\$ 1,184,229,000</b>
<b>Perkins</b>	<b>\$ 1,135,368,000</b>	<b>\$ -</b>
<b>LEAP</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Math/Sci.</b>	<b>\$ -</b>	<b>\$ 100,000,000</b>
<b>Loans</b>	<b>\$ 56,812,932,000</b>	<b>\$ 62,468,823,000</b>
<b>TOTAL</b>	<b>\$ 73,019,426,000</b>	<b>\$ 78,330,434,000</b>





# Legislation

- **P.L. 109-105, Continuing Resolution**
  - Through December 17, 2005
- **P.L. 109-78, Higher Education Relief Opportunities for Students (HEROES) Extension**
  - Through September 30, 2007
- **P.L. 109-81, Higher Education Act Extension**
  - Through December 31, 2005







# Reauthorization

- **H.R. 609 – College Access and Opportunity Act of 2005**
- **H.R. 4241 – Deficit Reduction Act of 2005**
- **S. 1932 – Deficit Reduction Omnibus Reconciliation Act of 2005**





# Reauthorization/Reconciliation Administration

	House	Senate
Automatic \$100 Pell Increase	No	Yes
Retire Pell Shortfall	Yes	Yes
Establish \$1,000 State Scholars	Yes	No
Allow “Year Round” Pell	Yes	Yes
Eliminate Pell “3 <sup>rd</sup> ” Award Rule	Yes	Yes
Cap Period of Pell Eligibility	Yes	Yes





# Reauthorization/Reconciliation Administration

	House	Senate
Index the Pell Minimum Award	No	Yes
Make Active Duty Independent	Yes	No
Clarify the “Drug Question”	Yes	Yes
Revise Campus-Based Formula	Yes	No
Provide Campus-Based Aid for Graduating Pell Recipients	Yes	No





# Reauthorization/Reconciliation Administration

	House	Senate
Eliminate/Recall Perkins Loans	No	No
Modify FWS Community Service	No	Yes
Eliminate “50% Rules”	Yes	Yes
Eliminate “90/10 Rule”	No*	No
Allow Dual Enrollment Programs	Yes	Yes





# Reauthorization/Reconciliation Administration

	House	Senate
<b>Increase Stafford Annual Limits</b>	<b>Yes</b>	<b>Yes</b>
<b>Increase Stafford Lifetime Limits</b>	<b>No</b>	<b>No*</b>
<b>Retain Variable Interest Rates</b>	<b>Yes</b>	<b>No</b>
<b>Extend Teacher Loan Forgiveness</b>	<b>Yes</b>	<b>Yes</b>
<b>Standardize Repayment Plans</b>	<b>No*</b>	<b>No</b>
<b>Re-establish Low CDR Waivers</b>	<b>Yes</b>	<b>Yes</b>





# Reauthorization/Reconciliation Administration

	House	Senate
<b>Capture Excess Earnings (.25%)</b>	<b>Yes</b>	<b>Yes</b>
<b>Double Consolidation Lender Fee</b>	<b>Yes</b>	<b>Yes</b>
<b>Eliminate Rollover of 9.5% Loans</b>	<b>Yes</b>	<b>Yes</b>
<b>Reduce Lender Insurance</b>	<b>Yes</b>	<b>Yes</b>
<b>Modify Exceptional Performers</b>	<b>Yes</b>	<b>Yes*</b>
<b>Reduce Insurance for EPs</b>	<b>Yes</b>	<b>No</b>





# Reauthorization/Reconciliation Administration

	House	Senate
Variable Rates for Consolidations	Yes*	No
Allow “Reconsolidation”	No	No
Deposit the Guaranty Fee	Yes	Yes
Reduce Reinsurance	Yes	No
Use DL Default Collection Rates	No	No





# Reauthorization/Reconciliation Congress

	House	Senate
<b>Reduce Origination Fees</b>	<b>Yes</b>	<b>Yes</b>
<b>Reinstate Military Deferment</b>	<b>Yes</b>	<b>Yes</b>
<b>Modify Academic Year Definition</b>	<b>Yes</b>	<b>Yes</b>
<b>Provide Single IHE Definition</b>	<b>Yes</b>	<b>No</b>
<b>Revise School-as-Lender Rules</b>	<b>No</b>	<b>Yes</b>







# Reauthorization/Reconciliation Congress

	House	Senate
<b>Modify Need Analysis Formula</b>	<b>Yes</b>	<b>Yes</b>
<b>Simplify the FAFSA</b>	<b>Yes</b>	<b>Yes</b>





# Hurricane Relief



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<p><b>MEMBER SERVICES</b></p>		

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Updated on October 26, 2005

**FEDERAL STUDENT AID  
HURRICANE INFORMATION  
HELP IS AVAILABLE FOR STUDENTS, BORROWERS, AND SCHOOLS**

[Hurricane Katrina Information](#) [Hurricane Rita Information](#)

The Department provided general guidance ([Dear Colleague Letter GEN-04-04](#)) for students, parents, borrowers, institutions, loan holders, and guaranty agencies affected by a disaster. This guidance applies to those impacted by Hurricane Wilma who, at the time of a disaster, were residing in, employed in, or attending an institution located in a county designated as a Federally-declared disaster area. As of October 25, FEMA designated ten counties in Florida eligible for Federal assistance as a result of Hurricane Wilma.

The Department is monitoring the effects of Hurricane Wilma and will provide additional guidance as more information becomes available. Note, at this time, the guidance we have issued related to Hurricanes Katrina and Rita does not apply to Hurricane Wilma. Only the provisions of [GEN-04-04](#) and any specific Hurricane Wilma information we post are applicable. Please check this page regularly for updated guidance for those affected by Hurricane Wilma. We will post information as soon as it becomes available.

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Updated on October 24, 2005

[Hurricane Information](#)-- Hurricane Katrina Information

**Hurricane Katrina Information for:**

[Students and Parents](#)

[Federal Student Loan Borrowers](#)

[Postsecondary Schools](#)

[Lenders, Servicers, and Guaranty Agencies](#)

The following guidance has been provided by the Department of Education for students, parents, borrowers, postsecondary schools, and financial institutions affected by Hurricane Katrina. The guidance issued for Hurricane Katrina is specific to those impacted by this hurricane and does not apply to Hurricanes Rita and Wilma. Please check this page regularly for updated guidance. We will post information as soon as it becomes available.

**Links to Posted Hurricane Katrina Information**  
**Updated October 20, 2005**

[Hurricane Katrina FEMA Declared Disaster Areas](#)

[\(09-30-05\) ANNOUNCEMENT #6- Length of Academic Year for Institutions Affected by Hurricane Katrina](#)

[\(09-16-05\) ANNOUNCEMENT #5 - Verification, Dependency Overrides, and Professional Judgment](#)

Federal Register: September 9, 2005 (Volume 70, Number 174)

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# Hurricane Relief

## **Dear Colleague Letter GEN-04-04**

**General guidance in case of any disaster**

- **Automatic Loan Forbearance**
- **Use of Professional Judgment**
- **Lost Records**
- **Satisfactory Academic Progress**
- **Verification**





# Hurricane Relief

## Announcements Posted to IFAP

- # 1(K) - Transfer as Regular Student
- # 2(K) and #3(R) - Reporting and Applicant Deadlines
- # 3(K) and #1(R) - Adding School Codes
- # 4(K) - Technical Support
- # 5(K) – Verification, Dependency Overrides, and Professional Judgment







# Hurricane Relief

## Announcements Posted to IFAP

**# 6(K) and #2(R)– Length of Academic Year**

**# 7(K) and # 4(R) – Extension of Loan  
Forbearances**

**#8(K) and #5(R) – Campus Based  
Reallocation**

**#9(K) and #6(R) – Campus Based  
Reallocation Reminder**

**#10(K) and #7(R) – Spring Eligibility**







# Hurricane Relief

## Recent Guidance

- **Title IV Eligibility for Hurricane Displaced Students**
  - Exception to Regular student requirement ends December 31, 2005 unless –
    - Home school will not re-open in winter/spring
    - Home School will not offer student's academic program
- **Awarding Spring Aid to Displaced Students**
  - Can continue to disregard fall disbursements from schools on attached list.





# Hurricane Relief

## ENACTED LEGISLATION

R2T4 – P.L. 109-66 and P.L. 109-67

- Waive requirements for students to make grant repayments when they withdraw because of a major disaster.
- Does not waive institution's responsibility to reimburse program accounts for funds received for institutional charges.
- DCL GEN-05-17





# Hurricane Relief

## ENACTED LEGISLATION

### Campus-Based Reallocation –

### P.L. 109-86

- **Reallocation of 2004-05 campus based funds –**
  - **To affected schools, and**
  - **To schools that enroll affected students.**





# Hurricane Relief

## PROPOSED LEGISLATION

- **Loan deferments (no interest) of six months on all loans for borrowers in affected areas.**
- **Allow for break in consecutive teaching service for FFEL and DL Teacher Loan Forgiveness.**



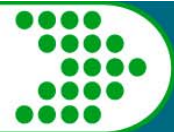


# Hurricane Relief

## PROPOSED LEGISLATION

- **Waiver of Annual and Aggregate Maximums for students whose schools were non-operational.**
- **Cancellation of loans for students whose schools were non-operational.**
- **Allow impacted schools to keep Title IV aid.**





# **FFEL and Direct Loan FY 2003 Cohort Default Rates**



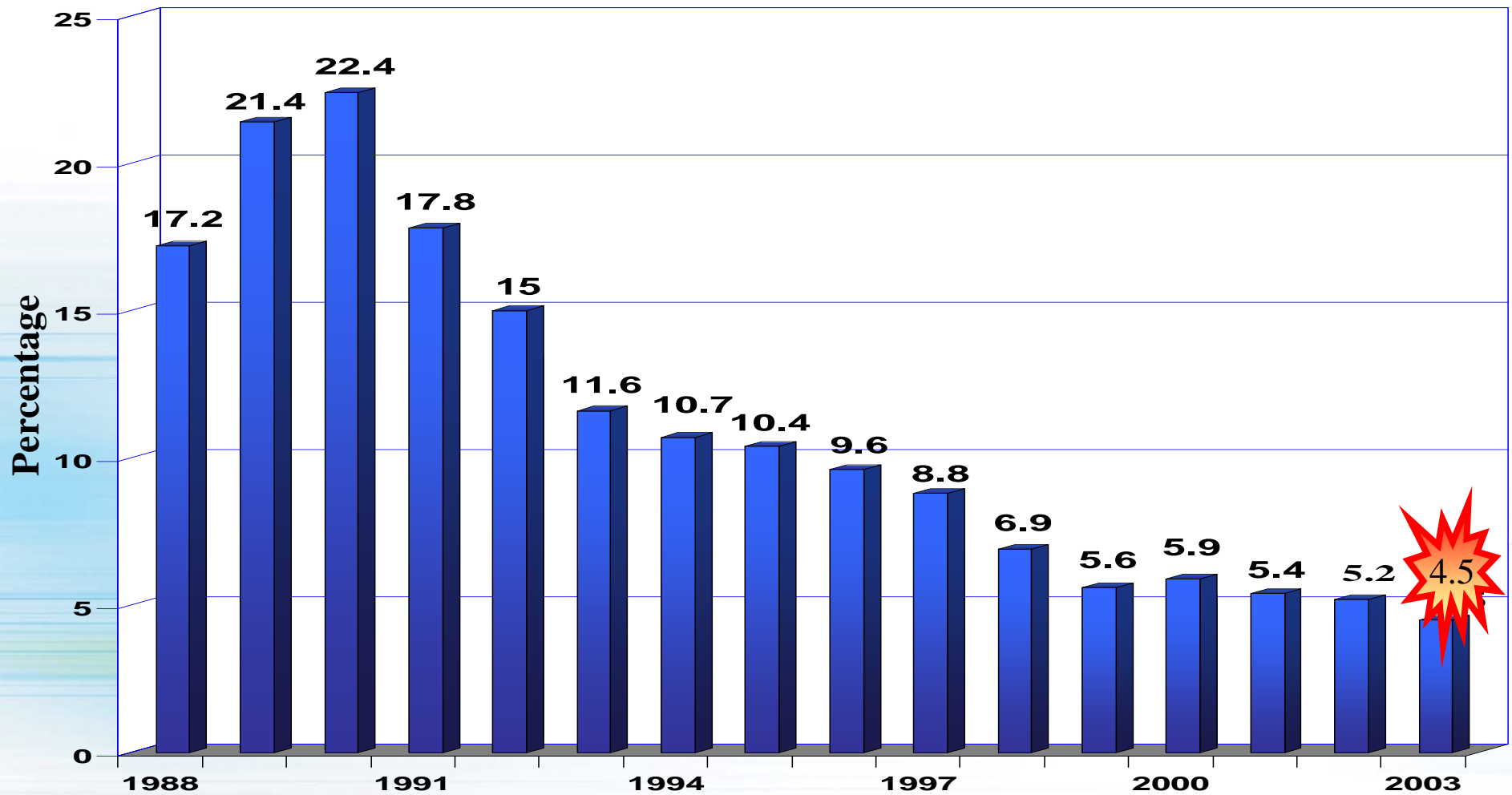
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# National Student Loan Cohort Default Rates

Issued date:

1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005



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# National Student Loan Cohort Default Rates

## Default Rate by Sector

School Type	FY 2001	FY 2002	FY 2003
Public – 2 Year	8.5%	8.5%	7.6%
Public – 4 Year	4.4%	4.0%	3.3%
Private – 2 Year	6.8%	6.1%	6.6%
Private – 4 Year	3.3%	3.1%	2.6%
Proprietary	9.0%	8.7%	7.3%
Foreign	2.3%	2.0%	1.8%
National Rate	5.4%	5.2%	4.5%







# Preferred Lender Lists and Processing Other Lenders Loans



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# Preferred Lenders

- **Preferred Lender Lists are OK**
- **Must process any loan request made by a student or parent regardless of lender.**
- **May not have unreasonable delays.**
- **Publications, scripts, and staff training should comply.**
- **Does not apply to FFEL/DL choice.**





# Treatment of “Alternative” Loans





# Alternative Loans

- **IF --**
  - **School is aware of the loan and**
  - **Condition of loan is enrollment, it must be included as –**
    - **Resource for Campus Based Aid**
    - **Estimated Financial Assistance**
- **Does not matter where loan proceeds are sent or whether school “certified” enrollment.**
- **Think about it like an outside scholarship.**





# Treatment of Combat Pay



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# Treatment of Combat Pay

- **Tax Rules –**
  - **Generally non-taxable**
  - **Not part of AGI**
  - **Reported on 1040s for purposes of EITC**
- **EFC Calculation Rules –**
  - **Always include as part of income earned from work**
  - **Tax filers, include as untaxed income on Worksheet B**
  - **Non tax filers, do not include on Worksheet B**
    - **Will be picked up when income earned from work is used instead of AGI**





# NSLDS CHANGES



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# Resolving Defaults, etc.

- **Situation – NSLDS reports (on ISIR, web screen, etc.) that an applicant is in a loan default or grant overpayment status but the applicant claims that the problem has been resolved.**
- **Resolution – Obtain documentation from the entity that reported the defaulted loan or overpayment that clearly shows that the default or overpayment has been resolved.**







# Resolving Defaults, etc.

- **Documentation Standard –**
  - **Must clearly identify the defaulted loans or overpayments and their current status.**
  - **Must be in writing on the entity's letterhead or other format that ensures its origin. Must be dated.**
  - **Can be an e-mail or other electronic message from the entity that is dated, contains the name and address of the entity, and the name and title of the official who provided the message.**





# Resolving Defaults, etc.

## **NEW** – Documentation Can Include:

**Direct access by the school to real-time data from the holder's database. This includes real-time access using third party software or products.**

- **Must ensure that access is to source data and not to data stored by third party.**
- **Must ensure that data is current and clearly identifies the defaulted loans or overpayments and the current status of those loans or overpayments.**
- **Print Screen with full details**





# Unallocated Amounts

- **When NSLDS cannot account for full balance of a consolidation loan.**
- **Usually –**
  - **Capitalized Interest**
  - **Perkins Loan**
  - **Health Professions**
  - **PLUS**
  - **Non Title IV loan**
  - **Ineligible loan**
  - **Spouse's loans**
  - **Loan not cleared by lender yet**
  - **Missing loan**





# Unallocated Amounts

- **NSLDS will not use ‘unallocated’ amounts when determining if an applicant has exceeded or is close to a loan limit.**
- **Schools can ignore ‘unallocated amounts’ that are reported on ISIRs and on NSLDS Web Screens.**
- **ISIRs and web screens will still report unallocated amounts.**
- **IFAP Announcement Forthcoming**





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