



# ***CAASLAR Conference Federal Update***

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***Office of Postsecondary Education***

***April 27, 2007***

- FY 07 Appropriations
- FY 08 President's Budget Request
- Legislation
- Negotiated Rulemaking
- Recent Regulations and Forms
- Perkins Loan Program Issues
- Recently Published DCLs
- Cohort Default Rates

# Title IV Program Budgets Aid Available

<b>Program</b>	<b>FY 2007* (AY 07-08)</b>	<b>FY 2008* (AY 08-09)</b>
<b>Pell Grant (Max Award)</b>	<b>\$ 12,954,000,000 \$4,050</b>	<b>\$ 15,176,000,000 \$4,600</b>
<b>FSEOG</b>	<b>\$ 975,000,000</b>	<b>\$ -</b>
<b>FWS</b>	<b>\$ 1,175,000,000</b>	<b>\$ 1,175,000,000</b>
<b>Perkins</b>	<b>\$ 1,104,000,000</b>	<b>\$ -</b>
<b>LEAP</b>	<b>\$ 165,000,000</b>	<b>\$ -</b>
<b>ACG/SMART</b>	<b>\$ 730,000,000</b>	<b>\$ 1,180,000,000</b>
<b>Loans</b>	<b>\$ 65,999,000,000</b>	<b>\$ 72,895,000,000</b>
<b>TOTAL</b>	<b>\$ 83,102,000,000</b>	<b>\$ 90,426,000,000</b>

\* President's FY 2008 Budget Submission

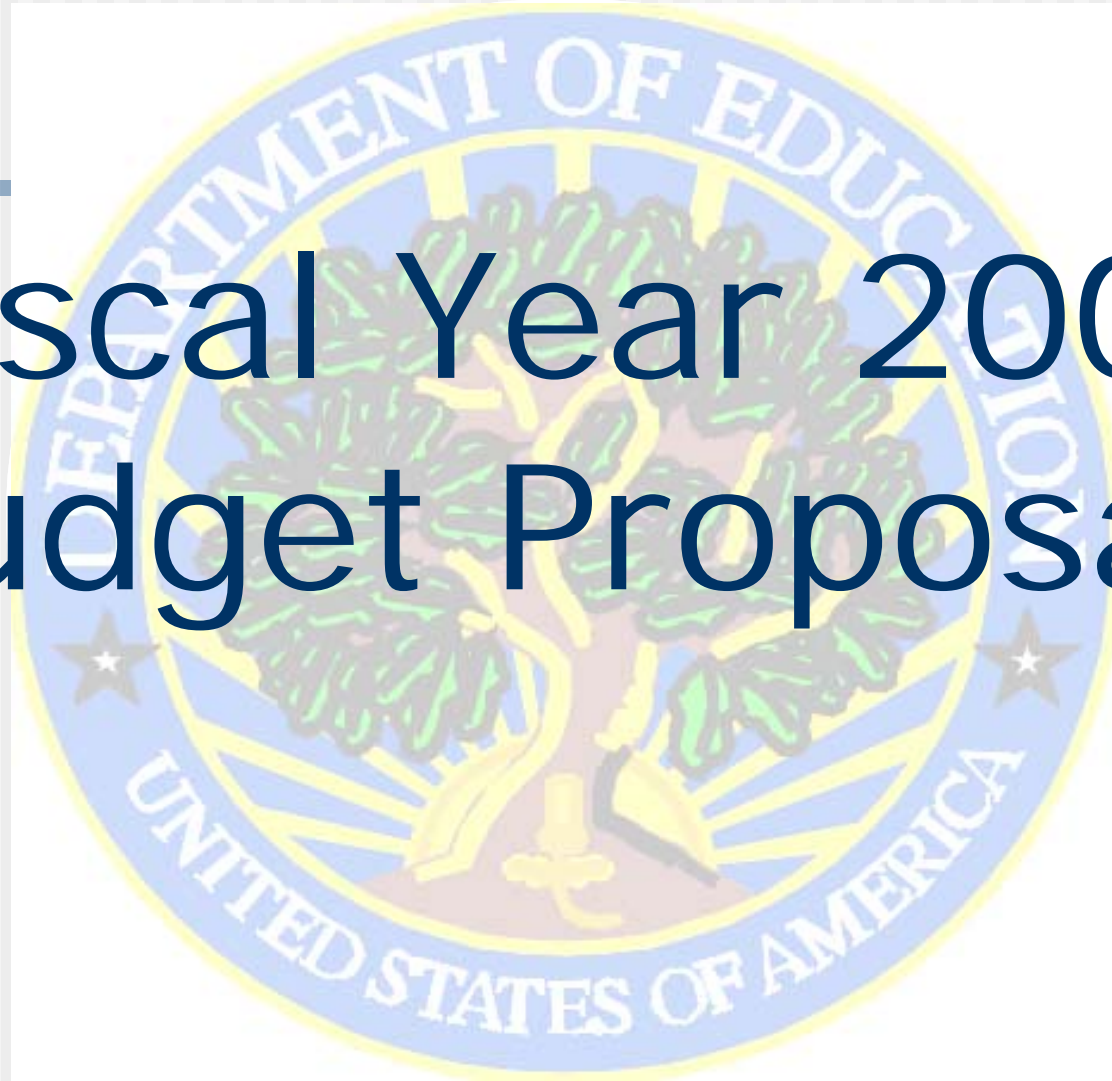
# Title IV Program Budgets Status of Appropriations

<b>Program</b>	<b>FY 2006 (AY 06-07)</b>	<b>FY 2007** House</b>	<b>FY 2007** Senate</b>
<b>Pell Grant (Max Award)</b>	\$13,045,230,000 \$4,050	\$13,932,000,000 \$4,310	
<b>FSEOG</b>	\$ 770,932,800	\$ 771,000,000	
<b>FWS</b>	\$ 980,354,485	\$ 980,000,000	
<b>Perkins</b>	\$ 65,470,363	\$ 65,000,000	
<b>LEAP</b>	\$ 64,987,000	\$ 65,000,000	
<b>ACG/SMART</b>	\$ 790,000,000	\$ 850,000,000	\$ 850,000,000

**\*\* Fourth Continuing Resolution (H.J. Res. 20)**

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# Fiscal Year 2008 Budget Proposals



# Fiscal Year 2008 Budget Proposals

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- Increase maximum Pell Grants to \$4,600 effective for 2008-09 award year
- Increase ACG awards by 50% for the 2008-09 award year
  - 1<sup>st</sup> year awards \$1,125
  - 2<sup>nd</sup> year awards \$1,950

# Fiscal Year 2008 Budget Proposals, con't.

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- Year round Pell Grants at eligible 2- and 4-year degree-granting institutions
- Limit Pell Grant eligibility to the equivalent of 16 semesters
- Eliminate tuition sensitivity rule in Pell Grant Program

# Fiscal Year 2008 Budget Proposals, con't.

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- Exclude Section 529 savings and investment accounts from need analysis
- Implement a consent-based approach to matching applicant data on the FAFSA with the IRS



# Fiscal Year 2008 Budget Proposals, con't.

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- Increase annual Stafford loan limits for juniors and seniors to \$7,500
- Reduce interest subsidies to lenders by  $\frac{1}{2}$  percent

# Fiscal Year 2008 Budget Proposals, con't.

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- Reduce default insurance from 97% to 95%
- Reduce guaranty agency default collection payments
- Move guaranty agency account maintenance fees to a unit cost basis

# Fiscal Year 2008 Budget Proposals, con't.

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- Increase consolidation lender fee to 1%
- Eliminate funding for FSEOG, Federal Perkins Loan, and LEAP

The seal of the Department of Education, United States of America, is a circular emblem. It features a central figure of a woman, likely representing Education, holding a book and a torch. The figure is surrounded by a laurel wreath. The outer ring of the seal contains the text "DEPARTMENT OF EDUCATION" at the top and "UNITED STATES OF AMERICA" at the bottom, separated by two stars. The seal is set against a light blue background.

# Higher Education Legislation

# Higher Education Legislation

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- Higher Education Reconciliation Act (HERA) of 2005
- Final Continuing Resolution, 2007
  - Extends ED appropriations through Sept.30
- Third Higher Education Extension Act of 2006
  - Extends the HEA through June 30, 2007

# Higher Education Legislation

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- Third Higher Education Extension Act of 2006 (cont.)
  - New restrictions on Eligible Lender Trustee arrangements with schools
  - Definition of Hispanic-serving institution
  - Clarification of GA account maintenance fees
  - New loan discharge for survivors of 9/11 victims

# Pending Higher Education Legislation

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- The College Student Relief Act of 2007—H.R.5 – Passed House 1/17/07
  - Reduces interest rates for undergrad subsidized Stafford loans to 3.4% by 2011
  - Decreases lender SAP
  - Reduces lender insurance to 95%
  - Eliminates “Exceptional Performers”
  - Increases lender origination fees to 1%
  - Reduces GA collection fees
  - Increases annual fee to 1.30% on consolidation

# Pending Higher Education Legislation

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- Student Debt Relief Act – S. 359
  - Increases Pell Grant maximums
  - Authorizes Student Aid Reward Program
  - Reduces interest rate for subsidized Stafford Loans to 3.4% by 2012
  - Establishes Fair Payment Assurance Plan
  - Changes economic hardship deferment
  - Reduces Direct Loan origination fees



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# Negotiated Rulemaking

# Federal Register Notices

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- August 18, 2006
- December 8, 2006
- January 30, 2007

# 4 Regional Hearings –

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- Berkeley, CA
- Chicago, IL
- Orlando, FL
- Washington, D.C.

# Four Negotiating Teams –

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- Loans
- ACG/National SMART
- General Provisions
- Accreditation

# Meetings – Loans

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Session 1 – December 12-14, 2006

Session 2 – February 5-7, 2007

Session 3 – March 12-14, 2007

Session 4 – April 16-18, 2007

# Meetings – General Provisions

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Session 1 – February 7-9, 2007

Session 2 – March 14-16, 2007

Session 3 – April 18-20, 2007

# Negotiated Rulemaking – Loan Issues

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- Loans Committee Agenda
- FFEL/DL Issues
  - **ID Theft**
  - **Entrance Counseling for PLUS borrowers**
  - **Maximum Length of Loan Period**
  - **Frequency of Capitalization for Consolidation Loan Borrowers**
  - **Determination of Deferment Eligibility by One Loan Holder**

# Negotiated Rulemaking – Loan Issues

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- Loans Committee Agenda (cont.)
- FFEL Issues
  - Eligible Lender Trustee Relationships
  - Preferred Lender
  - Prohibited Inducements
- FFEL/DL/Perkins Issues
  - Use of True & Exact Copy of death cert.
  - Prospective Conditional Discharge Period for TPD purposes



# Negotiated Rulemaking – Loan Issues

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- Loans Committee Agenda (cont.)
- FFEL/Perkins Issues
  - Standardize NSLDS Reporting
  - Retention of Disbursement Records & Certification of E-signatures for Assigned MPNs

# Negotiated Rulemaking – Loan Issues

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- Loans Committee Agenda (cont.)
- Perkins Loan Issues
  - Clarify eligibility requirements for Child & Family Service Agency Cancellation
  - Define “reasonable” Collection Costs
  - Mandate Assignment of Defaulted Perkins Loans

# Negotiated Rulemaking

## General Provisions Issues

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- General Provisions/Institutional Eligibility Committee Agenda
  - Provide consistency in definitions for enrollment status and student type
  - Provide consistent disbursement requirements for Nonstandard and Nonterm programs
  - Cash management
  - Eliminate single disbursement for Perkins and FSEOG

# Negotiated Rulemaking – General Provisions Issues, con't

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- Student confirmation for post-withdrawal disbursement of a grant
- Pro-ration of awards for Federal Pell Grants, ACG, and SMART
- Treatment with only standard terms for Pell, ACG, and SMART
- Pro-rating loans for graduating seniors who take less than full schedule in final semester/term
- Paying for prior year expenses
- Certification of a loan for transfer students in non-term environment

# Tentative Calendar

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- NPRM: June 2007
- 60-day comment period
- Final rules: November 1, 2007
- Effective date: July 1, 2008 with possible early implementation

# Negotiating Rulemaking Web Site

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<http://www.ed.gov/policy/highered/reg/hearulemaking/2007/nr.html>

The seal of the Department of Education, United States of America, is a circular emblem. It features a central tree with a brown trunk and green foliage. The tree is set against a background of yellow rays emanating from behind it. The entire scene is enclosed within a blue circular border. The words "DEPARTMENT OF EDUCATION" are written in white capital letters along the top inner edge of the border, and "UNITED STATES OF AMERICA" is written along the bottom inner edge. Two white stars are positioned on the left and right sides of the border. Overlaid on the seal is the text "Recent Regulations" in a large, dark blue, sans-serif font.

# Recent Regulations

# Recently Published Title IV Program Regulations

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- Interim Final Regulations w/comments
  - **ACG/SMART – July 3, 2006**
  - **Other HERA issues – August 9, 2006**
- Final Regulations
  - **ACG/SMART – November 1, 2006**
  - **Other HERA issues – November 1, 2006**
- Interim Final Regulations Implementing Loan Discharge for 9/11 Survivors w/comments – December 29, 2006



# Recent Regulations

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- Loan Discharge for 9/11 spouses and parents
  - Part of HEA Extension – P.L. 109-292
  - Spouse of eligible public servant
  - Parent of eligible victim
  - Includes portion of Consolidation Loan

# Forms

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- **MILITARY DEFERMENT (HERA)**
  - Public Comment Due 3/6/07
  - Form Available April 2007
- **9/11 DISCHARGE APPLICATION**
  - Emergency Clearance
  - Form Available April 2007

# Recently Published Campus-Based Dear Colleague Letters

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- Tentative 2007-2008 Funding Levels for the Campus-Based Programs (01-17-2007)  
<http://ifap.ed.gov/dpcletters/CB0701.html>
- FISAP Edit Corrections and Perkins Cash on Hand Update Due December 15, 2006 (11-21-2006)  
<http://ifap.ed.gov/dpcletters/CB0615.html>
- New Process for Accessing the eCampus-Based System (10-25-2006)  
<http://ifap.ed.gov/dpcletters/CB0614.html>

# Recently Published Financial Partners Dear Colleague Letters

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- Borrower Choice of FFEL Lender (3-30-2007)  
<http://ifap.ed.gov/dpcletters/FP0704.html>
- The Third Higher Education Extension Act of 2006, Public Law 109-292 (12-01-2006)  
<http://ifap.ed.gov/dpcletters/GEN0621.html>
- Update on Consolidation Loan Issues (12-01-2006)  
<http://ifap.ed.gov/dpcletters/GEN0620.html>



Perkins Loan  
Program Issues

# Perkins Loan Program Issues

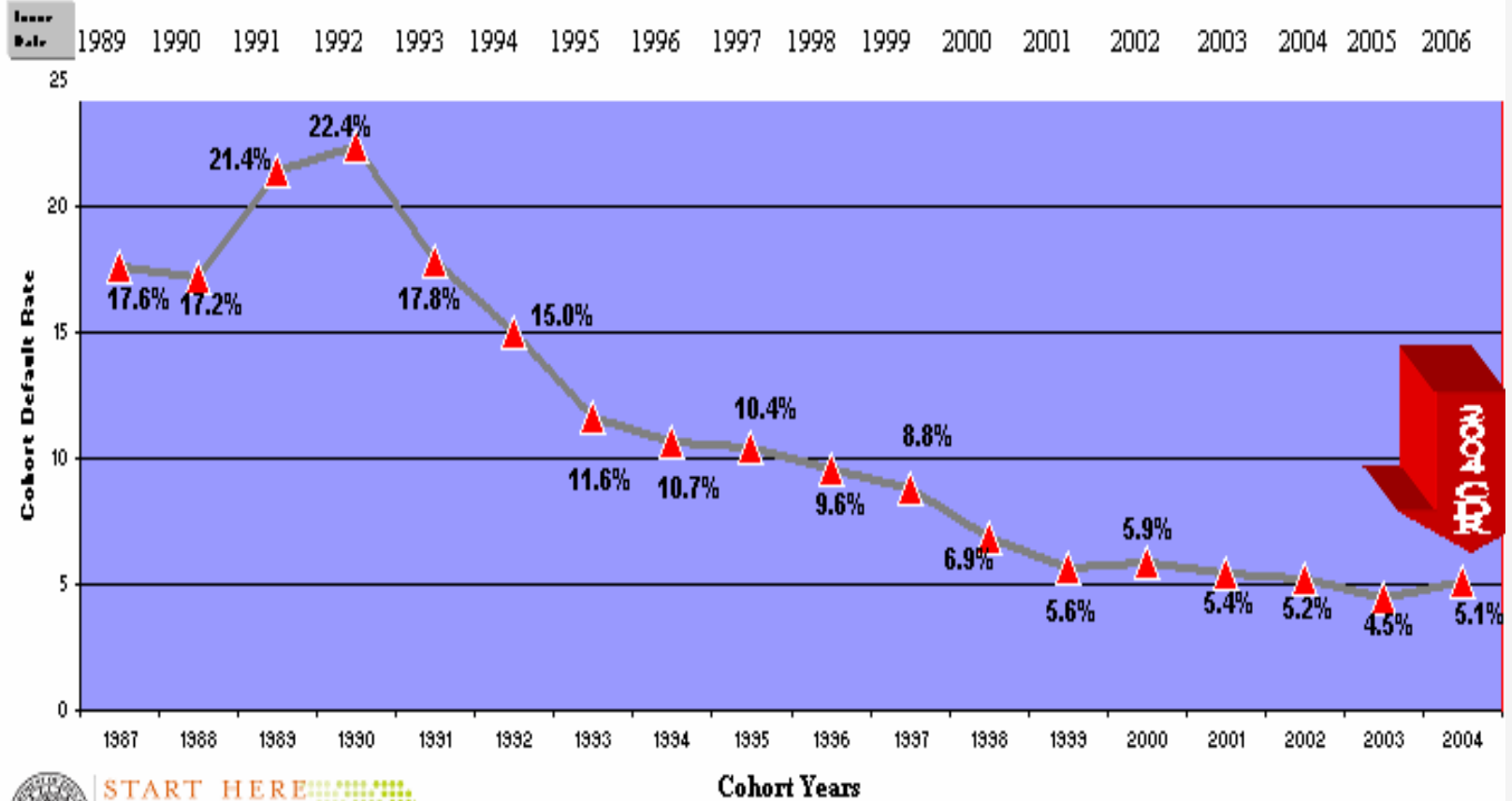
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- **Changes to the FISAP**
- **Changes to NSLDS Reporting**
- **Bringing the Perkins Loan Program “On Budget”**

The seal of the United States Department of Education is centered in the background. It features a blue outer ring with the text "DEPARTMENT OF EDUCATION" at the top and "UNITED STATES OF AMERICA" at the bottom, separated by two stars. The inner circle contains a stylized green tree with a brown trunk and a yellow sunburst behind it. A blue horizontal line is visible on the left side of the slide.

# Default Rates

## National Student Loan Default Rates



START HERE  
GO FURTHER  
FEDERAL STUDENT AID



## FFEL and Direct Loan Cohort Default Rates by Sector

<b>School Type</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
<b>Public – 2 Year</b>	<b>8.5%</b>	<b>7.6%</b>	<b>8.3%</b>
<b>Public – 4 Year</b>	<b>4.0%</b>	<b>3.3%</b>	<b>3.6%</b>
<b>Private – 2 Year</b>	<b>6.1%</b>	<b>6.3%</b>	<b>7.4%</b>
<b>Private – 4 Year</b>	<b>3.1%</b>	<b>2.6%</b>	<b>2.9%</b>
<b>Proprietary</b>	<b>8.7%</b>	<b>7.3%</b>	<b>8.8%</b>
<b>Foreign</b>	<b>2.0%</b>	<b>1.8%</b>	<b>1.5%</b>
<b>National Rate</b>	<b>5.2%</b>	<b>4.5%</b>	<b>5.1%</b>

# Federal Perkins Loan Program Cohort Default Rates and Dollars as of June 30, 2005

	Cohort Default Rate	Borrowers in Default More Than 240	Principal Outstanding in Default More Than 240 Days
<b>PUBLIC 2 YEAR</b>	<b>15.90%</b>	<b>30,911</b>	<b>\$30,874,002</b>
<b>PUBLIC 4 YEAR</b>	<b>7.74%</b>	<b>229,689</b>	<b>\$376,751,880</b>
<b>PRIVATE 2 YEAR</b>	<b>12.15%</b>	<b>3,283</b>	<b>\$4,717,407</b>
<b>PRIVATE 4 YEAR</b>	<b>7.41%</b>	<b>185,451</b>	<b>\$347,551,389</b>
<b>Proprietary</b>	<b>11.93%</b>	<b>46, 670</b>	<b>\$60,361,140</b>
<b>U.S. Total</b>	<b>8.12 %</b>	<b>496,004</b>	<b>\$820,255,818</b> <sup>42</sup>



# Contact Information

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Your feedback and comments are welcomed. If you have questions, you may contact:

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