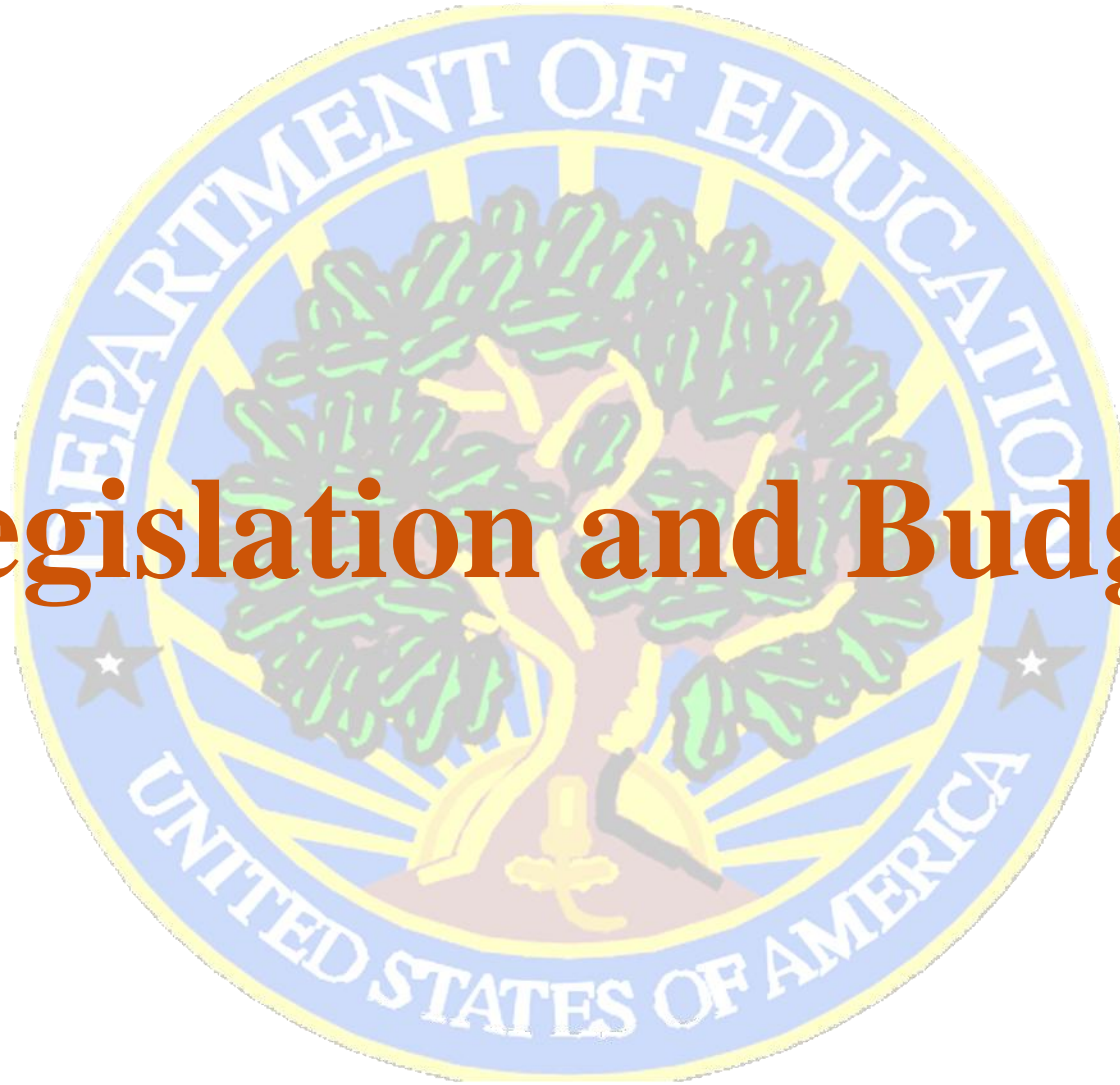


2008 CAASLAR Spring Conference

FEDERAL UPDATE

**Pamela Moran
U.S. Department of Education
April 25, 2008**

Legislation and Budget



LEGISLATION

- College Cost Reduction and Access Act (CCRAA) Pub.L. 110-84
- Higher Education Extension Act of 2008 extends HEA to April 30, 2008
- Higher Education Relief Opportunities for Students Act (HEROES) of 2003 made permanent
- Reauthorization of HEA-
 - Conferencing of S 1642 and HR 4137 ongoing

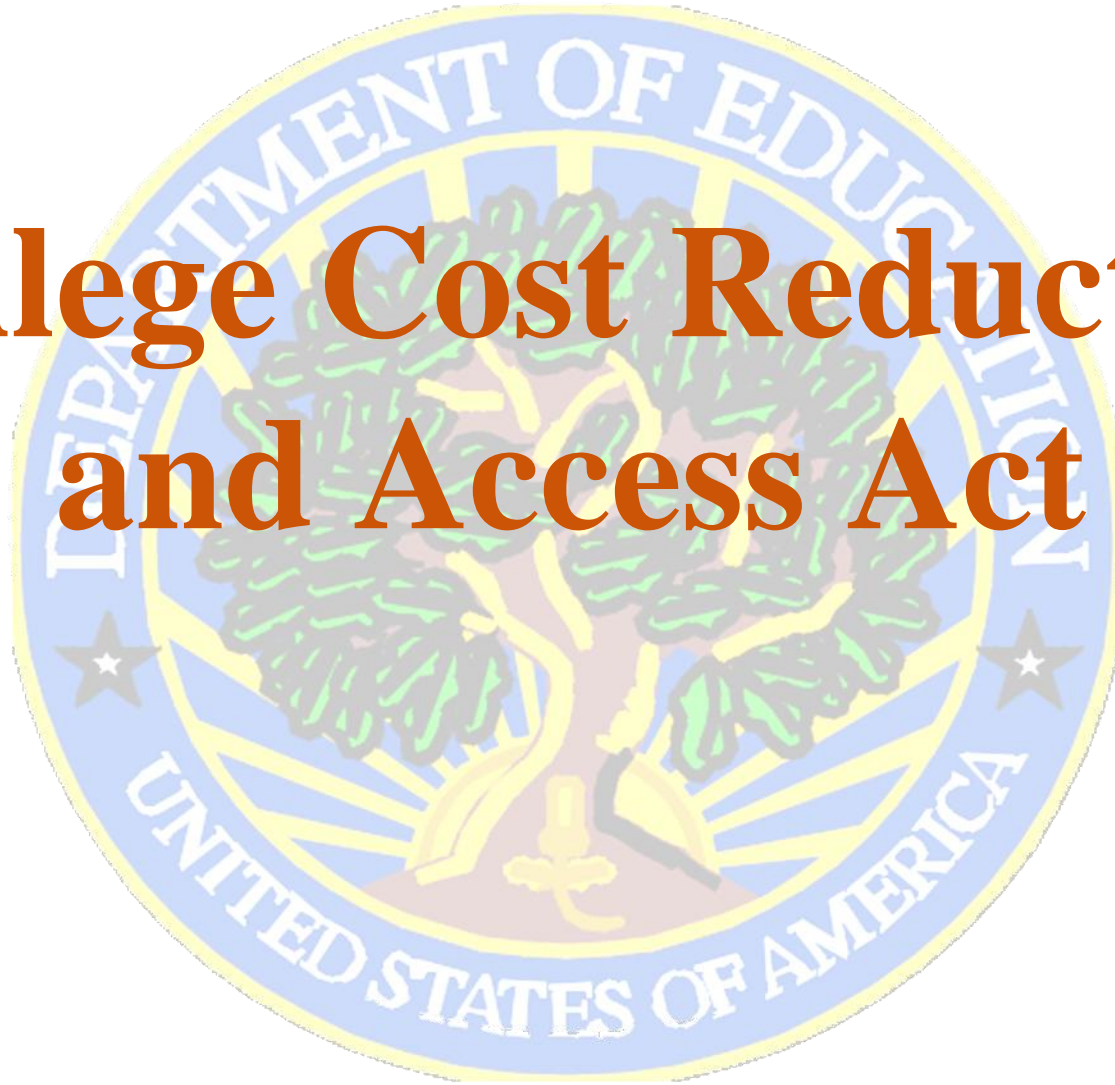
Title IV Program Budgets Appropriations

Program	FY 2006 (AY 06-07)	FY 2007 (AY 07-08)	FY 2008 (AY 08-09)
Pell Grant (Max Award)	\$13,045,230,000 \$4,050	\$13,660,711,520 \$4,310	\$16,256,000,000 \$4,731
FSEOG	\$ 770,932,800	\$ 770,932,800	\$ 757,464,800
FWS	\$ 980,354,485	\$ 980,354,430	\$ 980,491,815
Perkins	\$ 65,470,363	\$ 65,470,680	\$ 64,327,222
LEAP	\$ 64,987,000	\$ 64,986,570	\$ 63,851,677
ACG/SMART	\$ 790,000,000	\$ 850,000,000	\$ 920,000,000

Title IV Program Budgets Aid Available

Program	FY 2007 (AY 07-08)	FY 2008 (AY 08-09)
Pell Grant (Max Award)	\$ 14,381,860,000 \$4,310	\$ 16,428,110,000 \$4,731
FSEOG	\$ 975,865,000	\$ 958,816,000
FWS	\$ 1,171,225,000	\$ 1,171,395,000
Perkins	\$ 1,104,497,000	\$ 1,103,398,000
LEAP	\$ 164,961,000	\$ 161,555,000
ACG/SMART	\$ 580,000,000	\$ 700,000,000
TEACH	\$ -	\$ 86,000,000
Loans	\$ 64,341,945,000	\$ 70,345,247,000
TOTAL	\$ 82,720,353,000	\$ 90,954,521,000

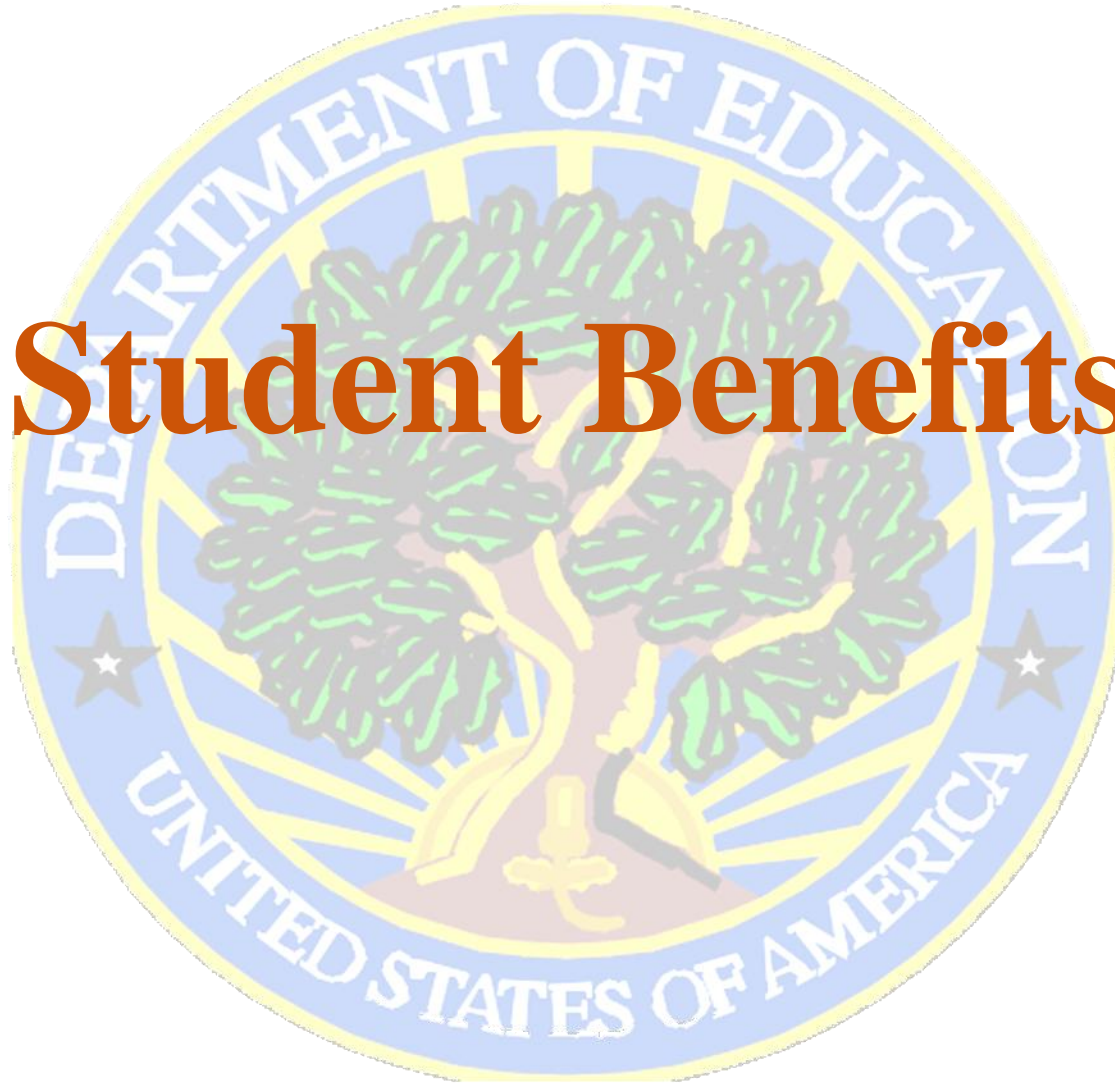
College Cost Reduction and Access Act



College Cost Reduction and Access Act

- Enacted September 27, 2007
- Amended by the Third Higher Education Extension Act of 2007
- Two Negotiated Rulemaking committees established:
 - TEACH Grants
 - Loan Issues

Student Benefits



TEACH Grants

- “Teacher Education Assistance for College and Higher Education Grants”
- Effective for the 2008-2009 award year (July 1)
- Repaid as Direct Unsubsidized Loan if student does not teach –
 - For at least four years within eight years of completing program, as a -
 - Highly Qualified Teacher
 - At a Title I school
 - In a specified subject area.

TEACH Grants

- Subject Areas –
 - Mathematics
 - Science
 - A foreign language
 - Bilingual education
 - Special education
 - As a reading specialist
 - Other ‘high-need’ fields

TEACH Grants

- Up to \$4,000 per year for first undergraduate or post-baccalaureate (non-degree) program - \$16,000 aggregate
- Up to \$4,000 per year for graduate student - \$8,000 aggregate
- Prorated amounts for less than full-time enrollment status

TEACH Grants

- Student must:
 - Be completing coursework necessary to begin a career in teaching, or
 - Plan to complete coursework necessary to begin a career in teaching.
- Graduate degree alternatives for teacher or retiree with experience in a shortage area.

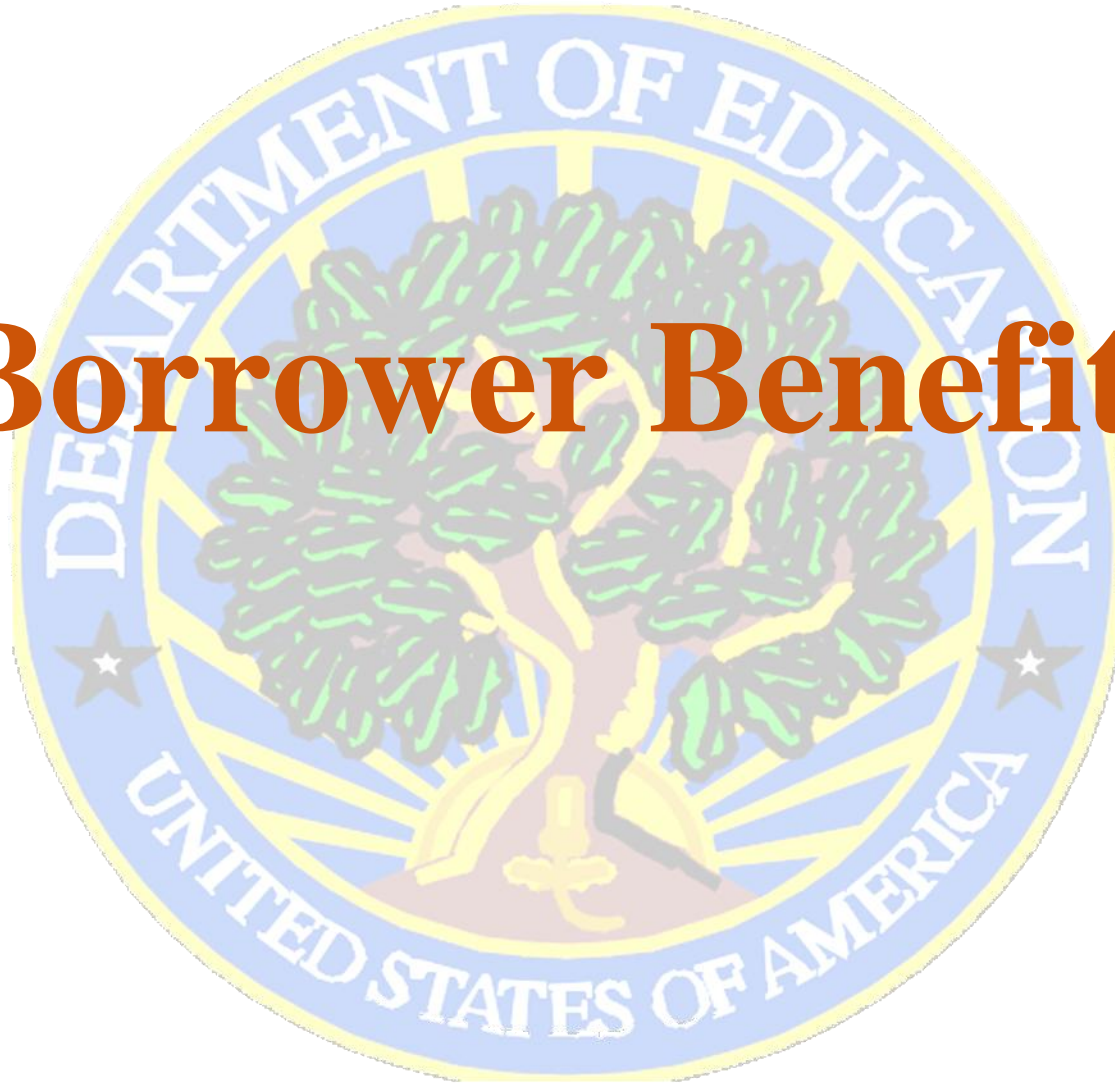
TEACH Grants

- Student Eligibility –
 - GPA of at least 3.25 for each payment period:
 - From high school for first year students
 - From college for other students
 - Or, above the 75th percentile on an admissions test, such as:
 - SAT
 - ACT
 - GRE

TEACH Grants

- NPRM published on March 21, 2008 after negotiated rulemaking.
- 30-day comment period closed April 21, 2008.
- Final Regulations prior to July 1, 2008.

Borrower Benefits



FFEL and Direct Loans

Interest Rates

Reduces interest rates on undergraduate subsidized Stafford loans from current 6.8% to –

- 6.0% for loans disbursed on or after July 1, 2008
- 5.6% for loans disbursed on or after July 1, 2009
- 4.5% for loans disbursed on or after July 1, 2010
- 3.4% for loans disbursed on or after July 1, 2011
- Beginning July 1, 2012, rates revert to 6.8%.
- Unsubsidized Stafford Loans and all Staffords for grad students remain at 6.8% fixed.

Perkins, FFEL and Direct Loans Economic Hardship Deferment

- Changed the eligibility conditions –
 - Poverty standard changed from borrower's earnings being less than 100% of the poverty level for a family size of two to 150% of poverty level for borrower's family size;
 - Eliminated 220% debt-to-income ratio criterion.

Effective: October 1, 2007 and July 1, 2009

FFEL and Direct Loans Income Based Repayment

- Stafford, Student PLUS, and Consolidation loans
- Borrower's maximum annual repayment amount no more than 15% of the difference AGI and 150% of the poverty line based on family size.
- If negative amortization, government pays interest on subsidized loans for up to three years.
- Unpaid amounts are forgiven after 25 years.
- Effective July 1, 2009

Direct Loans (FFEL)

Forgiveness for Public Service Employees

- Balance remaining on Direct Loan for borrower who –
 - Makes 120 monthly payments on loan, starting after October 1, 2007, and
 - Is employed in public service job during period when the 120 payments were made.

Direct Loans (FFEL)

Forgiveness for Public Service Employees

- Payments for forgiveness count if made under –
 - Income Contingent Repayment Plan
 - Income-Based Repayment Plan
 - Other repayment plans, if payments are at least equal to 10-year standard repayment amount.
- FFEL borrowers may consolidate into Direct Loans (7/1/2008) to participate but 120 payments must be made in Direct Loan.

Perkins, FFEL, and Direct Loans

Military Deferments

- HERA Military Deferment revised –
 - All Title IV loans, not just loans that were made on or after July 1, 2001
 - Removes three-year time limit.
 - Adds a 180-day deferment period after demobilization.
- New post-active duty 13-month deferment for certain borrowers in school or grace period when called to active duty



■ Effective October 1, 2007

Negotiated Rulemaking

- Negotiated Rulemaking completed April 14, 2008.
- Notice of Proposed Rulemaking to be published – July 2008.



November 1, 2007
Final Regulations

2006-2007 Negotiated Rulemaking

- For 2008-2009 & subsequent award years
- Four negotiating committees were established:
 - Accreditation
 - Loans
 - General Provisions
 - ACG and National SMART Grants

2006-2007 Negotiated Rulemaking

- Loans - NPRM Published July 12
Final Published November 1
- ACG/SMART - NPRM Published August 7
Final Published October 29
- General Prov. - NPRM Published August 8
Final Published November 1
- Effective Dates: July 1, 2008
 - Possible early voluntary implementation

November 1, 2007 Regulations

Title IV Loan Programs

Perkins, FFEL and Direct Loan Issues

- Use of photocopy of death certificate to grant a discharge
- Total and permanent disability
- Simplified deferment granting process

Total and Permanent Disability

- Regulations restructured and eligibility requirements and discharge process clarified
- 90-day deadline for TPD application
- TPD date redefined as physician cert. date

Total and Permanent Disability

- Conditional discharge period redefined to be three-year prospective period from TPD date.
- **NOT DISQUALIFIED** by title IV loans or earned income before TPD date.
- **DISQUALIFIED** for loan received and earnings beyond threshold after TPD date.
- Return of loan payments made after TPD date **ONLY.**

Simplified Deferment Process

- Upon borrower request, Perkins deferment granted if prior Perkins, FFEL, or DL deferment granted for same reason and same period based on info from other loan holder or NSLDS
- Required notification to the borrower that deferment is granted.
- Borrower representative may request military service deferment for borrower.

November 1, 2007 Regulations

Title IV Loan Programs

Perkins and FFEL Issues

- Requires loan holders to report enrollment/loan status information to NSLDS by Secretary's deadline
- Requires the retention of disbursement records & certification of E-signatures for assigned MPNs

November 1, 2007 Regulations

Title IV Loan Programs

Perkins Only Loan Program Issues

- Mandatory assignment
- Collection costs
- Child or family service cancellation

Mandatory Assignment of Defaulted Perkins Loans

- Schools hold more than \$400 million in Perkins Loans that have been in default for 5 or more years.
- Little collection activity seen on these loans.
- ED streamlined the voluntary assignment procedures, to encourage schools to assign their aged, defaulted loans – little increased activity.

Mandatory Assignment of Defaulted Perkins Loans

- Secretary may require assignment of a Perkins Loan if—
 - Outstanding principal balance is \$100 or more,
 - In default for 7 or more years, and
 - No payment has been received in past 12 months.
- ED will notify schools when to assign loans.

Collection Costs on Defaulted Perkins Loans

- Definition of “reasonable” collection costs chargeable to the borrower:
 - First Collection Effort: 30% of principal, interest and late charges collected
 - Second Collection Effort: 40% of principal, interest and late charges collected
 - Litigation: 40% plus court costs

Collection Costs on Defaulted Perkins Loans

- Collection cost caps only apply to costs incurred by collection agencies for placements made on or after July 1, 2008.
- Caps do not apply to a school's internal collection costs.

Child or Family Service Cancellation

- To qualify for cancellation a borrower must be:
 - Employed full-time by a child or family service agency; and
 - Provide services directly and exclusively to high-risk children from low-income communities.

“Dear Colleague” Letters

- CB-08-05 (April 2008) – Draft FISAP and Instructions
- Ann-08-02 (March 2008) – Spring 2008 ED Workshops
 - Update on November 1, 2007 final regulations and CCRAA legislation



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