

NASFAA Webinars: Higher Education Opportunity Act—First Steps

August 21, 2008

National Association of Student
Financial Aid Administrators

NASFAA's Webinar Series

**Higher Education
Opportunity Act—
First Steps**

August 21, 2008

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Introduction: NASFAA Staff

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Introduction: NASFAA Staff

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Introduction: NASFAA Staff

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Agenda for Today's Webinar

- Information Dissemination & Disclosure Provisions
- Questions
- Institutional and Student Eligibility
- Need Analysis and Professional Judgment
- Questions
- Program-specific Provisions
- Veterans and Military Personnel Provisions
- Questions

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Questions, please!

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Purpose of Today's Webinar

- Increase your awareness of HEOA provisions
- Prepare you for upcoming changes
 - Although provisions may be effective with the date of enactment, implementation may not be immediate due to lack of regulations and systems
- Prepare you for negotiated rulemaking


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Purpose of Today's Webinar

- NASFAA's first take on HEOA provisions
- Does not cover all provisions of HEOA

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Additional NASFAA Efforts

- Watch for:
 - More Webinars
 - Written analysis
 - Analysis and follow-up of ED guidance
 - Information through different delivery systems
- Send NASFAA your questions and issues you want addressed

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Information Dissemination Handouts

Information Dissemination and Reports:
Amendments Made by the Higher Education Opportunity Act (P.L. 110-315)

Selected Disclosures Affected by Higher Education Opportunity Act of 2008 (P.L. 110-315)


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Information Dissemination by ED

- Law lays out detailed requirements for ED's College Navigator Web site
- Information comes from a variety of sources
- With the information it obtains, ED must publish lists that
 - Highlight highest and lowest cost schools
 - Schools with largest increases

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Net Price

Pertains to first-time, full-time undergraduates

$$\text{Net Price} = \frac{\text{Total grant aid}}{\text{Recipients of grant aid}} - \text{Cost of attendance}$$

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Net Price Calculator

Schools must add the following information to their own Web sites within 2 years of date ED's calculator is made available:

- Net price calculator (ED's or modeled on ED's)
- Statement that student must complete FAFSA to get federal aid
- Link to ED's Web site giving access to FAFSA


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Information Dissemination

- Law details the institutional information ED's College Navigator Web site must carry
- Institutions are already submitting much of the data to IPEDS

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Institutional Disclosures

- Textbook costs
 - Internet course schedules for registration activities
 - Information for bookstores about course materials
- Preferred Lender Arrangement Disclosures
 - Requires regulation by ED to implement


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Loan Counseling

- Law contains various provisions permitting or directing ED, guarantors, and lenders to produce informational materials
- Law permits institutions to accept certain products from lenders and guarantors that may assist schools in counseling students


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Entrance Counseling

- New to law
 - Applicable to first-time Stafford and Graduate PLUS borrowers
 - May be conducted in person, by written material (borrower must sign and return), or online with borrower acknowledgement
 - Law encourages interactive programs that test understanding
- Currently in regulation
 - Applicable to first-time Stafford and Graduate PLUS borrowers
 - May be conducted in person, by audiovisual presentation, or by interactive electronic means

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Exit Counseling

- Law specifically permits lenders and guaranty agencies to provide
 - Institutional staff must be in control of the counseling
 - Counseling may not promote products or services of specific lenders
- Some changes to content


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Student Consumer Information

- Section 485 of the HEA underlies student consumer information regulations in 668 subpart D
- Some existing items modified
 - General Institutional Information (668.43)
 - Graduation/completion Rate Calculations (668.45, .48)
 - Campus Security and Crime Statistics (668.46)
- Some new items added

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Student Consumer Information

Some new items added

- Fire Safety Report
- Missing Person Policies and Procedures
- Transfer of Credit Policy
- Drug Violation Penalties Notification
- Reimbursements for Service on Private Lender Advisory Boards (Report to ED)

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Additional Disclosures For Stafford and PLUS Loan Borrowers

- A comprehensive list of disclosures as outlined in Section 433 of the HEA is provided in an accompanying handout.
- Breaks disclosure requirements down into three time periods:
 - Before disbursement
 - Before repayment
 - During repayment

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Additional Disclosures For Stafford and PLUS Loan Borrowers Before Disbursement

The amount of any charges and whether those fees will be:

- Collected by the lender at or prior to loan disbursement
- Deducted from the proceeds of the loan
- Paid separately by the borrower
- Paid by the lender

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Additional Disclosures For Stafford and PLUS Loan Borrowers Before Disbursement

For unsubsidized Stafford loans and PLUS loans, the disclosure from the lender must include an explanation of:

- The borrower's right to pay the interest that accrues while the student is in school
- When and how often interest on the loan will be capitalized if the borrower allows the interest to accrue

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Additional Disclosures For Stafford and PLUS Loan Borrowers Before Disbursement

- A description of the different repayment plans available for the loan
- A statement summarizing the circumstances in which a borrower may obtain forbearance on the loan
- A description of the options available for forgiveness of the loan, and the requirements to obtain forgiveness
- An explanation of collection costs – such as late payment fees – that a borrower may incur

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Additional Disclosures For Parent PLUS Loan Borrowers Before Disbursement

For parent PLUS loans, the disclosure must include an explanation of:

- The parent's right to defer payments on the loan while the student is in school at least half-time
- When and how often interest on the loan will be capitalized
- The deferment available to the parent if he or she is enrolled at least half-time in school


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Additional Disclosures For Stafford and PLUS Loan Borrowers Before Repayment

These disclosures will come from the lender and must be sent to the borrower **at least 30 days** and **no more than 150 days** before he or she starts repayment

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Additional Disclosures For Stafford and PLUS Loan Borrowers Before Repayment

Additional information on borrower benefits and their contingencies such as:

- The exact benefit being offered Limitations and contingencies on those benefits Examples of how meeting the lender's requirements would impact their loan
- Details on how – if it's possible – to regain eligibility after losing the borrower benefit


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Additional Disclosures For Stafford and PLUS Loan Borrowers Before Repayment

- The number, amount, and frequency of required payments specifically customized to the borrower's repayment plan
- A statement of interest already paid on the loan
- Options on how a borrower may avoid or be removed from default, including applicable fees
- A list of resources where borrowers may receive advice and assistance on loan repayment

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Additional Disclosures For Stafford and PLUS Loan Borrowers Before Repayment

For unsubsidized Stafford loans and PLUS loans, lenders must provide borrowers with the cost of:

- Capitalizing interest
- Paying the interest as the interest accrues

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Additional Disclosures For Stafford and PLUS Loan Borrowers During Repayment

- Several other additional disclosures must be provided while a borrower is in repayment or when a borrower falls delinquent
- These requirements go into effect on July 1, 2009


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Institutional Eligibility

- Law continues experimental sites
 - ED must assess success by 6/30/09
 - Expanded authority
- Additional degree type satisfies eligibility criterion
 - Public and nonprofit: ED-approved degree for admission to graduate or professional study
 - Proprietary: Bachelor's in Liberal Arts
- 90/10 rule moved to PPA


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Institutional Eligibility

- Distance education
 - Replaces “telecommunications” and redefined
 - Affects various provisions throughout law
- Drug and alcohol abuse prevention program biennial review
- Admission criteria for regular student status
 - Home-schooled students
 - Students dually or concurrently enrolled in high school

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Student Eligibility

- Ability to benefit: 6 credits toward degree or certificate
- Distance education
- Regaining eligibility after drug convictions
- Students with intellectual disabilities enrolled in comprehensive transition and postsecondary programs for students with intellectual disabilities


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Part F Need Analysis

- Aid Administrator Professional Judgment
- The HEOA adds into the law further examples of types of professional judgment decisions. Those specific examples include the following:
 - Nursing home expenses not covered by insurance,
 - Unusually high dependent care expenses, and
 - A student who is a dislocated worker.

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Part F Need Analysis

- Dependent Student Professional Judgment
- The Congress modified the law's professional judgment provisions in cases where a dependent student's whose parents do not support them and refuse to complete a FAFSA dependent. You may offer such students unsubsidized Stafford loans.

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Part F Need Analysis

- Coop Education Income Exclusion
- The new law excludes any income earned from work under a cooperative education program offered by an institution of higher education when calculating an EFC.


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Part F Need Analysis

- Prior-Prior Year
- Authorizes the Secretary to issue regulations that allow the use of the second preceding tax year information to simplify the FAFSA and the application process. This may include data sharing between the IRS and the Department of Education with the taxpayer's permission
- Authorizes the Secretary in cooperation with the Treasury Secretary to obtain from the IRS tax information for the purpose of pre-populating the FAFSA or for verification purposes. Consent of the taxpayer to accomplish these purposes is required


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ACG and SMART Grant Programs

- Law clarifies respective roles of states and ED in identifying rigorous secondary school program
- The effective date of changes made by ECASLA is changed from 1/1/09 to 7/1/09

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TEACH Grant Program

- Recipient may satisfy teaching service obligation even if field drops off high-need list if:
 - It was high-need when individual received grant
 - Student's degree or expertise is in that field
- ED may identify extenuating circumstances under which recipient does not have to complete service


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In-School Deferment Confirmation Through NSLDS

When requested by an institution, lenders may confirm that a borrower is attending at least half-time through NSLDS


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New Disclosure Requirement for Lenders Granting Deferments

Provide information that helps borrowers understand the impact of capitalizing interest on loans in deferment

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Extenuating Circumstances for Parent PLUS Loans

- Eliminates 89-day delinquency waiver on “any other debts” for parent PLUS borrowers.
- The law keeps the 180 waiver on mortgage and medical bills and says that as long as parent borrowers do not have an adverse credit history, pursuant to regulations determined by the Secretary, they can obtain a parent PLUS loan.


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Grace Periods on PLUS Loans

- Grants a six-month deferment period for parent and graduate PLUS borrowers.
- For parents, repayment begins on the latter of:
 1. The date the student on whose behalf the PLUS loan was taken ceases to be enrolled at least half-time, or
 2. The parent (who is also a student) ceases to be enrolled at least half-time.
- Borrowers must request this deferment period, otherwise payments begin with 60 days of disbursement.

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Annual Loan Limits for Students in Preparatory Coursework

First Question:

- Before ECASLA - *Were the courses for entry into a graduate or undergraduate program?*
- After ECASLA - *Is the borrower an undergraduate or graduate student?*

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Annual Loan Limits for Students in Preparatory Coursework

- For Graduate, Professional, and Independent Post-Baccalaureate Students:
 - \$7,000 for coursework necessary for enrollment into a graduate or professional program
 - \$7,000 for coursework needed for a professional credential or state certification as a teacher
- For Undergraduate Dependent and Independent Students:
 - \$6,000 for coursework necessary for enrollment in a program leading to a degree or certificate
 - \$7,000 for coursework necessary for a professional credential or certification from a State that is required for employment as a teacher

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Income-Based Repayment on Defaulted Loans

A technical amendment allows borrowers who have successfully rehabilitated their loans out of default to be eligible for IBR


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IBR Repayment Disclosures

Beginning on July 1, 2009 the Secretary must inform borrowers about the Income-Based Repayment program introduced by the CCRAA

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Pell Grant Program

Maximum award

- Effective July 1, 2009, the law increases the authorized Pell Grant maximums for eligible students to:
- \$6,000 for academic year 2009-10
- \$6,400 for academic year 2010-11
- \$6,800 for academic year 2011-12
- \$7,200 for academic year 2012-13
- \$7,600 for academic year 2013-14
- \$8,000 for academic year 2014-15

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Pell Grant Program

The CCRAA implemented mandatory spending add-ons to increase the Pell Grant maximum award by:

- \$490 for the 2008-09 and 2009-10 award years
- \$690 for the 2010-11 and 2011-12 award years
- \$1,090 for the 2012-13 award year


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Pell Grant Program

Award Year	HEOA Authorized Maximum	CCRAA Add-on	Maximum Grant
2009-10	\$6,000	\$490	\$6,490
2010-11	\$6,400	\$690	\$7,090
2011-12	\$6,800	\$690	\$7,490
2012-13	\$7,200	\$1,090	\$8,290
2013-14	\$7,600	0	\$7,600
2014-15	\$8,000	0	\$8,000

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Pell Grant Program

Minimum Award

- Parallels the current minimum award, but uses a percentage rather than a precise number (\$400 currently). This provision is effective July 1, 2009.
- Now the Pell Grant minimum award will be calculated at 10% of the “appropriated” maximum award. If a student is eligible for an amount that is equal to or greater than 5% but less than 10% the award is increased to 10%.


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Pell Grant Program

Example: If for AY 2012-13, the appropriated maximum award was \$7,200, and the CCRAA mandatory add-on is \$1,090 this gives a zero EFC student a Pell Grant maximum award of \$8,290. For a student who qualifies only for the minimum Pell Grant award that individual would receive 10% of the appropriated maximum award which is \$7,200 or \$720. Please understand the minimum award is not 10% of the maximum award, but is 10% of the appropriated maximum award which does not include the CCRAA mandatory add-on.

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Pell Grant Program

Pell Grant Civil Confinement

- An individual subject to an involuntary civil confinement or civil commitment upon completion of a period of incarceration for a forcible or non-forcible sexual crime is ineligible for a Pell Grant.

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Pell Grant Program

Lifetime Limit on Pell Grant Eligibility

- Limits the time students can receive Pell Grants to 18 semesters (or equivalent) for students who first receive a Pell Grant on or after July 1, 2008. Only the amount (or percent) of time that a student is enrolled will count against that time limit.

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Pell Grant Program

Two Pell Grant Scheduled Awards Available in an Award Year

- The new law allows students enrolled in a certificate, associate, or baccalaureate program to receive up to two Pell Grants in one award year to accelerate their progress.
- They must:
 - Complete more than the equivalent of a full academic year within the award year, and
 - Enrollment must be at least half-time; e.g., two full-time semesters plus one half-time summer

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Federal Work/Study

Job Location and Development Programs

- Increases the amount of Federal Work Study funds institutions of higher education may use for Job Location and Development programs to not more than 10 percent or \$75,000 of their Federal work study allocations, up from not more than ten percent or \$50,000.

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Federal Work/Study

Definition of Community Service

- The HEOA adds the words “emergency preparedness and response” to the definition of community service expanding the list of examples of such service activities.

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Federal Work/Study

Civic Education FWS Employment

- As part of meeting its 7% community service funding use requirement, the HEOA allows schools to have student workers participate in civic education activities.
- It allows funds to be used to compensate students employed in projects that teach civics in schools; raise awareness of government functions or resources; or increase civic participation.
- This includes compensation for training and travel directly related to civic education and participation activities.
- Schools, to extent practicable, must to give priority to the employment of students participating in projects that educate or train the public about evacuation, emergency response, and injury prevention strategies relating to natural disasters, acts of terrorism, and other emergency situations; and ensure that any student compensated receives appropriate training to carry out the educational services required
- Finally, the HEOA allows the Federal share of work-study student compensation to exceed 75 percent for these civic education FWS activities.

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Federal Perkins Loans

Annual and Aggregate Loan Limits

- The new law increases Perkins annual loan limits:
- From \$4,000 to \$5,500 for undergraduate students, and
- From \$6,000 to \$8,000 for graduate and professional students
- The new law increases Perkins aggregate loan limits:
- From \$20,000 to \$27,500 for undergraduate students who have completed two years of study,
- From \$40,000 to \$60,000 for graduate and professional students, and
- From \$8,000 to \$11,000 for all other students

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Federal Perkins Loans

Perkins Loan Rehabilitation and Borrower Forbearance

- The HEOA affects borrowers by:
 - Reducing the number of on-time, consecutive, monthly payments required for rehabilitation of a Perkins Loan from 12 to nine
 - Removing the requirement that borrowers of Perkins Loans request forbearance in writing

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Federal Perkins Loans

Loan Assignment for Perkins Loans

- The Congress specifically prohibits the Department from engaging in "mandatory assignment" of Perkins loans unless there is cause for it to require it.
- Schools may continue to voluntarily assign loans to the Department. Any funds collected from defaulted Perkins loans, including loans assigned to the Department for additionally collection activities be returned to the institution's revolving fund for new loans to future students.

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Military and Veterans

Departments of Education, Defense, and Veterans Affairs must create one Web site with information applicable to members of the Armed Forces (including National Guard and Reserves), veterans, and their dependents, about:

- All applicable federal and state student financial assistance
- Readmission requirements
- Other student services

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Military and Veterans

In-state tuition rates for Armed Forces members, spouses, and dependent children

- On active duty for more than thirty days
- Domicile or permanent duty station is in the state, or was when attendance began


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Military and Veterans

- EFC for Federal Pell Grants is set to zero
 - Parent or guardian in Armed Forces died as a result of military service in Iraq or Afghanistan after 9/11/01
 - Student was under age 24 at time
- Defense and Veterans Affairs provide information to ED to determine which students qualify


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Military and Veterans

- Discharge of Title IV loans based on VA finding that service-connected condition renders individual unemployable
- Servicemembers Civil Relief Act interest caps deemed applicable to FFELP loans

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Military and Veterans

- Interest will not accrue on Direct Loans for up to 5 years if:
 - Borrower is on active duty or performing qualifying National Guard duty during a war or other military operation or national emergency
 - Borrower is serving in an area of hostilities and qualifies for special pay
 - Loan was first disbursed on or after 10/1/08
- Also applies to portion of Consolidation Loan used to pay off loan disbursed after 10/1/08


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Military and Veterans

- Perkins borrowers no longer need to request forbearance in writing
- Wider applicability but will be especially helpful to military personnel

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Military and Veterans

Need analysis provisions

- Exclude housing from COA for military personnel who live in base housing or receive a military basic allowance
- Exclude value of military housing or allowance from income
- Exclude VA education benefits from income, assets, and estimated financial assistance

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Military and Veterans

Readmission rights and responsibilities

- Institutional readmission policies may not discriminate against students who left school to serve on active duty for more than 30 days
- Student must:
 - If possible, have given school advance written or verbal notice
 - Give notice of intent to reenroll within certain timeframe
 - Not have been dishonorably discharged


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