



FFELP Update— NYSFAAA XXIX Conference

Agenda

- Federal forms
- Dear Colleague Letters
- Proposed rules
- Federal legislation

Federal forms

Federal forms

- New Consolidation forms must be used beginning October 1, 2007
- PLUS MPN– still being revised
- Stafford MPN– still being revised

Dear Colleague Letters

Dear Colleague Letters

- Aug. 9: Spellings letter regarding early implementation of certain NPRM provisions
- Sept. 4: E-announcement of official FY05 cohort default rates released Sept. 10
 - National cohort default rate second lowest ever at 4.6%

Proposed rules

Negotiated rulemaking/NPRMs

- Proposed rules were published as follows:
 - Loans: June 12
 - ACG/SMART: August 7
 - General Provisions: August 8

Negotiated rulemaking/NPRMs

- Deadlines for comment submission on proposed rules have passed
- Final rules should be published by November 1, 2007, for July 1, 2008 implementation
 - Possible early voluntary implementation on some provisions

Prohibited inducements

- Revises definition of “eligible lender”
- Provides non-exhaustive list of prohibited inducements
- Provides exhaustive list of permitted activities

Preferred lender lists

- Allows school to have such a list, which:
 - Cannot deny borrower’s choice of lender
 - Must contain at least three “unaffiliated” lenders
- School with a list must provide certain disclosures to borrowers

Maximum loan period

Eliminates the 12-month maximum loan period currently in regulation

Minimum loan period

- Aligns minimum loan period of certain nonstandard term-based programs with that of standard term-based programs
- Changes method of determining remaining Stafford annual loan limit eligibility for:
 - Student who transfers into nonterm-based or clock-hour program within same academic year
 - Student who completes one degree program and begins another nonterm-based or clock-hour program within same academic year

Affirmative confirmation

- School has option to implement affirmative confirmation
- Whether school chooses to implement affirmative confirmation determines timeframes for certain activities
 - Sending borrower notice of credit to student account
 - Allowing borrower to cancel loan funds as a result of notice of credit to student account

Affirmative confirmation

- School that chooses affirmative must send notice of credit to student account within 30 days before and 7 days after school credits account
- School that doesn't choose affirmative must send notice of credit to student account within 30 days before and 30 days after school credits account

Affirmative confirmation

- School that chooses affirmative confirmation must give borrower 14 days to cancel loan funds as a result of notice of credit to student account
- School that doesn't choose affirmative confirmation must give borrower 30 days to cancel loan funds as a result of notice of credit to student account

Withdrawals before beginning class

School currently responsible for returning only loan proceeds credited to student's school account and any funds student or parent borrower repays to school

- Proposed rules add that school is also responsible for returning any funds repaid to school on behalf of student

Withdrawals before beginning class

Proposed rules would hold school responsible for returning ALL loan proceeds if school knew, before it disbursed funds, that student would not begin attendance

Loan counseling for Grad PLUS

- Requires entrance counseling
- Adds disclosure requirements
- Modifies exit counseling requirement for Stafford borrowers who have also borrowed Grad PLUS

Delivery of funds to student/parent

- Reverses requirement to obtain authorization to make direct deposit of Title IV funds
- Clarifies use of stored-value cards
- Provides new rules on issuing a paper check
- Outlines new bank account establishment provisions

Deferment/discharge

- Simplification of deferment process
- Accurate and complete copy of death certificate for death discharge
- Total and permanent disability discharge changes

Federal legislation

Budget reconciliation

- The College Cost Reduction and Access Act (CCRAA) of 2007 was signed into law on September 27, 2007
- Dear Colleague Letter expected soon with further guidance
- Another Neg Reg next year?

Economic hardship deferment

- Changes definition of economic hardship for purposes of deferment from “100% of the poverty line for a family of two” to “150% of the poverty line applicable to the borrower’s family size”
- Eliminates the debt burden criterion for the deferment
- Effective October 1, 2007

Military deferment

- Removes 3-year limit on military deferment and extends deferment through 180 days following demobilization
 - Available to FFELP, Direct, and Perkins borrowers, regardless of date loan was disbursed
- Effective October 1, 2007

Military deferment

- Creates new 13-month deferment for borrower returning from active duty, and who was enrolled in an eligible institution prior to being called or ordered to active duty
- Effective October 1, 2007

Public service loan forgiveness

Provides for forgiveness of the balance (principal and interest) of a Direct loan if:

- The borrower has made 120 monthly payments on the loan after October 1, 2007
- The loan is not in default
- The borrower is employed in a public service job:
 - During the period in which each of the 120 payments were made
 - At the time forgiveness is applied

Stafford interest rate reduction

Reduces fixed interest rate for undergraduate subsidized Stafford loans (FFELP and Direct) from 6.8% to 3.4% over 4 years

- 6.0% on or after July 1, 2008, and before July 1, 2009
- 5.6% on or after July 1, 2009, and before July 1, 2010
- 4.5% on or after July 1, 2010, and before July 1, 2011
- 3.4% on or after July 1, 2011, and before July 1, 2012
- 6.8% on or after July 1, 2012

Income-based repayment plan

- Introduces new repayment plan in which a borrower who has a “partial financial hardship” can request loan payments not to exceed:
 - 15 percent of discretionary income, or
 - 15 percent of difference between borrower’s AGI and 150 percent of the poverty line, divided by 12
- Parent PLUS loans and Consolidation loans with underlying parent PLUS loans not eligible for this plan

Income-based repayment plan

- Borrower's eligibility for plan evaluated annually
- For subsidized loans, ED pays the interest for the first 3 years borrower is under plan
- ED cancels remaining balance of a loan after 25 years if borrower has made monthly payments under a regular or reduced repayment plan or was in economic hardship deferment
- Effective July 1, 2009

Pilot auction program

- Requires pilot program to auction FFELP parent PLUS loans
- Auction will be held in each state every 2 years
 - In each state, lenders will bid SAP rates, with the two lowest as the winning bidders
 - Winning bidders will originate parent PLUS loans at all schools within state (and will be able to originate the loans until student leaves school or graduates), and will be paid at second-lowest SAP rate bid

Pilot auction program

- ED will not collect a lender origination fee on parent PLUS loans originated through the auction pilot program
- Lender insurance rate for defaulted parent PLUS loans originated through the auction pilot program will be 99%
- Effective July 1, 2009

Special allowance payment (SAP)

- Reduces the SAP for not-for-profit lenders by:
 - .40% for Stafford and Consolidation loans
 - .70% for PLUS loans
- Effective for loans first disbursed on or after October 1, 2007

Special allowance payment (SAP)

- Reduces the SAP for for-profit lenders by:
 - .55% for Stafford and Consolidation loans
 - .85% for PLUS loans
- Effective for loans first disbursed on or after October 1, 2007

Lender fee

- Increases the lender-paid origination fee for FFELP loans
 - From 0.5% to 1.0%
- Effective for loans first disbursed on or after October 1, 2007

Lender insurance

- Reduces insurance rate for default claims from 97% to 95%
 - Retains insurance rate for lender of last resort loans and exempt claims at 100%
- Effective for loans first disbursed on or after October 1, 2012

Exceptional performer

- Eliminates the exceptional performer designation
 - Effective October 1, 2007
- A lender designated as an exceptional performer prior to October 1, 2007, may retain that designation for the remainder of the year for which it was made

Reauthorization

- The HEA is currently extended through 10/31/07
- Senate reauthorization: S. 1642, The Higher Education Amendments of 2007
- The full House has not yet developed a comprehensive reauthorization bill

Resources

From www.tgslc.org, click on:

- Schools
- Policies and Regulations
 - Higher Education Act Legislation
<http://tgslc.org/hea/index.cfm>
 - *Shoptalk Online*
<http://tgslc.org/shoptalk/index.cfm>

Questions?



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