

# Hot Topics

Financial Aid News

Volume 16, Issue 2

April 2009



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## HEOA changes exit counseling terms

By Dawn Davison

In December 2008, the U.S. Department of Education (ED) published *Dear Colleague Letter (DCL) GEN-08-12*. The letter summarized the provisions of the Higher Education Opportunity Act (HEOA). Included in the letter are topics for eligible institutions to address during entrance and exit counseling for borrowers. The HEOA went into effect August 14, 2008.

The content of the entrance counseling that institutions are required to provide to first-time borrowers of Federal Family Education Loan Program (FFELP) or Direct Loan Program loans at or prior to disbursement is expanded to ensure the borrower receives detailed information on the terms and conditions of the loan. Furthermore, institutions are encouraged to use interactive programs to test the borrower's understanding of the terms and conditions of the loan. Institutions must include the following information during the entrance counseling process:

1. To the extent practicable, what the effect accepting the loan will have on the eligibility of the borrower for other forms of student aid
2. Master Promissory Note explanation
3. Information on how interest accrues and is capitalized during periods when the interest is not paid by the borrower or the U.S. Secretary of Education
4. For unsubsidized Stafford loans or Parent Loan for Undergraduate Students (PLUS) loans under the FFELP or Direct Loan program, the option of the borrower to pay the interest while in school
5. An explanation of the importance of



Courtesy of [www.forwyomingsfuture.com](http://www.forwyomingsfuture.com)

**According to Information for Financial Aid Professionals, institutions should use the DCLs in conjunction with the HEOA. The DCLs help clarify the law.**

6. contacting the appropriate offices at the institution if the borrower withdraws prior to completing the program of study, so the institution can provide exit counseling, including information regarding the borrower's repayment options and loan consolidation
6. Examples of monthly repayment amounts based on a range of level of indebtedness of borrowers of loans under section 428 or 428H of the Higher Education Act (HEA) and, as appropriate, graduate borrowers of loans under section 428,428B or 428H of the HEA, or the average cumulative indebtedness of the other borrowers in the same program at the same institution as the borrower
7. The obligation of the borrower to repay the full amount of the loan, regardless of whether the borrower completes the program in which the borrower is enrolled within the regular time of completion

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# HEOA modifies exit counseling requirements



Courtesy of [lifesign.blogspot.com](http://lifesign.blogspot.com)

3. Options the borrower has to prepay each loan or pay each loan on a compressed schedule or to change repayment plans
4. Information on loan forgiveness and cancellation provisions and the conditions under which the borrower may obtain full or partial forgiveness or cancellation of principal and interest
5. Information on forbearance provisions and a general description of terms and conditions under which the borrower may defer repayment of principal or interest or be granted forbearance
6. Information on the consequences of default on a loan, including adverse credit reports and federal delinquent debt collection procedures and litigation
7. Information about consolidation loans to discharge FFEL, Direct Loan and Perkins Loan programs, including the following:
  - a. The effects of the consolidation on total interest to be paid, fees and length of repayment
  - b. The effect on a borrower's underlying loan benefits, including grace periods, loan forgiveness, cancellation and deferment
  - c. The option the borrower has to prepay the loan or to change repayment plans
  - d. That borrower benefit programs may vary depending on the lender
  - e. A general description of the types of tax benefits that might be available to borrowers
  - f. Information on how a borrower can use NSLDS to get information on the status of his or her loan

Visit the following link to read more about the *DCL*:  
<http://www.ifap.ed.gov/dpccletters/GEN0812FP0810.html>.

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8. The likely consequences of default on the loan, including adverse credit reports, delinquent debt collection procedures under federal law, and litigation
9. Information on the National Student Loan Data System (NSLDS) and how the borrower may access his or her records
10. The name and contact information of the individual a borrower can contact with questions regarding the borrower's rights and responsibilities for the terms and conditions of the loan

The HEOA also modified the requirements of exit counseling that must be completed prior to the borrower completing the program or departing from the institution. Exit counseling must include the following:

1. Information on repayment plans, which includes a description of the different features of each plan and samples showing average anticipated monthly payments, with the difference in interest paid and total payments shown with each plan
2. Debt management strategies to assist the borrower in repaying the debt

## Did you know...

If a school receives a student's or parent's request for cancellation after the required dates for affirmative and passive confirmation, the school may, but is not required to, honor the request. Regardless of when the request is received, the school must provide written information to the student or parent about the outcome. (*2008–2009 Federal Student Aid Handbook*, vol. 4, page 25)

Previously, schools were required to round to the nearest dollar when making Pell disbursements. However, the Common Origination and Disbursement System accepts cents. Schools are not required to round disbursements to the nearest dollar, but can if they choose. An institution's policy of rounding, whether to the nearest dollar or cent, must be applied consistently. (*2008–2009 Federal Student Aid Handbook*, vol. 3, page 27)

# Easy steps help schools create policies manual

By Michelle Cochran, Amber Doan and Andrew Foster

Many offices have begun the process of creating a federally mandated, policy and procedure manual. Although some administrators have selected a format, this process can prove to be overwhelming. Below are five steps to help remove the anxiety and stress over creating this manual.

## Figure out what you do.

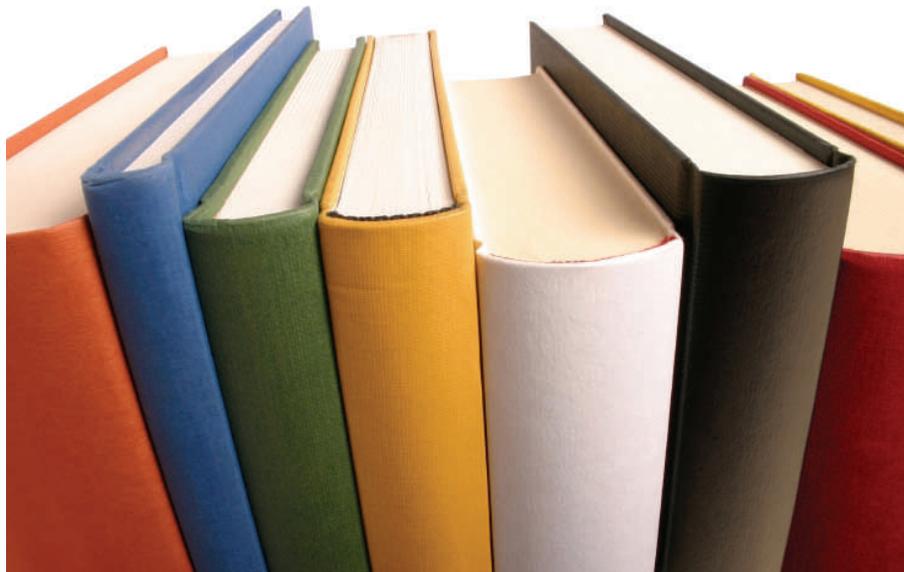
The first undertaking as a staff should be to create detailed workflows of current duties. Every staff member should document when they complete specific processes on a daily, weekly, monthly and yearly basis; make sure everything is listed, from checking e-mails to certifying loans. Not only will this allow the staff to see where work is being duplicated or missed, it will also allow the department to streamline the processes and redistribute workloads. A weekly workflow doubles as a great daily checklist to ensure staff members are completing their required duties.

## Figure out how you do it.

Now that you know what processes are being completed, document how each process is completed. Have each staff member write up a "How To" for each process on his or her workflow. Make sure each step is detailed and use screenshots to help clarify the tricky steps. To ensure the directions are clear, other staff members should complete the process by using the newly created directions to determine if the directions are complete and concise. Try to shoot for one completed "How To" a week, until all process have been documented. These procedures can be used for cross training and assist other staff members when someone is out of the office.

## Figure out why you do it.

This is the interesting part. Here is where the staff separates the rules and regulations from the items that fall under the just-because-we-always-have category. Start with the process already in place and ask the following questions: Why do we have this process? Does it still meet the requirements of the



Courtesy of Jerome School District

federal regulations or institutional policies? Does it work with the current goals of the office and college? After the review, it will become clear if any further procedures need to be created or tweaked to stay current with federal and state regulations, as well as institutional policies. Documenting the "why" of a process can help the staff understand the policy behind it.

## Figure out who is effected.

The last step, before compiling all of the data, is to determine what other offices the policies and procedures effect. Assemble the decision-making department heads to review policies and procedures that overlap offices. Everything from requesting excess federal funds from an account to opening a new learning site should be discussed. This review ensures that each department understands how another department is impacted when a new policy or procedure is implemented at the school. For example, the financial aid department has many regulations that require other departments to act. This overlap provides a quality control measure. During the interdepartmental review, it will become clear if the proper information is being circulated.

**Figure out where the format originates.**

Finally, the easiest step. Pick the format and media in which the policies and procedures will be published. Up to this point, the staff has identified the who, what, when, where, why and how of the project. The final step is to find a template that will best assist the department in organizing and publishing the polices and procedures. The following Web sites are two resources for developing content for the manual: the Information for Financial Aid Professionals (IFAP) at <http://ifap.ed.gov/qahome/fsaassessment.html> and the National Association of Financial Aid Administrators (NASFAA) at <http://www.nasfaa.org/publications/ppmanualindex.htm>. Remember the following tips when developing the manual:

1. Do not expect the manual to appear overnight.
2. Start inside the office and work out.
3. Do not get overwhelmed by the size of the templates.
4. A policy and procedure manual is a living document, it is to be used and updated regularly.
5. Once the staff gets use to the policy and procedure manual, they will use it when they are unfamiliar with a new process.

For more information, please contact IPD's Compliance Team.

# New authority given to FA administrators

By Tammy Anaya

Under the Higher Education Opportunity Act (HEOA) financial aid administrators now have the authority to use his or her professional judgment to award an unsubsidized loan under the Federal Family Education Loan Program (FFELP) or the William D. Ford Federal Direct Loan Program to dependent students whose parent or parents have stopped providing financial support and refuse to provide parental information on a Free Application for Federal Student Aid (FAFSA). In such a case, the financial aid administrator may exercise this option after receiving a signed statement from the parent and confirming the student's submission of a FAFSA.

This authority is only allowed when a student's parents have ended financial support of the student and refuse to provide their information on the student's FAFSA.

The definition of "parent" in this situation includes the following: biological parent or parents, legally adoptive parent or parents, or step-parent or step-parents if the biological or adoptive parents have remarried. Grandparents, foster parents and legal guardians are not considered parents for this purpose and are not considered parents when filling out the FAFSA.

There are pros and cons to submitting a FAFSA without a parent's income information. A federal



Courtesy of [www.louisville.edu](http://www.louisville.edu)

unsubsidized loan is a better option than alternative or private education loans or credit cards. Some federal aid is better than no federal aid, which is the situation when the parent of a dependent student will not submit his or her FAFSA information. Federal student loans do not require a credit check.

In the rare cases that parents will not submit FAFSA information, only an unsubsidized loan can be awarded. Students will not be eligible for Pell; Supplemental Educational Opportunity Grant; ACT grants; Science, Mathematics and Research for Transformation scholarships; Leveraging Educational Assistance Partnership grants; Federal Work Study; Perkins loans; subsidized

federal student loans; and PLUS loans. In these cases, students may not receive any financial support from a FAFSA parent, including living at home, using a vehicle, parents cosigning loans or providing health or car insurance. The FAFSA parent or parents must provide a signed statement documenting assistance. The amount of the unsubsidized loan is still limited to the annual grade-level limit for dependent students. Ultimately, awarding financial aid under these circumstances is a professional judgment decision once the appropriate documentation is received. Watch for the next *Dear Colleague Letter* at <http://www.ifap.edu.gov>, which will include additional guidance on this issue.

## Attitude makes difference in customer service

By Pam Harris

While trying to decide what to write for the newsletter, I came across a presentation that Texas Guarantee did at the 2006 NASFAA Conference in Seattle, Wash. The topic caught my attention because sometimes we forget the reason for our jobs. Financial aid offices have been inundated with new regulations the past couple of years and are dealing

with a struggling national economy. School personnel are stressed and so are the students. Is the customer service in your office suffering because of these factors? How important is customer service to students and other departments on campus? The following top 10 principles of customer service were given in the presentation: deliver accurate, complete information; know all policies and regulations (the whole

process); listen with empathy and genuine concern; respond to questions; process information promptly; follow through on issues; offer accessible and flexible services; go above and beyond as an advocate for students; maintain a positive, service-oriented attitude; and personalize service based on each customer's needs.

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# ED urges FA administrators to use professional judgment

By Tammy Anaya

Sometimes situations occur that affect the fairness of a student's financial aid eligibility. For example, a student or a parent could lose his or her job. In this case the Free Application for Federal Student Aid (FAFSA) is no longer a fair picture of that family's financial status. A parent may become disabled and no longer able to generate income. A child in the family may have been recently diagnosed with a debilitating disease, requiring expensive ongoing medical treatment that redirects money previously used to pay bills and send the student to college. In these types of situations (and there are endless possibilities), a financial aid administrator may use his or her professional judgment to make changes to certain elements of the FAFSA, which may impact a student's financial aid eligibility.

**Professional judgment decisions must be on a case-by-case basis.** Financial aid administrators may use professional judgment, on a case-by-case basis, to alter the data used to calculate the expected family contribution (EFC). The alteration is currently valid only at the school making the professional judgment decision. A change on the FAFSA as a result of a professional judgment should be submitted electronically, via Financial Aid Advisor Access to Citrix Presentation Server Online or third-party software. A signature from the student or parent is not required. Reasons for any adjustments resulting from a professional judgment decision must be clearly documented in the student's file. The decision should relate to the special circumstance that differentiates the student and should not be a blanket decision that exists for a whole class of students. Professional judgment situations should be unique. The financial aid administrator can also use professional judgment to adjust the student's cost of attendance (COA).

**Resolve conflicting information.** Before any adjustments can be made resulting from a professional judgment

decision, any inconsistent or conflicting information must be resolved. If the student is selected for verification, all applicable items must first be verified. If the student provides additional documentation that results in the presence of conflicting information, that – or any other – conflicting information must first be resolved. An aid administrator's decision regarding adjustments is final and cannot be appealed to the U.S. Department of Education.

## What are examples of professional judgment?

The most recent reauthorization, in 1998, gave some examples (these are not required professional judgment situations but only examples) of special circumstances, such as elementary or secondary school tuition, medical or dental expenses not covered by insurance, unusually high child care costs, recent unemployment of a family member, or other changes in the family's income or assets. Use of professional judgment is neither limited to nor required for the situations mentioned.

Another situation that may warrant the use of professional judgment involves Roth IRAs. When a Roth IRA is converted into a regular IRA, the amount converted has to be reported as taxable income on the tax return. This causes the income reported on the FAFSA to be higher than without the Roth conversion (even though the family does not actually have additional income or assets available). In this case, professional judgment can be used to reduce the income and taxes paid to the amount that would have been reported if there was no Roth conversion. Again, this is an example, not a requirement.



Courtesy of [www.atl.org.uk](http://www.atl.org.uk)



## What can be modified in professional judgment cases?

Neither the formula nor the tables used in the EFC calculation can be modified. The only changes that can be made are COA or the values of specific data elements used in the EFC calculation. Additionally, the data elements or the COA cannot be adjusted solely because a financial aid administrator thinks the tables and formula are not adequate or appropriate. The data elements that are adjusted must relate to the student's special circumstances. For example, if a family member has become unemployed, the financial aid administrator might modify the adjusted gross income to allow for lower earnings in the coming year and/or might adjust assets to indicate that family savings will be spent on living expenses.

Also, it is important to know that professional judgment cannot be used to waive general student eligibility requirements or to circumvent the federal regulations and laws.

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# Synergy improves interdepartmental relationships

By Vicki Jones

One of the most important features of IPD's relationship with its partner institutions is the development of support systems and processes that create synergy between departments and organizations. These processes are implemented for the pursuit of a common goal: a higher purpose of educating adults.

Despite IPD's best efforts, individual goals and objectives as well as distractions from daily routines can sometimes cause individuals to lose focus of the common goal. Then, relationships that IPD diligently sought to establish begin to diminish. For this reason, it is critical to keep the lines of communication open, continually review current systems and processes, and remain proactive in problem solving. To elaborate on this concept, examine the relationship between the accounting and financial aid departments. Because of the various compliance requirements that have been established internally and externally, it is extremely important to form a collaborative partnership between these two departments.

Accounting managers should be encouraged to meet with financial aid directors on a consistent basis in order to gain a better understanding of the needs and concerns that may relate to accounting. These meetings might be scheduled weekly, monthly, quarterly or as often as necessary in order to keep the lines of communication open. If a face-to-face meeting is not possible due to locale, reluctance or an inability to find the time, a teleconference is an alternative. Also, e-mail can be a great avenue for communication. Whatever mode an individual chooses, the key is to be available and persistent in the attempts to communicate. Likewise, subordinates should be encouraged to foster relationships with personnel within the financial aid department. This will encourage financial aid department staff to share issues and concerns with the accounting team to help resolve the issues before they escalate.

It has been said the only thing certain in life is change. The world is ever

changing. Changes in technology, in the market, in thought processes and even in personnel are a few examples of the type of change individuals might encounter any given day. It is this rapid change that makes it so essential to constantly evaluate current systems and processes. What worked today may be obsolete tomorrow. Accounting and financial aid staff should collaborate on processes and procedures to see whether there are overlapping areas of interest that can be standardized between the departments to increase efficiency and ensure compliance. Some examples include the following:

1. Streamlining the timeliness of receiving and posting rosters
2. Gaining access to PowerFaid's or tracking and packaging reports to aid in determining financial readiness
3. Providing end-of-loan period and summary-aging reports to ensure timeliness of reawards
4. Using a standard message on receipts and/or statements to notify students of end-of-loan period dates to prompt the students to reapply for aid

These are just a few examples; however, the processes should be established based on the specific needs of the location.

The IPD accounting department can be proactive in supporting partner institutions' financial aid departments by finding creative ways to increase their efficiency and fostering teambuilding. As previously mentioned, open communication, and review of processes and systems allows IPD teams to efficiently support partner institutions. Be available and initiate the communication process; do not allow small issues to escalate into huge problems; understand the processes of the financial aid department; explain the impact that those processes might have on the accounting department and offer alternative solutions. For each problem that exists, work together to find a solution; and always be willing to reevaluate and make any necessary adjustments.

IPD's mission is to "assist colleges and

universities in meeting the educational needs of working adults." IPD employees must continue to focus on this mission and take precautions to ensure that the relationships with the partner institutions remain positive. It is the nature of this relationship that will ultimately transfer to the relationships established with external clients (aka, the students). Conflicts within and between departments may be perceived as poor customer service. To prevent this negative perception from forming, all staff should continue to keep the lines of communication open, review current systems and processes often, and be proactive when solving problems.

## Attitude makes difference

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Also, teamwork allows service to have a unified voice and encourages departments to work together. Communication is the key factor. All of IPD's institutions strive to provide students with the opportunity to reach their educational goals. That means all departments working together. One of the ways to accomplish this is by sharing information with other departments at meetings and conducting cross-training sessions. Sharing empowers other staff to better serve students and allows departments to speak in a unified voice. One voice will reduce complaints and increase customer satisfaction.

Individuals understand these concepts, yet, once in the office, they seem to be forgotten. The last key ingredient of customer service makes all the difference in the world: attitude, attitude and attitude.

Consider evaluating what is and is not working, how to improve it and when to move forward. Remember, someone appreciates the hard work.



# ED pushes FA administrators to use professional judgment with students

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For instance, professional judgment cannot be used to change an ineligible noncitizen to an eligible status. Nor can an aid administrator include post-enrollment expenses in the student's COA. For example, professional licensing exam fees are not allowable costs.

## **What if professional judgment decisions are not reasonable?**

The *2008–2009 Federal Student Aid Handbook* stated, "Occasionally aid administrators have made decisions contrary to the professional judgment provision's intent." These unreasonable judgments have included, for example, the reduction of EFCs based on recurring costs such as vacation expenses, tithing expenses, and standard living expenses (related to utilities, credit card expenses, allowances and the like). Aid administrators must make "reasonable decisions that support the intent of the provision. A school is held accountable for all professional judgment decisions and for fully documenting each decision." It is important to be aware of everything that may impact a professional judgment decision at the school.

When considering information for a professional judgment decision, aid administrators should keep in mind that an income protection allowance (IPA) is included in the EFC calculation to account for modest living expenses. Before adjusting for any unusual expenses, consider whether it is already covered by the IPA. For example,



Courtesy of [www.squidoo.com](http://www.squidoo.com)

assume approximately 30 percent of the IPA is for food, 22 percent for housing, nine percent for transportation expenses, 16 percent for clothing and personal care, 11 percent for medical care, and 12 percent for other family consumption. Chapter 3 of the *2008–2009 Federal Student Aid Handbook*, available at: <http://www.ifap.ed.gov> contains the IPA tables. **If it is a professional judgment case, use the new EFC for all types of federal aid.** If a professional judgment is used to adjust a data element, the resulting EFC must be used consistently for all Federal Student Aid funds awarded to that student. For example, if for awarding the student's Pell grant a data element is adjusted that affects the EFC, that new EFC must also be used to determine the student's eligibility for aid from the campus-based and Stafford loan programs.

*Hot Topics*, the financial aid newsletter, is produced and distributed by the Institute for Professional Development (IPD), a higher education development and management corporation that assists private colleges and universities in developing unique, adult-oriented degree programs. IPD is a member of the Consortium for the Advancement of Adult Higher Education (CAAHE<sup>SM</sup>).

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For archived issues of *Hot Topics* and to learn more about CAAHE, please visit the CAAHE Web site: [www.caahe.org](http://www.caahe.org).