

Hot Topics

Financial Aid News

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ED announces changes to student aid

By Dawn Davison

July 1, several changes occurred to the student aid programs. Those changes include modifications to grants, loans and military benefits.

Grant Programs

First, effective for the 2009-2010 award year, the Pell grant maximum will increase to \$5,350. This is an increase of more than \$600 from the 2008-2009 award year. In addition to increasing the maximum Pell award, the Higher Education Opportunity Act (HEOA) eliminated the \$400-minimum award and set a new minimum award at 10 percent of the appropriated maximum award set each year. For the 2009-2010 school year, 10 percent of the appropriated maximum is \$486.

However, the College Cost Reduction and Access Act of 2007 added \$490 to all full-time awards, so the minimum Pell award for a full-time student for 2009-2010 will be \$976. Second, and probably one of the biggest changes to the Federal Pell Grant Program, is the year-round Pell grant. Students became eligible to receive Pell grants year round on July 1. It is important to note that the U.S. Department of Education (ED) is still drafting regulations on how to implement this new benefit for students. Watch for further information on this change.

Third is a change that relates to sex offenders. The HEOA states that a student who is subject to an involuntary civil commitment after completing a period of incarceration for a forcible or nonforcible sexual offense is ineligible to receive a Pell grant.

Fourth, a student whose parent or guardian was a member of the Armed Forces and died as a result of performing military service in Iraq or Afghanistan after Sept. 11, 2001, will now be eligible for the maximum Pell award. The student must have been under the age of

24 or enrolled in a college at the time of the parent or guardian's death. The student will be eligible for the maximum Federal Pell Grant Program award for the period during which the student is otherwise eligible to receive a Pell grant.

Finally, there is a change to the Academic Competitiveness Grant and the National Science and Mathematics Access to Retain Talent Grant. Eligibility for these grant programs will be expanded to include eligible non-U.S. citizens and students attending at least halftime. Furthermore, awards will now be based on grade level and not academic progress.

Loan Programs

Effective July 1, the interest rates on subsidized federal student loans for undergraduates will decrease from 6 to 5.6 percent. The maximum upfront borrower origination fees on Stafford loans will be lowered from 1 to 0.5 percent. This will apply to loans with initial disbursements between July 1, 2009, and June 30, 2010.

Also effective July 1 is the new Income-Based Repayment (IBR) Program. This program caps borrowers' monthly loan payments at 15 percent of their discretionary income. Any current or future borrower whose loan payment exceeds 15 percent of his or her discretionary income is eligible. After 25 years in the program, borrowers' debts will be completely forgiven. The IBR will cover all federal loans – both Direct and Federal Family Education Loan Program (FFELP) – made to students, including Stafford, Graduate/Professional PLUS and federal consolidation loans, but not those made to parents (PLUS loans). Perkins loans are also eligible if a borrower consolidates them into a Federal Family Education Loan (FFEL) or Direct Loan.

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Modifications affect student aid programs

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Finally, on July 1 the current 20/220 debt-to-income ratio pathway for borrowers to qualify for an economic hardship deferment in the FFEL and Direct Loan programs ended. ED officials believe this program does not need to be extended because the IBR program will provide relief for students.

Military Benefits

H.R. 1777 was passed by the U.S. House and Senate on July 23 and is expected to be signed by President Obama. This will allow financial aid offices to begin excluding all veteran education benefits from estimated financial assistance beginning July 1 and will ensure that benefits provided by the new Post-9/11 GI Bill do not reduce veterans' eligibility for additional aid.

Second is the Post-9/11 GI Bill. It is for students who served for at least 90 days on or after Sept. 11, 2001. This program became effective July 1 and will pay an eligible student's

tuition and fees (not to exceed the maximum in-state tuition and fees at a public institution of higher learning), monthly housing allowance based on the Basic Allowance for Housing for an E-5 with dependents at the location of the school, annual books and supplies stipend of \$1,000 (paid based on enrollment), and one-time rural benefit payment.

Finally, about 700 institutions have elected to participate in the Yellow Ribbon Program, which is a matching



Courtesy of www.photobucket.com

program with the U.S. Department of Veterans Affairs. This program was developed to help fund some or all of the difference between actual tuition and fees and the basic tuition and fees benefit.

Letters cause confusion about private lenders

By Dawn Davison

Lately, IPD employees have been receiving some questions regarding letters institutions have received from their lenders. Therefore, we want to remind you of the Ensuring Continued Access to Student Loans Act (ECASLA) that was passed by Congress in May 2008. This law gives the U.S. Department of Education (ED) temporary authority to purchase federally backed student loans made by private lenders. To date, ED has created four separate loan purchase arrangements under ECASLA. The purchase arrangements are the "put" option, a short-term purchase program, a financing arrangement, and an asset-backed commercial paper support program.

In order to be eligible for some of these loan purchase programs, lenders must have made the loans prior to July 1 and institutions must disburse the loans prior to Sept. 30. Therefore, some lenders are requiring institutions to disburse loans in order to sell those loans to ED. This requirement will affect those second disbursements that you are not eligible to disburse due to students not being eligible to receive them. Also, some institutions are canceling second disbursements and certifying new loans in order to ensure funds are available for students when



Courtesy of www.imoneybuzz.com

they are eligible to receive them. For further information on this topic, click on the following link: http://www.newamerica.net/files/ECASLA_June_2009_Update.pdf.

Updates to Web site enhances FAFSA process

By Pamela Harris

The Web site for the Free Application for Federal Student Financial Aid (FAFSA) will have many new enhancements within the coming year. Some of these enhancements are for 2009-2010 and were implemented between May 1 and Aug. 15, 2009. Those enhancements are the following:

1. The FAFSA Web site address is now www.FAFSA.gov. The address www.fafsa.ed.gov is still valid, but the new one will likely help decrease the number of students accessing non-government Web sites and having to pay a fee.
2. There will be more detailed information on the confirmation page and Student Aid Report, including the possible amount for a Pell grant, indication of loan eligibility, a link to the College Navigator and the ability to e-mail the confirmation page.
3. As of August 2009, retention, graduation and transfer rates can accessed on the FAFSA Web site. Entering the school code will show the rates for that institution and also display the information on the Web confirmation page.
4. The new Web site also contains enhanced skip logic where there is selective service registration only offered to students who are male and younger than 26. In addition, this enhancement simplifies the process for independent students 24 years old and older and married students.
5. The new Web site will also be able to identify students who are homeless and/or eligible for unsubsidized loans only.

The following are improvements for the 2010-2011 FAFSA, with implementation planned for Jan. 1, 2010:

1. Expanded student marital status to four options to facilitate the pending implementation of the Internal Revenue Service (IRS) Data share process. The IRS data share will be implemented in January 2010 as a pilot, with full implementation in the summer of 2010. Participation is voluntary and there will be a flag on the Institutional Student Information Report (ISIR) indicating whether income is from IRS or self-reported.

The screenshot shows the FAFSA website interface. At the top, there is a navigation menu with links: FAFSA Home, Student Aid on the Web, Application Deadlines, PIN Site, Help, Contact Us, FAQs, Site Map, and About Us. The main content area is titled "Federal Student Aid FAFSA" and includes a sub-header "Free Application for Federal Student Aid". Below this, there are three numbered sections: 1. Before Beginning a FAFSA, 2. Filling Out a FAFSA, and 3. FAFSA Follow-Up. Each section contains a brief description and a list of links. A sidebar on the left contains a "Special Announcements" section with a link to "Updated information available for the new TEACH grant" and a "Looking for an early start on the financial aid process" section with a link to "Link to FAFSA4caster".

Courtesy of Kristina Carlberg

2. Removed veteran's benefits questions because they are no longer required per the Higher Educational Opportunity Act (HEOA).
3. Added text explaining that the value of military housing or housing allowance should not be included as untaxed income.
4. Added a question about earnings from work under a cooperative education program at an institution of higher education to be excluded from income.

The U.S. Department of Defense (DOD) matches for students whose parent(s) or guardian(s) died in military service in Iraq or Afghanistan after Sept. 11, 2001. Until this match is in place, students will need to self-report this information to institutions.

These are just some of the highlights of the changes. More information can be obtained at www.ifap.ed.gov and the www.nasfaa.org. A user ID and password are required to access the National Association of Student Financial Aid Administration (NASFAA) Web site.

ED adds new provisions to institutions' PPA

By Pamela Harris

Those individuals who have read the *Dear Colleague Letter GEN 08-12* that was issued recently or the first two volumes of the new *2009-2010 Student Aid Handbook* are aware of the many changes occurring in financial aid, which seem to be the norm. One of the changes was additions to the PPA for institutions. These additions can be found in volume 2, chapter 3 of the handbook on pages 2–41. Below is a summary of those changes.

1. Preferred Lender List: Institutions with preferred lender arrangements must compile and make available lists of the lenders that they promote and recommend.
2. Code of Conduct: Institutions that participate in the Federal Student Aid loan programs must develop and enforce codes of conduct.
3. Copyright Protection: Institutions must certify that they have developed plans to effectively combat the unauthorized distribution of copyrighted material and will, to the extent practicable, offer alternatives to illegal

downloading or peer-to-peer distribution of intellectual property.

4. Private Education Loan Certification: Upon request from a student or parent who is applying for a private education loan, a school must provide the disclosure form required under the Truth in Lending Act and the information needed to complete the form.
5. Disciplinary Proceedings: Institutions are required to disclose, upon request, the results of disciplinary hearings to the victims of crimes of violence or sex offences.
6. 90/10 Rule: The 90/10 rule for propriety institutions has been moved to the PPA.

All these provisions, except the disciplinary proceedings, were effective on Aug. 14, 2008. To read more information about these provisions and how financial aid is effected by these changes, please reference a copy of the *2009-2010 Student Aid Handbook* or the *GEN 08-12* at <http://www.ifap.ed.gov/dpclatters/attachments/GEN0812FP0810AttachHEOADCL.pdf>.

Congress considers overhauling loan programs

By Dawn Davison

Over the last several months, the U.S. House of Representatives has been working behind the scenes to maneuver changes in the student loan programs. No one has seen any draft language yet, but the U.S. Department of Education should have seen markups to current legislation some time between June 24 and July 9. Initial rumors indicate the committee is proceeding with President Obama's plan to eliminate the Federal Family Education Loan Program and shift entirely to the Direct Loan program. However, the committee does not seem to agree with President Obama's plan to use the savings for Pell grant entitlement. Instead, some people believe the committee will use a portion of the savings to lower interest rates and another portion will be used for the mandatory Pell funding. Be sure to watch for further information about any changes to the student loan programs.



Courtesy of www.businesspundit.com

For additional information about these plans, read "Congress proposes overhaul of federal student loan and grant programs" on www.fastweb.com.

NASFAA conference highlights new GI bill

By Teresa Corno

The 2009 National Association of Student Aid Administration (NASFAA) Conference was held in San Antonio, Texas July 12-15. The weather was more than 100 degrees every day and there were plenty of hot topics to match the weather. Most sessions presented by the U.S. Department of Education and U.S. Department of Veterans Affairs (VA) were completely full.

The Post-9/11 GI Bill was one of the most popular sessions. The Microsoft PowerPoint presentation was 159 slides. Luckily the VA presenter, Lynn Nelson, was a good speaker. She kept it interesting and limited the presentation to the highlights. This PowerPoint, like all the presentations, are available for download at <http://www.nasfaa.org/SubHomes/AnnualConference2009/handouts.html>.

The new GI Bill is effective August 2009. It is based on a student's service in the military after Sept. 10, 2001.

Not all service members will be eligible for the new GI Bill and it will also depend on their years of service. Review the NASFAA Conference Chart for more information.

Service men and women eligible for multiple benefit types will have to choose which benefit they want to utilize. If they are eligible for more than one benefit type they will have to relinquish just one. Financial aid administrators should advise veterans and active duty military to check with their benefits liaison before making their selection. Once they have selected their benefit and it has been filed with the VA their choice is irrevocable. For National Guard servicemen and women their eligibility in the new program will depend on how they were called to service. Per an article in the "Stars and Stripes," if the National Guard serviceman/woman was called up under Title 32, responding to domestic emergencies or to homeland security missions, or serving full time under the Active Guard and Reserve program their service will not be counted. This appears to have been an oversight in the bill and many feel it would be corrected next year.

So how does this work? The level of benefit and the state the student attends school in will determine their level of benefit for tuition and fees. There is a table on the VA's Web site that identifies the maximum tuition rate and fees for each state's in-state schools. This is how much the VA will pay for a veteran or active duty member of the armed forces. It would then be multiplied by the student's level of participation.

In addition to tuition and fees, there is a monthly housing allowance. Active duty military do not qualify for this benefit. To calculate the benefit an individual would receive, use "a monthly payment equivalent to the military Basic Allowance for Housing for a service member in pay grade E-5 with dependents" multiplied by the individual's participation level.

Service Requirements (After Sept. 11, 2001, an individual must serve an aggregate of the following.)	% of Maximum Benefit Payable
At least 36 months	100
At least 30 continuous days on active duty (Must be discharged due to service-connected disability.)	100
At least 30 months, but less than 36 months ¹	90
At least 24 months, but less than 30 months ¹	80 ³
At least 18 months, but less than 24 months ¹	70 ³
At least 12 months, but less than 18 months ²	60
At least 6 months, but less than 12 months ²	50
At least 90 days, but less than 6 months ²	40
¹ Includes entry level and skill training.	
² Excludes entry level and skill training.	
³ If the service requirements are met at both the 80 and 70 percentage level, the maximum percentage of 70 must be applied to amounts payable.	

Courtesy of Teresa Corno

This chart was presented at the 2009 NASFAA Conference. The numbers indicate the service requirements of the new GI Bill.

To be eligible for the monthly housing allowance, individuals must be: Pursuing training at a rate of more than 50 percent; enrolled in at least 1 in-residence course. Based on the school's zip code: Primary institution if concurrently enrolled, in-residence institution if program pursued online. Note: In-residence training is defined in 38 CFR 21.4267(d) and (e) a stipend for books is available for veterans. Per slide 63, up to \$1,000 per academic year, \$41.67 per credit hour, up to 24 credit hours in a single academic year, lump sum payment (each quarter, semester or term attended) paid directly to the individual and prorated based on benefit level, if the enrollment begins before Aug. 1, 2009, it is not reduced based on a partial enrollment period, and active duty members are not eligible.

By now everyone should be familiar with the Yellow Ribbon Program. The application deadline was June 15 and many of the Consortium for the Advancement of Adult Higher Education (CAAHE) schools have elected to participate at various levels. Visit the following Web site to read about 16 of the CAAHE schools that participated:

http://www.gibill.va.gov/GI_Bill_Info/CH33/Tuition_and_fees.htm. It is important to remember that this is a matching program. Schools with tuition greater than their state's highest rate as posted on the above Web site will determine the students' unmet portion. The VA will pay the lesser, Yellow Ribbon certified amount; the difference between the amount certified; and 50 percent of the individual's unmet tuition and fees.

The NASFAA presentation provides a step-by-step guide to the reporting procedures and even how to complete the application. It will be interesting to track how this effects our enrollments during the coming year. NASFAA recommends individuals visit the Web site for a complete review of the presentation: <http://www.nasfaa.org/SubHomes/AnnualConference2009/handouts.html>.



Did you know...

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Thank you to everyone who contributed to the July issue of *Hot Topics*. For those individuals interested in submitting articles, please contact Teresa Corno at teresa.corno@apollogrp.edu.

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

Yellow Ribbon Program

All veterans' education benefits are excluded from the institution's calculation of the EFA; the U.S. Department of Education has clarified that this policy includes the funds that the school uses to match the funds paid by the Veterans Administration under the Yellow Ribbon Program. All funds, regardless of the source, that are applied under the Yellow Ribbon Program provisions are excluded from EFA.

Transfer Credits

If a student transfers to an institution that does not accept any credits from other institutions, but there is an overlapping loan period, the current financial aid administrator is required to certify a loan for an entire academic year or the remaining balance of the program if it is less than an academic year. If the student decides to transfer credits, then the financial aid administrator would count those credits taken at the prior institution when certifying or originating a loan for the remaining portion of the academic year or program. Financial aid administrators must determine the new payment periods for that reduced loan period.

Financial Aid Administrators' Job Satisfaction Survey

The National Association of Student Financial Aid Administration (NASFAA) completed the 2008 Financial Aid Administrators' Job Satisfaction Survey. The results were presented at this year's NASFAA conference. Some of the highlights include 98 percent of respondents consider their work important to their students and institutions, 96 percent said they are proud of their job in financial aid, 86 percent report high personal satisfaction from their roles as financial aid administrators and 63 percent said their budgets are not adequate for providing needed services to their students. To learn about the 2008 NASFAA conference and review the survey results and the actual survey, visit the NASFAA Web site at <http://www.nasfaa.org/publications/2009/cthandouts070109.html>. The survey results contain pertinent information for financial aid administrators to read.



Courtesy of www.veteransbenefitsgibill.com

The U.S. Department of Veterans Affairs released a list of institutions that are participating in the Yellow Ribbon Program in July 2009. To see the list, visit http://www.gibill.va.gov/GI_Bill_Info/CH33/YRP/YRP_List.htm.

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