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Federal Update




1

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Today's Update


- *Deficit Reduction Act*
- *Higher Education Act*
- *FY07 Budget*



2

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Deficit Reduction Act




3

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Student Loan Savings

FY06 – FY10

| | <u>In Billions</u> |
|--|--------------------|
| Increase and rebate borrower-paid interest | \$14.3 |
| Reduce mandatory administrative funds | \$ 2.2 |
| Eliminate "9.5%" loans | \$ 1.8 |
| Require Federal Default Fees | \$ 1.5 |
| Reduce lender insurance | \$ 0.5 |
| Total | \$20.3 |




4

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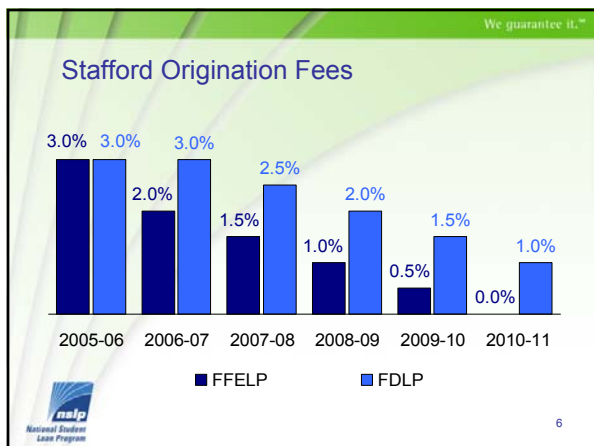
Student Aid Spending Increases

FY06 – FY10

| | <u>In Billions</u> |
|-------------------------|--------------------|
| Reduce origination fees | \$4.0 |
| New grant programs | \$3.7 |
| Increase loan limits | \$1.5 |
| Other | \$0.1 |
| Total | \$9.3 |




5



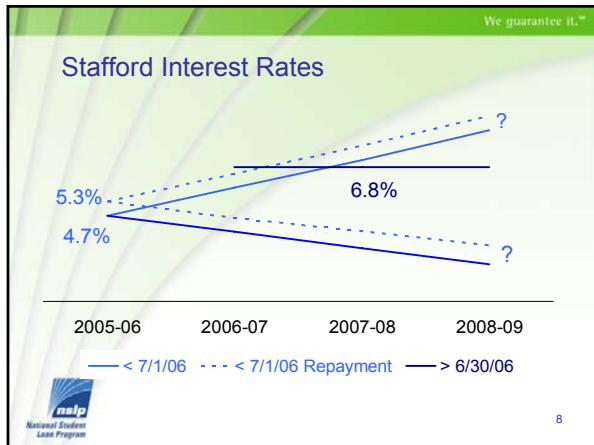
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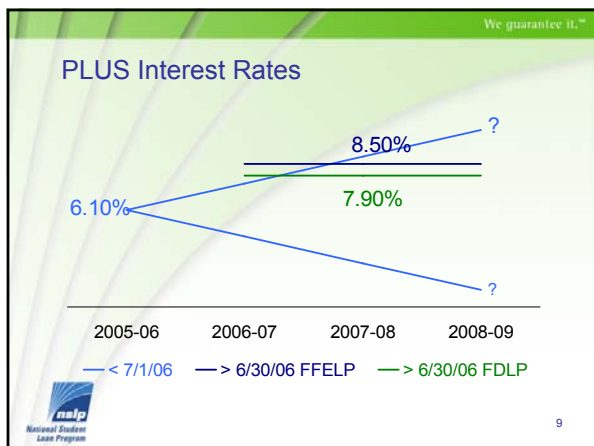
FFELP Federal Default Fee

- first disbursement < 7/1/06 guarantor:
 - may charge guarantee fee $\leq 1\%$
- first disbursement > 6/30/06 guarantor:
 - must deposit 1% Federal Default Fee in Federal Fund
 - must collect Federal Default Fee from:
 - loan proceeds, or
 - other non-federal sources

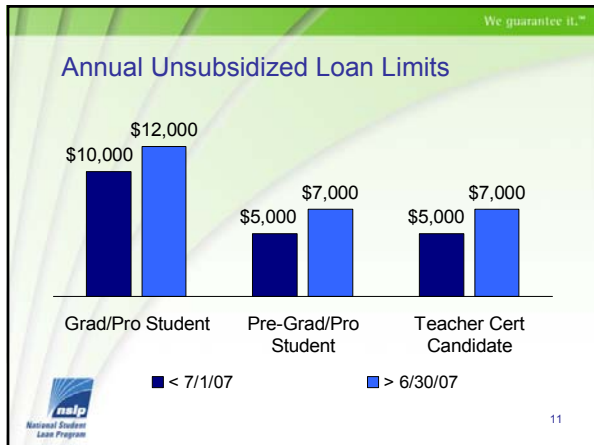


7









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Graduate/Professional Student PLUS

- loan certified > 6/30/06
- student completed FAFSA
- student maximized subsidized/unsubsidized Stafford loans
- otherwise, same terms and conditions as parent PLUS


National Student Loan Program

12

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Consolidation Loans > 6/30/06

- unchanged:
 - fixed weighted-average interest rate
- limited:
 - FFELP/FDLP reconsolidation
- repealed:
 - in-school and spousal consolidation




13

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Military Deferment > 6/30/06

- loans first disbursed > 6/30/01
- ≤ 3 years
- on active duty or qualified National Guard duty for:
 - war
 - national emergency
 - other military operation




14

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Pending ED Guidance



- MPN addenda
- MPN for graduate/professional student PLUS
- loan-related changes:
 - distance education
 - academic year definition
 - need analysis
 - dependency status
 - etc.



15

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Questions



16

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Higher Education Act Reauthorization




17

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Higher Education Extension Act of 2006

- HR 4911
- extends *Higher Education Act* through 6/30/06
- key events:
 - 3/14/06 passed House
 - 3/28/06 passed Senate
 - 4/01/06 signed into law by President




18

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College Access and Opportunity Act of 2006

- HR 609
- key events:
 - 3/30/06 passed House
- still to come:
 - Senate reauthorization bill
 - House/Senate conference committee
 - signed into law by President




19

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Perkins/Stafford Loan Forgiveness

- \$5,000 forgiveness
- no default
- ≥ 5 complete consecutive years in area of national need




20

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Perkins/Stafford Loan Forgiveness

- areas of national need:
 - early childhood/bilingual educators
 - foreign language specialists/speech language pathologists
 - first responders and nurses
 - medical specialists
 - child welfare workers
 - librarians
 - qualified public employees




21

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Consolidation Loans



- single holder rule repealed > 6/30/06
- consolidating lender must notify borrower of:
 - impact on interest paid, repayment length, eligibility for loan benefits
 - right to prepayment, accelerated payment, change repayment plan
 - varying borrower benefits among lenders
 - tax benefits
 - consequences of default
 - consolidation application ≠ obligation to consolidate



22

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Questions



23

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FY07 Budget




24

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Where Are We?

- key events:
 - 2/06/06 President proposes FY07 budget
 - 3/16/06 Senate passes FY07 budget
 - 4/06/06 House stalls on FY07 budget




25

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Where Are We?

- still to come:
 - House must pass FY07 budget
 - House/Senate must reconcile FY07 budget
 - House/Senate must pass FY07 appropriations bills
 - House/Senate must reconcile FY07 appropriations bill
 - President must sign FY07 appropriations bill



26

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FFELP and Direct Loans

- President proposed no changes

| | New Loans Available In Billions | |
|--------------|------------------------------------|-------------|
| | <u>FY06</u> | <u>FY07</u> |
| FFELP | \$46.7 | \$50.9 |
| Direct Loans | \$13.9 | \$15.2 |



27

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Discretionary Title IV Programs

In Billions

| | Appropriation | | Maximum Grant | |
|------------|---------------|-----------|---------------|---------|
| | FY06 | FY07 | FY06 | FY07 |
| Pell Grant | \$13,045 | \$12,739* | \$4,050 | \$4,050 |

* Assumes \$273 million carry-over from FY06 appropriation.




28

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Discretionary Title IV Programs

In Billions

| | Appropriation | | Maximum Grant | |
|-----------------|---------------|-------|---------------|---------|
| | FY06 | FY07 | FY06 | FY07 |
| AC/SMART Grants | \$790 | \$850 | \$790 | \$850 |
| SEOG | \$771 | \$771 | \$976 | \$976 |
| Work Study | \$980 | \$980 | \$1,172 | \$1,172 |
| LEAP/SLEAP | \$65 | --- | \$165 | --- |




29

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Perkins Loans

- recall federal portion of institutional revolving funds (\$664 million)



| Appropriation In Millions | | Aid Available In Millions | |
|------------------------------|------|------------------------------|-------|
| FY06 | FY07 | FY06 | FY07 |
| \$65.5 | \$0 | \$1,135 | \$133 |



30

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Questions




31

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More Information

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32
