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ED's New FFELP and FFELP-Related Regulations



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Today's presentation

- Review November 1:
 - FFELP regulations
 - preferred lender lists
 - inducement activities
 - other provisions
 - general provision regulations
 - FFELP-related provisions



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FFELP Regulations

Changes must take effect July 1, 2008

Changes marked for early implementation may take effect on/after November 1, 2007



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Preferred lender lists

These regulations govern the actions of . . .

Schools



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Preferred lender lists

Current rules:

- None

Changes:

- School's list must:
 - include minimum of three unaffiliated lenders
 - exclude lenders that offered financial benefits to school
 - be updated at least annually



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Preferred lender lists

Changes:

- Definition of **affiliated lenders**:
 - owned or controlled by same entity/individual
 - wholly- or partially-owned subsidiaries of same parent company
 - directors/trustees/partners of one lender constitute majority of other lender's directors/trustees/partners




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Preferred lender lists

Changes:



- School may not assign lender
- School must disclose:
 - method and criteria used to select lenders
 - comparative interest rate and other loan information
 - students not required to use listed lenders
 - school may not delay certification for lender not on list



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Questions




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Inducement activities

These regulations govern the actions of . .

Lenders and Guarantors




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Inducement activities

Current rules:

- In general:
 - to secure FFELP applications and loans, lenders and guarantors may not directly or indirectly offer points, premiums, payments or other inducements to:
 - schools
 - other parties




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Inducement activities

Changes:

- In general, new regulations:
 - expand list of prohibited inducement activities to include offering “other benefits”
 - expand list of parties to whom prohibited inducement activities may not be targeted to include:
 - prospective borrowers
 - student sales representatives
 - “school-affiliated organizations”
 - contain non-exhaustive list of prohibited activities; exhaustive list of permitted activities




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Inducement activities

Changes:

- Definition of **loan applications**
 - FAFSA, FFELP MPN, FFELP consolidation application and promissory note




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Inducement activities

Changes:

- Definition of **other benefits**
 - include but are not limited to:
 - preferential rates for/access to:
 - other financial products (lenders)
 - products and services (guarantors)
 - computer hardware/non-loan, non-financial aid software at below market rate
 - printing and distributing college catalogs and
 - other materials at reduced or no cost (lenders)
 - other non-counseling or non-student financial aid-related materials (guarantors)



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Inducement activities

Activity	Lender	Guarantor
Student Sales Representatives. Payments/other benefits to student representatives for FFELP applications from prospective borrowers	Prohibited	Prohibited
Additional Costs and Denied Benefits. Adding costs/denying benefits to school not participating with guarantor, not providing specified applications/loan volume, not placing guarantor's lenders on preferred lender list	Not Applicable	Prohibited
Advisory Boards:		
• Soliciting school/school-affiliated organization employees to serve	Prohibited	Permitted
• Paying costs incurred by school/school-affiliated organization employees to serve	Prohibited	Permitted

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Inducement activities

Changes:

- Definition of **school affiliated organizations:**
 - organizations directly or indirectly related to school
 - include but not limited to
 - alumni organizations
 - foundations
 - athletic organizations
 - social, academic, professional organizations



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Inducement activities

Activity	Lender	Guarantor
Assistance Comparable to Direct Loans. Assistance comparable ED assistance under Direct Loan program as identified in <i>Federal Register</i> notices	Permitted	Permitted
Conferences, Meetings, Training:		
<ul style="list-style-type: none"> Meals/refreshments/receptions that are reasonable in cost/scheduled in conjunction with training, meeting, or conference events provided they are open to all attendees 	Permitted	Permitted
<ul style="list-style-type: none"> Paying registration/transportation/lodging costs for school/school-affiliated organization employees 	Prohibited	Prohibited
Data Transmission Services. Free electronic data transmissions for submitting loan processing information/student status confirmation data	Permitted	Permitted

Inducement activities

Activity	Lender	Guarantor
Entertainment. Private hospitality suites, tickets, meals, alcoholic beverages, and lodging, rental, transportation, and other gratuities school and school-affiliated organization employees	Prohibited	Prohibited
Entrance and Exit Counseling. Support of/participating in in-person school-required entrance/exit counseling	Prohibited	Prohibited
Generalized Marketing or Advertising. Items of nominal value provided they are offered for generalized marketing/advertising or to create good will	Permitted	Permitted
Governing Board Expenses. Travel/lodging expenses that are reasonable in cost/ location/duration for school employees on governing boards	Prohibited	Permitted

Inducement activities

Activity	Lender	Guarantor
Guarantor Training:		
<ul style="list-style-type: none"> Meals/refreshments that are reasonable in cost and provided with guarantor training in workshops/forums guarantors customarily use to fulfill their HEA responsibilities 	Not Applicable	Permitted
<ul style="list-style-type: none"> Travel/lodging expenses that are reasonable in cost/ location/duration for school employees to attend guarantor training/service facility tours they would otherwise not be able to attend 	Prohibited	Permitted
Interest and Fee Reductions:		
<ul style="list-style-type: none"> Reducing interest rates 	Permitted	Not Addressed
<ul style="list-style-type: none"> Reducing federal origination fees 	Permitted	Not Addressed
<ul style="list-style-type: none"> Paying federal default fees 	Permitted	Permitted

Inducement activities

Activity	Lender	Guarantor
Loan Forgiveness Programs. Loan forgiveness for public service/other targeted purposes approved by ED, provided programs are not marketed to secure FFELP applications/guarantees	Permitted	Permitted
Other ED-Approved Services. Other services approved by ED in <i>Federal Register</i>	Permitted	Permitted
Philanthropic Activities. Scholarships/grants/restricted gifts/financial contributions in exchange for FFELP applications/ referrals/specified loan volume/placement on preferred lender lists	Prohibited	Prohibited
Repayment Incentive Programs. Repayment incentives requiring at least one scheduled payment to receive/ retain benefits	Permitted	Not Addressed

Inducement activities

Activity	Lender	Guarantor
Staffing Services. Staffing services on more than short-term/ emergency/ non-recurring basis to assist with financial aid-related functions -- except when provided to foreign schools at ED's direction	Prohibited	Prohibited
Student Aid/financial Literacy-Related Outreach: <ul style="list-style-type: none"> Lender/guarantor that developed/paid for materials used must be identified to participants Lender/guarantor may not promote its student loan/ other products -- except guarantor may promote benefits under other federal/state programs it runs 	Permitted	Permitted
Telephone Numbers. Toll-free telephone numbers to obtain information about FFELP loans	Permitted	Permitted

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Inducement activities



Changes:

- Definition of **emergency basis**:
 - state- or federally-declared natural disaster
 - other localized disasters or emergencies identified by ED



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Questions



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Maximum loan period

Current rules:

- Loan period may not exceed 12 months

Changes (early implementation allowed):

- Eliminates maximum 12-month loan period



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Graduate PLUS loans

Current rules:

- None

Changes (early implementation allowed):

- School must determine student's Stafford loan eligibility before certifying PLUS




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Graduate PLUS loans

Changes (early implementation allowed):

- Before certifying PLUS for student that did not apply for maximum Stafford loan eligibility, school must:
 - notify student of maximum Stafford loan eligibility
 - provide student with comparison of PLUS and Stafford loan
 - interest rates
 - terms, conditions
 - give student chance to request maximum Stafford loan



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Entrance counseling

Current rules:

- Not required for graduate or professional student PLUS borrower

Changes (early implementation allowed):

- Required for graduate or professional student borrowing first PLUS




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Student PLUS entrance counseling

Changes (early implementation allowed):

- All student PLUS entrance counseling must explain:
 - sample monthly payment amount
 - based on PLUS
 - also based on Stafford if student is also Stafford borrower at that school




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Student PLUS entrance counseling

Changes (early implementation allowed):

- If student has prior Stafford loan, student PLUS entrance counseling must explain:
 - maximum interest rates on Stafford and PLUS loans
 - periods when interest accrues on Stafford and PLUS loans
 - points at which Stafford and PLUS loans enter repayment




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Student PLUS entrance counseling

Changes (early implementation allowed):

- If student has no prior Stafford loan, student PLUS entrance counseling must explain:
 - MPN
 - seriousness of repayment obligation
 - likely consequences of default
 - student must repay even if:
 - does not complete program
 - unable to obtain employment
 - otherwise dissatisfied with educational services



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Exit counseling

Current rules:

- None

Changes (early implementation allowed):


- If Stafford borrower also received PLUS loan, school must provide average anticipated monthly repayment amount information based on combination of different loan types borrower received




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Questions



 National Student Loan Program


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General Provision Regulations

Changes must take effect July 1, 2008

All changes may take effect on/after November 1, 2007

 National Student Loan Program

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Definitions: undergraduate student

Current rules:

- Student enrolled in program at or below baccalaureate level that:
 - usually does not exceed four academic years
 - or is up to five academic years
 - is designed to lead to a degree or certificate at or below the baccalaureate level

 National Student Loan Program


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Definitions: undergraduate student

Changes (early implementation allowed):

- Refer to years instead of academic years
- Dual degree programs leading to undergraduate and graduate/professional degree
 - student is undergraduate during at least first three years
- Programs longer than four to five years
 - student is undergraduate during first four years only



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Definitions: professional degree

Current rules:

- None

Changes (early implementation allowed):

- signifies completion of academic requirements to begin practice
- professional skill level beyond bachelor's degree
- license generally required
- examples:
 - M.D., D.D.S., Pharm.D., L.L.B., J.D., D.C., D.C.M., O.D., etc.



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Definitions: full-time student

Current rules:

- Student is full-time in credit hour program using non-standard terms if program requires 24 semester or 36 quarter hours per term

Changes (early implementation allowed):



- Minimum credits undergraduate must carry to be full-time must equal or exceed $(T \div Y) \times C$
 - T = weeks of instructional time in term
 - Y = weeks of instructional time in academic year
 - C = number credit hours in academic year



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Questions




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Minimum period for certifying loans

These regulations govern the actions of . .

- Schools with:
 - non-standard term programs
 - non-term programs
 - clock hour programs




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Minimum period for certifying loans

Current rules:

- Credit hour programs with standard terms (semesters, trimesters, quarters)
 - may certify for single term
- Credit hour programs without standard terms and clock hour programs
 - may certify for lesser of academic year or length of program




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Minimum period for certifying loans

Changes (early implementation allowed):

- Terms substantially equal in length and no term less than nine weeks
 - may certify for single term
- Credit hour programs without standard terms or clock hour programs
 - may certify for lesser of academic year, length of program or remaining portion of program if:
 - terms not substantially equal in length
 - but no terms less than nine weeks




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Minimum period for certifying loans

Changes (early implementation allowed):

- Definition of **terms substantially equal in length**
 - no term in loan period more than two weeks of instructional time longer than any other term in loan period




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Minimum period for certifying loans

Changes (overlapping loan periods) (early implementation allowed):

- If prior school certified loan for period that overlaps new school's loan period, new school may:
 - certify for remaining portion of transfer student's program or academic year
 - not certify in excess of student's remaining annual loan limit




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Minimum period for certifying loans

*Changes (student begins new program)
(early implementation allowed):*

- If student completes program and immediately begins new program at same school, school may:
 - certify for remaining portion of transfer student's program or academic year
 - not certify in excess of student's remaining annual loan limit



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Annual loan limit progression

Current rules:

- Nothing in regulations

Changes (early implementation allowed):

- Student progresses to next annual loan limit upon completing academic year in calendar time for:
 - standard terms; and
 - nonstandard terms that:
 - are substantially equal in length
 - have at least nine weeks of instructional time




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Annual loan limit progression

- Progression for:
 - non-standard terms not substantially equal/not at least nine weeks
 - non-term credit hour programs
 - clock hour programs
- Student progresses to next annual loan limit upon completing later of:
 - weeks of instructional time in academic year; or
 - date student completes:
 - academic coursework (credit hour programs)
 - clock hour in student's academic year (clock hour programs)



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New program at same school

Current rules:

- Require calculation of new payment periods when student transfers to new program at same school

Changes (early implementation allowed):



- Keep student in same payment period if:
 - student continuously enrolled
 - coursework substantially similar
 - payment periods substantially equal
 - little or no change to charges



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Questions

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Minor prior-year charges

Current rules:

- To apply current award year funds to prior year charges:
 - charges must be less than \$100 (or payment must not prevent student from paying current costs)
 - student must give permission

Changes (early implementation allowed):

- Amount increased to \$200
- Student's permission not required



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Payment periods


- Second disbursement allowed in nonstandard credit hour, non-term credit hour, clock hour programs

Current rules:

- After student completes calendar midpoint or half of coursework in academic year (whichever is later)

Changes (early implementation allowed):

- After student completes **both** half of weeks and half of coursework in academic year



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Affirmative confirmation of MPN loan

Current rules:

- Allows school to secure affirmative (active) confirmation for student borrower by
 - notifying student 30 days before to 30 days after crediting student's account
 - Giving student 14 days to cancel

Changes (early implementation allowed):

- Defines affirmative (active) confirmation as:
 - student providing written confirmation of loan types and amounts student wants before school credits student's account



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Passive confirmation of MPN loan

Current rules:

- School must:
 - notify student 30 days before to 30 days after crediting student's account
 - give student 14 days to cancel

Changes (early implementation allowed):

- School must:
 - notify student 30 days before to seven days after crediting student's account
 - give student 30 days to cancel



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Recovery of unclaimed funds

Current rules:

- School holds Title IV funds in trust for ED, student, lender

Changes (early implementation allowed):

- School's check not cashed
 - return funds to lender within 240 days of initially issuing check
- School's check or EFT undeliverable
 - subsequent attempts to deliver OK within 45 days of return
 - school must return funds to lender within 240 days of initially issuing check or EFT



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Direct payment of Title IV funds

Current rules:

- Direct payment by FFELP check, school check, or EFT (student permission required for EFT)

Changes (early implementation allowed):

- Add stored-value cards and cash payments to direct payment methods
- Permission no longer required for EFT
- Modify rules for direct payment by check and for borrower bank accounts



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Loan funds if student does not attend

Current rules:

- Must be returned according to Title IV cash management requirements

Changes (early implementation allowed):

- Same for loans as other Title IV programs (except FWS)
 - school returns funds disbursed directly to student
 - if school knew student would not attend before disbursing
 - school returns funds retained within 30 days by:
 - EFT to lender with instructions to adjust loan
 - issuing check to lender



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Late disbursement

Current rules:

- School may disburse up to 120 days from date student becomes ineligible
- ED approval required to disburse after 120 days

Changes (early implementation allowed):



- School may disburse up to 180 days from date student becomes ineligible
- Disbursements past 180 days eliminated



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Questions




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Early implementation allowed

- FFELP regulations
 - maximum loan period (slide 23)
 - graduate PLUS Loans (slides 24-25)
 - entrance counseling (slides 26-29)
 - exit counseling (30)
- General provision regulations
 - all (slides 33-55)




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More information

National Student Loan Program
1300 O Street
Lincoln, NE 68508
800-735-8778 www.nslp.org

Policy Department
ext. 6873
askpolicy@nslp.org




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Additional resources

- *Newsbriefs*
– www.nslp.org/newsbref.htm



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