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National Student Loan Program

Higher Education Opportunity Act

2008 Reauthorization
School Issues


Copyright 2009 National Student Loan Program

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Effective date

- August 14, 2008
- Other effective dates are noted

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Dear Colleague Letter (DCL)

- ED issued DCL on January 2
 - 219 pages
 - summarizes the provisions from the HEOA without changing requirements in the law
 - clarifies some trigger events


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Program participation agreement updates

- Voter registration:
 - may now send electronic message to students with voter registration form or website where form may be downloaded
 - message must be exclusively about voter registration
- 90/10 Rule
 - moved to the PPA from Title I rules
 - if school violates rule for one year
 - will not lose eligibility but becomes provisional for two years
 - if violates for two years
 - will lose eligibility for at least two years


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Program participation agreement updates (con't.)

- Code of conduct
 - must publish code of conduct prominently on website
 - all officers, employees and agents must comply
 - at annual event, all officers, employees and agents of school must be informed of provisions of code


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Program participation agreement updates (con't.)


- Disciplinary proceedings
 - effective August 14, 2009
 - must disclose to victim of crime (or victim's family, if victim deceased), results of disciplinary hearing against alleged perpetrator
- Preferred lender lists
 - provide reasons lenders were selected
 - disclose details about terms and conditions of loans offered by preferred lenders

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Program participation agreement updates (con't.)

- Private Education Loan Certification
 - when student applies for a private loan the school must provide:
 - copy of form required under Truth in Lending (TL) act
 - information required to complete the TL form to extent school has information
- Copyrighted material
 - school must develop plans to combat unauthorized distribution of copyrighted material
 - offer alternatives to illegal downloading or peer-to-peer file sharing of intellectual property

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Consumer information

- General information for students must include:
 - plans for improving academic program
 - terms and conditions of FFEL, Direct and Federal Perkins loans
 - policies and sanctions for copyright infringement
 - student body diversity
 - types of graduate and professional programs graduates of school have enrolled

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Consumer information (con't.)

- Information about employment placement for students
- Fire-safety report
- Retention rate of certain students
- Policy regarding vaccinations
- Completion or graduation rates of certain students
 - effective for AY 2011-2012 for two-year, degree granting schools

Consumer information (con't.)

- Campus security and crime statistics
 - agreements with law enforcement for crime investigation
 - expands list of hate crimes
 - immediate emergency response and evacuation procedures
 - including use of electronic and cellular communications
- Procedures must be tested annually

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Consumer information (con't.)

- Transfer of credit
 - policy on accepting credits from other schools
 - credit student earned at another school
 - listing of schools where school has articulation agreement

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Consumer information (con't.)

- Fire safety report
 - annual fire safety report must include statistics:
 - number of fires and causes
 - number of injuries
 - number of deaths
 - value of property damage
 - fire safety procedures
 - policies regarding electronic appliances, smoking and open flames
 - plans for improvement, if needed

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Consumer information (con't.)

- Fire safety report
 - report must be given to ED and made available on campus
 - school must keep log of fire incidents
 - school makes it clear that compliance or non-compliance not admissible in court

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Consumer information (con't.)

- Missing persons procedures:
 - school must establish missing student notification policy for students who live on-campus
 - school must establish notification procedures for such a student
 - must inform students that school must notify parent or guardian within 24 hours of student deemed to be missing

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Consumer information (con't.)

- Penalties for drug violations
 - effect of drug convictions on Title IV eligibility
 - when student enrolls
 - if lose eligibility due to drug conviction
 - notify of penalties
 - suspension for offenses during time when student is recipient of Title IV aid
 - notify student how to gain early reinstatement

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Consumer information (con't.)

- Entrance (initial) counseling
 - prior to disbursement, school must ensure borrower receives comprehensive information about:
 - terms and conditions of loan
 - rights and responsibilities to loan
 - information simple and understandable
 - during in-person entrance counseling
 - on separate form that borrower signs and returns
 - online, with borrower acknowledging receipt

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Consumer information (con't.)

- Entrance counseling additional requirements:
 - effect of accepting loan on other aid
 - use of the MPN
 - how interest accrues and capitalizes
 - option to pay interest on unsub Staffords and grad PLUS loans
 - definition of half-time enrollment at school and consequences of not maintaining half-time enrollment

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Consumer information (con't.)

- Entrance counseling additional requirements:
 - importance of contacting appropriate school office if student withdraws
 - examples of monthly repayment amounts based on range of indebtedness or average cumulative indebtedness of borrowers in same program at same school
 - obligation of borrower to repay full loan even if borrower does not complete program

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Consumer information (con't.)

- Entrance counseling additional requirements
 - likely consequences of default including:
 - adverse credit reports
 - delinquent debt collection procedures
 - litigation
 - information on NSLDS and how student can access records
 - name and contact information of person borrower can contact with questions about rights and responsibilities and terms and conditions of loan

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Consumer information (con't.)

- Exit requirements expanded to include:
 - descriptions of different repayment plans and showing:
 - anticipated monthly payments,
 - difference in interest paid, and
 - total payments for each plan
 - explain that borrower may:
 - prepay loan,
 - pay on a shorter schedule, or
 - change repayment plans

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Consumer information (con't.)

- Exit counseling (continued):
 - debt management strategies
 - general description of loan forgiveness and cancellation
 - information on forbearance and deferments
 - consequences of default to include:
 - delinquent loan collections
 - adverse credit reports
 - litigation

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Consumer information (con't.)

- Exit counseling (continued)
 - effects of loan consolidation, including:
 - total interest and fees paid
 - length of repayment
 - loan benefits
 - underlying loan benefits
 - such as grace, forgiveness, cancellation and deferment
 - option to prepay consolidation loan or change repayment plans

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Consumer information (con't.)

- Exit counseling (continued)
 - information that borrower benefits on consolidation loans can vary from lender to lender
 - general description of potential tax benefits available to borrowers
 - availability of NSLDS and how borrower can access his or her records

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NSLDS

- Must advise students and parents how NSLDS is used
 - loans are submitted to NSLDS
 - loan information is accessible to authorized users at school, lender and guaranty agencies

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Cohort default rate

- Change in calculation
 - percentage of students defaulting before end of second fiscal year following the year in which the student entered repayment
- Transition period
 - current method will continue to be the basis for sanctions until three consecutive years of cohort default rates under the new rules are available

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Cohort default rate (con't.)

- Participation rate index
 - percentage increased to 0.0625
- Effective for fiscal years beginning on or after October 1, 2011
- FY 2009 is the cohort calendar year

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Cohort default rate (con't.)

- Default rate threshold increasing to 30 percent for FY 2012 and beyond
- School with default rate equal to or greater than threshold for two consecutive years may file appeal showing mitigating circumstances
- Effective FY 2012, school with default rate equal to or greater than threshold must submit default prevention plan to ED

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Cohort default rate (con't.)

- Effective October 1, 2011, schools with default rate less than 15 percent may participate in special disbursement rules
- These rules include but may not be limited to:
 - a single disbursement for any period of enrollment that is not more than one semester, one trimester, one quarter, or four months
 - not subject to delay delivery of first disbursement of loan to first-year undergraduate

Questions?



Contact information

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