

Kick-off
to July 1
Changes



New legislation

- H.R. 5715 - "Ensuring Continued Access to Student Loans Act of 2008"
- Signed into law May 7, 2008
- Adds some July 1 implementation items

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Increase undergraduate loan limits

- Annual increase of unsubsidized Stafford
 - \$2,000 per year
- Aggregate increase:
 - dependent
 - \$31,000 (no more than \$23,000 subsidized)
 - independent
- \$57,500 (no more than \$23,000 subsidized)

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Grace period for parent PLUS loans

- Parent must agree
 - first payment due six months after student:
 - graduates
 - drops to less than half-time enrollment
 - interest accrues from first disbursement

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Preferred lender lists

- At least three unaffiliated lenders
- May not include lender that has offered or been solicited to offer inducement
- List must be updated annually

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Preferred lender lists

- School may not assign lender
- School must disclose:
 - method and criteria used to select lenders
 - compare interest rates and other benefits
 - students are not required to use listed lenders
 - school may not deny or delay certification for lender not on list

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Inducement activities

- In general, new regulations:
 - contain non-exhaustive list of prohibited activities; exhaustive list of permitted activities
 - expand list of parties at which prohibited inducement activities may not be targeted to include:
 - prospective borrowers
 - student sales representatives
 - "school-affiliated organizations"

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TEACH grants

- Program begins July 1, 2008
- Student eligibility:
 - 3.25 GPA
 - >75th percentile on admissions test
 - completing teacher preparation courses
- No financial need requirement

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TEACH grants

- Maximums:
 - annual = \$4,000
 - graduate aggregate = \$8,000
 - undergraduate aggregate = \$16,000
- Used for:
 - tuition and fees
 - room and board (school-owned housing)
 - other institutionally-provided goods

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TEACH grants

- Service requirements
 - for four years within eight years of completing coursework, must:
 - be full-time teacher
 - teach in Title I school
 - teach in school with >30 percent students qualifying for Title I services

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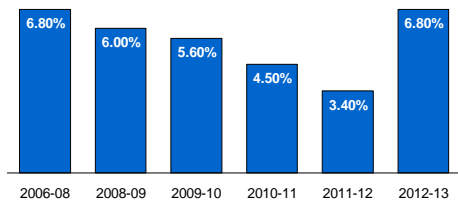
TEACH grant

- If service requirements not met
 - grant converted to unsubsidized Direct loan:
 - interest accrues from grant disbursement date
 - ED to develop regulations for grant to loan conversion

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Interest rates

Undergraduate Subsidized Stafford Loans
Life of Loan Interest Rates on Loans Made
July 1 - June 30



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Graduate PLUS loans

- School must determine student's Stafford loan eligibility before certifying PLUS
- Before certifying PLUS for a student that did not apply for Stafford, the school must:
 - notify student of maximum Stafford loan eligibility
 - provide student with comparison of PLUS and Stafford loan terms and conditions
 - give student chance to request Stafford loan

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Entrance counseling

- Required for graduate or professional student borrowing first PLUS
- Entrance counseling must explain:
 - sample monthly payment amount
 - based on Stafford and PLUS if student is also Stafford borrower at school

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Entrance counseling

- If student has no prior Stafford loan, entrance counseling must explain:
 - MPN
 - repayment obligations
 - likely consequences of default

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Exit counseling

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

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Questions



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Affirmative and passive confirmation

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

- 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 less 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

- 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

- 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

- 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

- No regulations, but current policy is:
 - for standard term-based program
 - student progresses to next annual loan limit if he or she completes academic year in calendar time
 - for standard and non-standard term credit hour, non-term credit hour, and clock hour programs
 - student does not progress to next loan level until he or she completes academic year in both time and hours

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Annual loan limit progression

- Codifies in regulation the current policy with one change
 - as in standard term-based program, student in non-standard term credit hour program progresses to next loan limit if he or she completes academic year in calendar time if the terms are:
 - substantially equal in length; and
 - at least nine weeks in length

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Maximum loan period

- Eliminates maximum 12-month loan period

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Payment periods

- For R2T4 in non-standard credit hour programs
 - calculate earned Title IV aid on one of two payment periods during which student withdrew (grant/Perkins or FFELP), whichever ends later

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Payment periods

- For second disbursements in non-standard credit hour, non-term credit hour, and clock hour programs
 - after student completes both half of weeks and half of coursework in academic year

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New program at same school

- Student remains in same payment period if these conditions are met:
 - continuous enrollment
 - coursework substantially similar
 - payment periods substantially equal
 - little or no change to charges

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Loan funds if student does not attend

- Same for all Title IV programs except FWS:
 - return funds disbursed if school knew student would not attend
 - return funds within 30 days by:
 - depositing in federal funds account
 - EFT to lender with instructions to adjust loan
 - issuing check to lender

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Direct payment of Title IV funds

- 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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Recovery of unclaimed funds

- 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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Minor prior-year charges

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

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Late disbursement

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

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Deferment processing

- Lender may grant deferment for same reason, same time period
- Unless lender has information to contrary
- New borrowers as of July 1, 1993

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Military deferments

- May use borrower's representative for request
- Borrower must be eligible
- Lender must notify borrower

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Total and permanent disability

- Redefines "date of disability"
- Prospective three-year conditional period
- Eligibility requirements

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Death claim documentation

- Allows accurate and complete photocopy
- No faxes or electronic copies

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E-signed MPNs

- Holders must retain original e-signed MPN for three years after all loans on MPN satisfied
- Schools, lenders, and guarantors must respond to ED record requests within ten business days

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E-signed MPNs

- Guarantor must provide ED with name and location of entity in possession of original e-signed MPN assigned to ED

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Questions



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More information

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Policy Department
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A School's Guide to Prohibited and Permitted Inducement Activities



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Statement of Purpose

The purpose of this guide is to acquaint schools with activities in which lenders and guarantors are prohibited and permitted to engage with prospective borrowers, schools, school-affiliated organizations, and students employed as sales representatives under the prohibited inducement regulations published by the U.S. Department of Education ("ED") on November 1, 2007. The effective date of changes made by these regulations is July 1, 2008.

Prepared by the
National Student Loan Program
Policy Department
1300 O Street
Lincoln, NE 68508
800-735-8778

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A School's Guide to Prohibited and Permitted Inducement Activities

Description of Activities	Lender	Guarantor
Activities in General. Directly or indirectly offering points, premiums, payments or other inducements to prospective borrowers, schools, school-affiliated organizations, student representatives, or other parties to secure FFELP loans or loan applications ¹ except where such activities are denoted as "Permitted" for lenders or guarantors.	Prohibited	Prohibited
Activities with Prospective Borrowers. Making payments or offering other benefits ² , including prizes or additional financial aid, to prospective borrowers in exchange for FFELP loans or loan applications.	Prohibited	Prohibited
Activities with Schools. Making payments or providing other benefits to schools in exchange for FFELP loan applications, application referrals, specified volumes or dollar amounts of loans made, or placement on preferred lender lists (for guarantors, this includes placement of lenders using guarantors on preferred lender lists).	Prohibited	Prohibited
Activities with School-Affiliated Organizations. Making payments or providing other benefits to school-affiliated organizations ³ in exchange for FFELP loan applications, application referrals, specified volumes or dollar amounts of loans made, or placement on preferred lender lists (for guarantors, this includes placement of lenders using guarantors on preferred lender lists).	Prohibited	Prohibited
Activities with Students Employed as Sales Representatives. Making payments or providing other benefits to students at schools who act as representatives to secure FFELP loan applications from individual, prospective borrowers.	Prohibited	Not Addressed
Additional Costs or Denial of Benefits. Assessing additional costs or denying benefits otherwise provided to schools participating in guarantor programs based on a failure to: agree to participate in guarantors' programs; provide specified volumes of loan applications or loan volume to guarantors; or place lenders using guarantors on preferred lender lists.	Not Applicable	Prohibited
Advisory Boards: <ul style="list-style-type: none"> • Expenses. For lenders, paying costs incurred by employees of schools or school-affiliated organizations to serve on an advisory board or committee. For guarantors, paying travel and lodging costs that are reasonable as to cost, location, and duration to facilitate participation of school employees in activities of guarantors' standing, official advisory committees. • Service. Soliciting employees of school or school-affiliated organizations to serve on advisory boards or committees. For guarantors, such committees must be standing, official committees. 	Prohibited	Permitted
Assistance Comparable to Direct Loan Program. Providing assistance to schools comparable to kinds of assistance provided by ED under Direct Loan program, as identified by ED in public announcements such as Federal Register notices.	Permitted	Permitted
Conferences, Meetings, and Training: <ul style="list-style-type: none"> • Meals, Refreshments, and Receptions. Providing meals, refreshments, and receptions that are reasonable in cost and scheduled in conjunction with training, meeting, or conference events as long as meals, refreshments, or receptions are open to all training, meeting, or conference attendees. • Registration, Transportation, and Lodging. Paying conference or training registration, transportation, and lodging costs for employees of schools or school-affiliated organizations. 	Permitted	Permitted
	Prohibited	Prohibited

A School's Guide to Prohibited and Permitted Inducement Activities

Description of Activities	Lender	Guarantor
Data Transmission Services. Providing free data transmission service for use by schools to electronically submit applicant loan processing information or student status confirmation data.	Permitted	Permitted
Entertainment. Paying expenses for private hospitality suites, tickets to shows or sporting events, meals, alcoholic beverages, and lodging, rental, transportation, and other gratuities related to lender- or guarantor-sponsored activities for employees of schools or school-affiliated organizations.	Prohibited	Prohibited
Entrance and Exit Counseling. Providing support of or participating in in-person, school-required initial or exit counseling.	Prohibited	Prohibited
Generalized Marketing or Advertising. Providing items of nominal value to schools, school-affiliated organizations, or borrowers as long as such items are offered as a form of generalized marketing/advertising or to create good will.	Permitted	Permitted
Governing Board Expenses. Paying travel and lodging expenses that are reasonable as to cost, location, and duration to facilitate school employee participation in guarantor governing boards.	Prohibited	Permitted
Guarantor-Provided Training:		
<ul style="list-style-type: none"> • Meals and Refreshments. Providing meals and refreshments that are reasonable in cost and provided in connection with guarantor-provided training of program participants and K-12 and postsecondary school personnel, and with workshops and forums customarily used by guarantors to fulfill their Higher Education Act responsibilities. 	Not Applicable	Permitted
<ul style="list-style-type: none"> • Transportation and Lodging. Paying travel and lodging costs that are reasonable as to cost, location, and duration to facilitate attendance by employees of schools at guarantor training or service facility tours they would otherwise not be able to undertake. 	Prohibited	Permitted
Interest Rate Reductions. Reducing interest rates below statutory maximums.	Permitted	Not Addressed
Loan Fee Reductions:		
<ul style="list-style-type: none"> • Origination Fee. Reducing federal origination fees below statutory maximums. 	Permitted	Not Addressed
<ul style="list-style-type: none"> • Federal Default Fee. Paying federal default fees on behalf of borrowers. 	Permitted	Permitted
Loan Forgiveness Programs. Providing benefits to borrowers under loan forgiveness programs for public service or other targeted purposes approved by ED, provided such benefits are not marketed to secure loan applications or guarantees.	Permitted	Permitted
Other ED-Approved Services. Providing other services identified and approved by ED through public announcement such as Federal Register notice.	Permitted	Permitted
Philanthropic Activities. Providing scholarships, grants, restricted gifts, or financial contributions in exchange for FFELP loan applications or application referrals; specified volumes or dollar amounts of FFELP loans made; or placement on preferred lender lists (for guarantors, this includes placement of lenders using guarantors on preferred lender lists).	Prohibited	Prohibited
Repayment Incentive Programs. Providing benefits to borrowers under repayment incentive programs that require, at minimum, one or more scheduled payments to receive or retain benefits.	Permitted	Not Addressed

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Description of Activities	Lender	Guarantor
<p>Staffing Services. Providing staffing services to schools, except for services provided to participating foreign schools at the direction of ED, as third-party servicers or otherwise on more than a short-term, emergency basis⁴ and which are non-recurring to assist schools with financial aid-related functions.</p>	Prohibited	Prohibited
<p>Student Aid and Financial Literacy-Related Outreach. Providing and participating in student aid and financial literacy-related outreach activities (excluding in-person, school-required initial or exit counseling) provided:</p> <ul style="list-style-type: none"> • Names of lenders or guarantors that developed and paid for materials used in activities are provided to participants; and • Lenders and guarantors do not promote their student loan or other products. Guarantors may promote benefits provided under other federal or state programs they administer. 	Permitted	Permitted
<p>Telephone Numbers. Providing toll-free telephone numbers for use by schools and others to obtain information about FFELP loans.</p>	Permitted	Permitted

End Notes

¹ Loan applications include Free Application for Federal Student Aid (FAFSA), FFELP master promissory notes, and FFELP consolidation loan application and promissory notes.

² Other benefits include, but are not limited to, preferential rates for or access to lender's other financial products, computer hardware, or non-loan processing or non-financial aid related computer software at below market rental or purchase cost. For lenders, other benefits include printing and distributing college catalogs and other materials at reduced or no cost. For guarantors, other benefits include printing and distributing college catalogs and other non-counseling or non-student financial aid related materials.

³ School-affiliated organizations are organizations directly or indirectly related to a school. These include, but are not limited to: alumni organizations, foundations, athletic organizations, and social, academic, and professional organizations.

⁴ For purpose of staffing services to schools, "emergency basis" means state- or federally-declared natural disaster and other localized disasters and emergencies identified by ED.