

## Reauthorization Bill – H.R. 4137 “The Higher Education Opportunity Act”

Date of Enactment – August 14, 2008

### 1. Pell

- a. Law increases authorized Pell Grant maximums over next six years
- b. CCRAA implemented mandatory spending add-ons in current award year through 2012-13
  - i. Beyond 2013, Pell Grant recipients may lose money
- c. Minimum award will be percentage rather than current minimum award
- d. First-time Pell recipients on or after July 1, 2008 will have lifetime limit of 18 semesters or equivalent
- e. Students may receive up to two Pell Grants in one award year **effective July 1, 2009**
- f. Automatic zero EFC for eligible students whose parent or guardian died in Iraq or Afghanistan

### 2. Federal Work Study

- a. Increased funding for Job Location and Development programs
- b. Allows schools to have eligible student workers participate in civic education academics
- c. Off-campus community service grants authorized
  - i. Supplement off-campus community service employment
- d. Work college definition expanded
  - i. “Four-year, degree granting” added
  - ii. Participation requirements expanded

### 3. Federal Perkins Loan

- a. New annual limits
  - i. \$5,500 for undergraduate students
  - ii. \$8,000 for graduate/professional students
- b. New aggregate limits
  - i. \$27,500 for undergraduates who have completed two years of study
  - ii. \$60,000 for graduate and professional students
  - iii. \$11,000 for all other students
- c. Discharge criteria for total and permanent disability expanded
- d. Rehab loans
  - i. From 12 months to 9 months
- e. Changes to forbearance requests

### 4. Disclosures

- a. Institutional and financial assistance information for students must include:
  - i. Plans for improving academic program
  - ii. Terms and conditions of loans
  - iii. Policies and sanctions for copyright infringement
  - iv. Student body diversity
  - v. Types of graduate and professional education programs in which the graduates of the school’s four-year degree program have enrolled
  - vi. Information on school’s employment placement for students
  - vii. Fire-safety report
  - viii. Retention rate of certain undergraduate students
  - ix. School’s policy regarding vaccinations

- x. Completion or graduation rates of full-time, undergraduate students who are seeking a certificate or degree (*this item is effective upon enactment for most schools, but for two-year, degree granting schools, it is effective for academic year 2011-2012*)
- b. Campus security (foreign schools exempt)
  - i. Disclose in annual security report if school has agreement law enforcement for investigation of alleged crimes
  - ii. Adds larceny-theft, simple assault, intimidation, destruction, damage or vandalism of property to crimes reported as prejudice
  - iii. Schools must disclose current policies regarding immediate emergency response and evacuation procedures
  - iv. Annual report must include description of procedures to annually publicize emergency response and evacuation procedures
- c. Transfer of credit
  - i. School must publish in readable and comprehensible manner policies on accepting credits from other schools and must include:
    - 1. Established criteria
    - 2. List of institutions with which the school has an articulation agreement
- d. Fire safety report
  - i. If a school houses students on campus, must publish fire-safety report that includes:
    - 1. Statistics
    - 2. Fire safety procedures for each housing facility
    - 3. Policies regarding electronic appliances, smoking and open flames
    - 4. Plans for improvements
  - ii. Report must be given to ED and made available on campus
  - iii. School must keep log of on-campus housing fires
  - iv. School must make it clear that evidence regarding compliance or non-compliance not admissible in court
- e. Notice of penalties for drug violations
  - i. School must notify student of penalties for drug violations
    - 1. Suspension for offenses that occur during a period of enrollment that the student is receiving Title IV aid
  - ii. School must notify student of actions student can take for early reinstatement
- f. NSLDS disclosure
  - i. Schools, lenders and guarantors must inform student or parent:
    - 1. Loan will be submitted to NSLDS
    - 2. Loan will be accessible to schools, lenders and guaranty agencies that are authorized users
- g. Results of disciplinary action
  - i. Upon request of the victim (or victim's next of kin if victim is deceased) of a violent crime or sex offense, the school must provide a report on the results of disciplinary proceedings against the student who is the alleged perpetrator
- h. Preferred lender lists (PPL)
  - i. If school uses PPL, school must annually compile, maintain and make available a list of lenders the school recommends
- i. Private loan disclosures (alternative loans)
  - i. School must provide new Truth in Lending disclosure form and information to complete form to the extent school has the information

- j. Missing persons procedures
  - i. Each school that provides on-campus housing must:
    - 1. Establish a missing persons notification policy for students who reside in on-campus housing
    - 2. Establish official notification procedures for a missing person who resides in on-campus housing and has been missing for 24 hours

## **5. Entrance and Exit Counseling Requirements**

Prior to, or at the time of disbursement to a first-time borrower of a loan, the school must ensure that the borrower receives comprehensive information on the terms and conditions of the loan and of the rights and responsibilities the borrower has to the loan.

- a. The information must be simple and understandable and may be provided:
  - i. During entrance counseling conducted in person
  - ii. On a separate written form that the borrower signs and returns to the school
  - iii. Online, with the borrower acknowledging receipt (Mapping Your Future provides this)
- b. Entrance requirements have been expanded to include such things as:
  - i. Effect of accepting loan on eligibility for other aid
  - ii. School's definition of half-time enrollment
  - iii. Consequences of not maintaining half-time enrollment
  - iv. Importance of contacting school if borrower withdraws
  - v. Information on NSLDS
  - vi. Contact information on the person at the school to contact with questions about the loan
  - vii. Revises FFELP sample repayment information to include:
    - 1. Range of indebtedness, OR
    - 2. Average cumulative indebtedness in same program at same school
- c. Exit requirements expanded to include:
  - i. Description of different repayment plans
    - 1. Sample information showing anticipated monthly payments and difference in interest paid and total payments for each plan
  - ii. Explanation that borrower may prepay loan, pay on a shorter schedule, or change repayment plans
  - iii. Description of loan forgiveness—terms and conditions for each type of forgiveness and cancellation
  - iv. Information on forbearance and deferments—terms and conditions for each type of forbearance
  - v. Expands consequences of default to include delinquent loan collections
  - vi. The effects of loan consolidation, including effects on total interest and fees paid, length of repayment, effects on loan benefits
  - vii. Option to prepay loan
  - viii. Information that borrower benefits may vary from lender to lender
  - ix. General description of tax benefits available to borrowers
  - x. Availability of NSLDS

## **6. Prohibited Inducements Expanded**

- a. Lenders:
  - i. May not offer payments for referrals and for processing or finder fees, prizes, stock or other securities, travel, entertainment expenses, tuition payment or reimbursement, information technology equipment at below-market value, additional financial aid funds, to any employee of an institution of higher education
  - ii. May not conduct unsolicited mailings by postal or electronic means, to students enrolled in secondary schools or postsecondary institutions, or to family members of such students

1. Except to students and borrowers who have received a student loan previously from the lender
  - iii. No consulting arrangement, or contract to provide services to a lender, with an employee who is employed in the financial aid office or is otherwise responsible to student loans or other financial aid of the institution
  - iv. May not compensate employee of a financial aid office or who otherwise has responsibilities to student loans or other financial aid of the institution, and who is serving on an advisory board, commission, or group established by a lender or group of lenders
    1. Lender may reimburse employee for reasonable expenses incurred in providing the service of serving on the board, commission or group
  - v. May not perform for a school any function that the school is required to perform under Title IV
    1. Except for Exit counseling
  - vi. May not pay another person to perform any function that the school is required to perform under Title IV
    1. Except for Exit counseling
  - vii. May not provide payments or other benefits to a student at a school to act as the lender's representative to secure applications from individual prospective borrowers, unless the student:
    1. Is also employed by the lender for other purposes; and
    2. Made all appropriate disclosures regarding his or her employment
- b. Guarantors:
- i. May not offer stock or other securities, prizes, travel, entertainment expenses, tuition payment or reimbursement to any institution of higher education or its employees; or to any lender, or agent, employee, or independent contractor of any lender or guaranty agency
  - ii. Unsolicited mailings now include either postal or electronic means
  - iii. Unsolicited mailings may not be sent to families of students (previously, the prohibition was not sending apps to parents of students)
  - iv. May not perform any function that an institution is required to perform under Title IV
    1. Except for Exit Counseling.
  - v. May not pay another person to perform any function that the institution is required to perform under Title IV
    1. Except for Exit Counseling.
  - vi. May not conduct fraudulent or misleading advertising concerning loan availability, terms, or conditions
  - vii. May provide technical assistance to institutions comparable to the technical assistance ED provides to institutions

## 7. Disbursement Rules

- a. Special disbursement rule states that school with default rate less than 10% may disburse in a single installment
  - i. Changes the default rate requirement to 15%
  - ii. **Effective October 1, 2011**

## 8. Unsub Loan Limits

- a. ECASLA made changes to annual undergraduate unsub loan amounts
- b. HEOA made additional change
  - i. Graduate, professional, and independent post baccalaureate students – may borrow \$7,000 for:
    1. Coursework necessary for enrollment in a graduate or professional program; and
    2. Coursework necessary for a professional credential for certification from

- a State required for employment as a teacher in an elementary or secondary school
- ii. Undergraduate Independent Students may borrow:
  - 1. \$6,000 where the student is taking coursework necessary for enrollment in a program for an undergraduate degree or certificate; and
  - 3. \$7,000 where the student is enrolled in a program necessary for a professional credential or certification

#### **9. Loan Forgiveness for Service in Areas of National Need**

*Note that these forgiveness programs are not yet regulated and are not yet funded.*

- a. Seventeen new areas of loan forgiveness. Each category has its own eligibility criteria, yet to be determined. The forgiveness programs are for a maximum of five years of service and are prospective as of the date of enactment (August 14, 2008), and will be awarded on a first come, first served basis.
  - i. Early childhood educators
  - ii. Nurses
  - iii. Foreign Language Specialists
  - iv. Librarians
  - v. Highly qualified teachers serving students who are limited English proficient, low-income communities and underrepresented populations
  - vi. Child Welfare workers
  - vii. Speech-language pathologists and audiologists
  - viii. School counselors
  - ix. Public Sector employees, such as public safety, emergency management, public health, public interest legal services
  - x. Nutrition Professionals
  - xi. Medical Specialists
  - xii. Mental Health professionals
  - xiii. Dentists
  - xiv. STEM employees (science, technology, engineering and mathematics)
  - xv. Physical therapists
  - xvi. Superintendents, Principals and other administrators
  - xvii. Occupational therapists

#### **10. Loan Repayment for Civil Legal Assistance Attorneys**

*Note that this repayment program is not yet regulated and is not yet funded. Benefit will be awarded on a first come, first served basis.*

- a. Employed as a civil legal assistance attorney and not in default on loan for which repayment is sought
- b. Borrower will remain employed for not less than three years
- c. Priority to borrower who has practiced law for five years or less and for not less than 90% of the time has served as a civil legal assistance attorney, and has received repayment benefits in the preceding year and has served less than three years of the first required period of service

#### **11. Cohort Default Rates**

- a. The cohort rate will be determined by the percentage of students who default before the end of the second fiscal year following the fiscal year in which the student entered repayment
  - i. Effective for purposes of calculating cohort default rates for fiscal year **2009** and succeeding fiscal years
- b. Any loan which has been rehabilitated before the end of the second fiscal year following the year in which the loan entered repayment is not considered as in default for the purposes of determining the cohort default rate
- c. Threshold rate is increasing to 30% for fiscal year **2012** and any succeeding fiscal year

- d. New subsection allows school whose cohort default rate is equal to or greater than the threshold for any two consecutive fiscal years may file an appeal demonstrating exceptional mitigating circumstances
- e. New requirements for schools whose default rate is equal to or greater than the threshold rate
  - i. First year – the school must establish a default prevention task force to prepare a plan
  - ii. Second consecutive year – task force will review and revise the plan; must submit the revised plan to the Secretary
- f. The Law amends participation rate index to 0.0625 **effective October 1, 2011**