

Rules of the Student Loan Road

The Deficit Reduction Act of 2005



Today's presentation

- academic year
- distance education
- student eligibility
 - independent student
 - drug offense
- cost of attendance



Today's presentation

- need analysis
 - state-provided assistance
 - income protection allowance
 - simplified needs test and automatic zero EFC
 - contribution from assets
- program eligibility
- R2T4



Important notes . . .

- this webcast is not meant to substitute for careful reading of *Dear Colleague Letter GEN-06-05*
- unless otherwise specified, all changes take effect July 1, 2006



Academic year

- current
 - clock hour programs must include at least 30 weeks of instructional time
- change
 - minimum instruction time reduced to 26 weeks



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Distance education courses

- current
 - school ineligible for Title IV if more than 50% of its courses are offered by correspondence and/or telecommunications courses
- change
 - telecommunications courses no longer considered correspondence courses



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Distance education students

- current
 - school ineligible for Title IV if more than 50% of its regular students are enrolled in correspondence and/or telecommunications courses
- change
 - students enrolled in telecommunications courses are no longer considered correspondence students



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Independent students

- current
 - over the age of 24
 - married
 - has dependants other than spouse
 - veteran of the armed forces
 - enrolled in a post-baccalaureate degree
 - orphan or ward of the court
- change
 - expanded to include U.S. Armed Forces currently serving on active duty for purposes other than training



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Drug offense

- current
 - student convicted of possession/sale of controlled substance ineligible for Title IV aid
- change
 - student ineligible only if convicted for conduct occurring *during period of enrollment* for which student receives Title IV aid



Cost of attendance

- current
 - no similar provision
- change
 - allows schools to include one-time cost of obtaining first professional credential for students in programs requiring professional licensure/certification



Cost of attendance

- credential must be one of the following:
 - required by state
 - commonly required to practice in the profession
- cost must be incurred while student is enrolled at school



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Cost of attendance

- cost of preparing for licensure/certification test may not be included unless part of program



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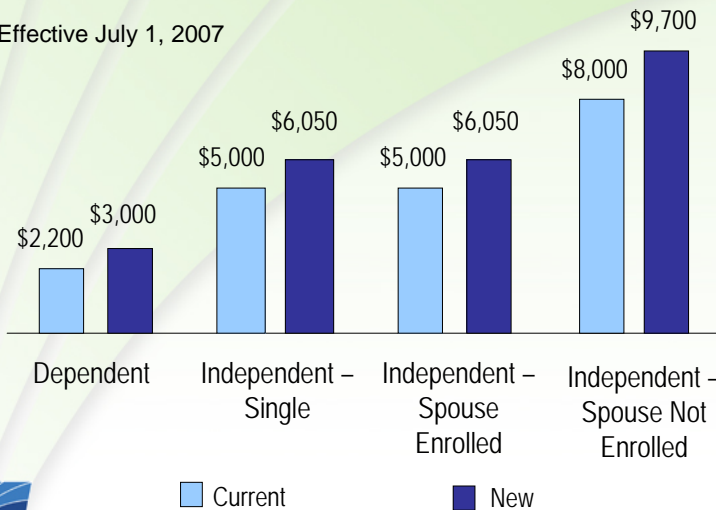
State-provided assistance

- current
 - Estimated Financial Assistance (EFA) includes all known scholarships, grants, and other assistance
- change
 - may exclude assistance from COA and EFA if:
 - provided by state, and
 - designated to offset a specific cost of attendance component
 - if such assistance is excluded from either EFA or COA, must be excluded from both



Student income protection allowance

Effective July 1, 2007



Simplified needs test & automatic zero EFC

Dependent student's parent(s)

Automatic Zero EFC

≤\$20,000 AGI, and

filed 1040*, 1040A, 1040EZ,
or not required to file

or

received base year means-
tested federal benefits



Simplified Needs Test

<\$50,000 AGI, and

filed 1040*, 1040A, 1040EZ,
or not required to file

or

received base year means-
tested federal benefits

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Simplified needs test & automatic zero EFC

Independent student with dependants other than spouse

Automatic Zero EFC

≤\$20,000 AGI, and

filed 1040*, 1040A, 1040EZ,
or not required to file

or

received base year means-
tested federal benefits



Simplified Needs Test

<\$50,000 AGI, and

filed 1040*, 1040A, 1040EZ,
or not required to file

or

received base year means-
tested federal benefits

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Simplified needs test & automatic zero EFC

Independent student without spouse and dependants

Automatic Zero EFC

Not applicable

Simplified Needs Test

<\$50,000 AGI, and

filed 1040*, 1040A, 1040EZ,
or not required to file

or

received base year means-
tested federal benefits



Simplified needs test & automatic zero EFC

Independent student with spouse, no dependants

Automatic Zero EFC

Not applicable

Simplified Needs Test

<\$50,000 AGI, and

filed 1040*, 1040A, 1040EZ,
or not required to file

or

received base year means-
tested federal benefits



Means-tested federal benefits

- Supplemental Security Income Program (SSI)
- Food Stamp program
- Free and Reduced Lunch Program
- Temporary Assistance for Needy Families (TANF)
- Special Supplemental Nutrition Program for Women Infants and Children (WIC)
- other programs identified by ED



Questions?



Definition of assets

- cash on hand
- time deposits
- money market funds
- trusts, stocks, bonds, other securities
- mutual funds
- tax shelters
- net value of real estate
- income-producing property
- business and farm assets



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Family business

- current
 - include net value of family-owned business in assets
- change
 - exclude net value of family-owned business from assets if business is both:
 - family-controlled
 - has 100 or fewer full-time employees



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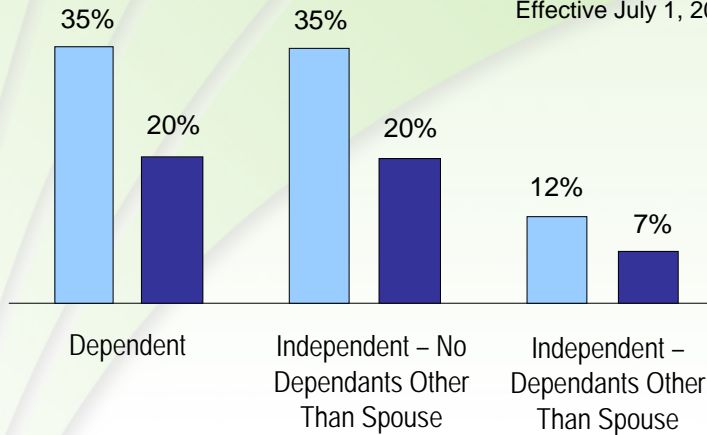
Qualified education benefits

- current
 - vague provisions
- change
 - definition of assets now includes “qualified education benefits”, which include:
 - Coverdell education savings accounts
 - prepaid tuition plans offered by state
 - 529 prepaid tuition and savings plans
 - count as assets of account/plan owners



Student contribution from assets

Effective July 1, 2007



Current

New

Program eligibility

- current
 - no similar provision
- change
 - new type of eligible program: direct assessment of student learning
 - consistent with accreditation, measures progress in direct assessment instead of credit or clock hours



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Return of Title IV (R2T4)

- current
 - clock hour programs
 - percentage of period completed = completed hours
- change
 - percentage of the period completed = scheduled hours
 - student's earned aid = 100% if withdrawal occurs after date at which student was scheduled to complete 60%



For withdrawals on or after July 1, 2006

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Return of Title IV (R2T4)

- current
 - student required to return 50% of unearned Title IV grant funds school not required to return
- change
 - student required to return unearned Title IV grant funds only if amount to be returned by student exceeds 50% of Title IV grant assistance received

For withdrawals on or after July 1, 2006



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Return of Title IV (R2T4)

- current
 - no similar provision
- change
 - before post-withdrawal disbursement of loan, school must contact student and:
 - explain obligation to repay
 - confirm that student still wants loan funds
 - document:
 - result of contact
 - final determination of disbursement

For withdrawals on or after July 1, 2006



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Return of Title IV (R2T4)

- funds subject to R2T4:
 - Pell grant
 - FSEOG
 - FFELP loans
 - Direct loans
 - Perkins
 - ~~LEAP~~
 - ~~SLEAP~~
 - ~~Gear Up~~
 - ~~SSS (Trio)~~
 - Academic Competitiveness grant
 - SMART grant



For withdrawals on or after July 1, 2006

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Return of title IV (R2T4)

- current
 - school must return unearned funds no later than 30 days after the date withdrawal determined
- change
 - extends deadline to 45 days

For withdrawals on or after July 1, 2006



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Questions?



More information

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