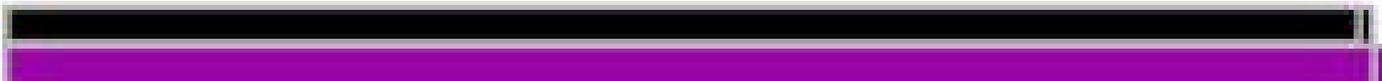




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# Federal Student Aid Policy Update

- Sally Stroup** - Assistant Secretary  
Postsecondary Education
- Jeff Andrade** - Deputy Assistant Secretary  
Postsecondary Education
- Dan Madzellan** - Program, Planning, and Innovation  
Postsecondary Education
- Jeff Baker** - Program Development  
Federal Student Aid



# Negotiated Rulemaking and Final Rules

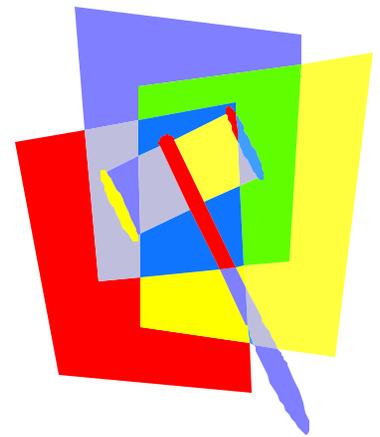
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# *Negotiated Rulemaking*

- **Two Teams - Loan Issues and Program Issues**
- **Meetings - January 14, March 4 and April 22**
- **Results -**
  - **Notice of Proposed Rulemaking (NPRM)**
    - **Team I Published on August 6**
    - **Team II Published on August 8**
  - **60 Day Comment Period**
  - **About 100 Comments Received**
  - **Final Published on November 1 (One Package)**
  - **Effective July 1, 2003**
  - **All Provisions Subject to Early Implementation**





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# Loan Issues



# *Negotiated Rulemaking Loan Issues*

## School Related Issues

### All Loan Programs –

- **Loan Counseling:**
  - **School Can Use Third Party**
  - **Must Reference NSLDS**
  - **Loan Repayment Examples**



### FFEL and Direct Loan –

- **Loan Limits for Stand-Alone Programs**



# *Negotiated Rulemaking Loan Issues*

## **School Related Issues**

### **Perkins –**

- **Assessing Late Charges Optional**
- **Write-Offs**
  - **Up to \$25**
  - **Up to \$50 After Normal Billing**
- **Coordinating Monthly Payments**



# *Negotiated Rulemaking Loan Issues*

## **School Related Issues**

### **Perkins –**

- **Litigation**
  - **Threshold from \$200 to \$500**
  - **Review Every Two Years**
- **Reporting to Credit Bureaus**
- **Providing Copies of Notes to Borrowers**





# *Negotiated Rulemaking Loan Issues*

## **Borrower Issues**

### **All Loan Programs –**

- **Rehabilitation of Defaulted Loans**
  - Not if Judgment
  - Regaining Title IV Eligibility

### **FFEL and Direct Loans –**

- **Unemployment Deferments**
- **Economic Hardship Deferments**





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# *Negotiated Rulemaking Loan Issues*

## **Borrower Issues**

### **FFEL and Direct Loan –**

- **Forbearances**
  - Agreement Over Phone
  - Emergencies
  
- **Consolidation Loan Discharges**
  - No Loss of Benefits
  
- **Establishing First Repayment Date**





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# Program Issues

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# *Negotiated Rulemaking Program Issues*

- **Definition of Academic Year**
  - Elimination of “12 - Hour Rule” for Non-Term and Non-Standard Term
  - All Programs – One-Day Rule
- **Revised Definition of Payment Period for Non-Term Programs**
  - Must Complete Both –
    - Half Number of Weeks
    - Half Credit Hours



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# *Negotiated Rulemaking Program Issues*

- **Incentive Compensation Prohibition**
- **Set of “Safe Harbors”**
  - **Internet Activities**
  - **Salary Adjustments**
  - **Contracts with Other Entities**
  - **Token Gifts**
  - **Profit Sharing and Bonuses**
  - **Etc.**



# *Negotiated Rulemaking Program Issues*

- **De Minimus Overpayment Amount  
\$25 - All Programs**
  - **Does Not Apply If –**
    - Remaining Balance
    - Result of Campus Based \$300 Tolerance
- **Electronic Notification Return  
Receipt Eliminated**





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# *Negotiated Rulemaking Program Issues*

- **Return of Title IV Aid**
  - **Required to Take Attendance**
    - **Determined by Outside Entity**
  - **Leave of Absence**
    - **Total of 180 Days Within 12- Month Period**



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# *Negotiated Rulemaking Program Issues*

- **Late Disbursements --**
  - **Must Make Late Disbursement if**
  - **Student Withdrew or Completed**
  - **Payment Period**
  - **Timeframe from 90 to 120 Days, or**
  - **Later if Approved by Secretary**
  - **ISIR Must Have Been Processed by**
  - **Secretary**



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# *Negotiated Rulemaking Program Issues*

- **Remove 1 Year Expiration for ATB Tests**
- **GEAR UP - Greater Packaging Flexibility**
- **FWS at For Profit Schools**
  - **Expanded Definition of “Student Services”**



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# *Negotiated Rulemaking Program Issues*

- **Timely Payment of Refunds --**
  - **Funds Returned Within 30 Days**
  
  - **Checks to FFEL Lenders Must Be Received by Lender Within 45 Days**
  
  - **Letter of Credit If Not Timely**
    - **Request for Special Consideration**



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# Policy Guidance

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# *Home Schooled Students*

**HEA - Student Eligibility:** Students who have completed a secondary home school program are eligible for Title IV student aid.

**HEA - Institutional Eligibility:** Schools can only admit, as regular students, persons who are beyond the age of compulsory attendance or who have a high school diploma (or equivalent).

**Catch-22:** A younger home schooled student is eligible to receive aid, but the school could lose its eligibility for all students. Non-aided recipients can also affect eligibility.



# *Home Schooled Students*

## **Modified Interpretation:**

**Consider student to not be subject to the “age of compulsory attendance” provision if State where institution is located would not consider student to be in violation of truancy laws.**

**Does not impact institution’s admissions policy.**



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# *Expiration of Loan Disbursement Relief*

## **Specific Provisions:**

**Schools with cohort default rates of less than 10% for the three most recent years, may-**

- **Ignore “30-day delayed disbursement” for first time, first year students**
- **Make single disbursement for one-term loans (or less than 4 months)**

## **Issue:**

**Loan disbursement relief for low default rate schools expired on September 30, 2002.**



# *Expiration of Loan Disbursement Relief*

## **What Happens Now --**

- **Loans certified (FFELP) or originated (Direct Loan) on or after October 1, 2002 must be disbursed under the regular rules that require multiple disbursements and delayed delivery of loan proceeds.**
- **Any loan that had been certified or originated prior to October 1, 2002 may be disbursed under the requirements of the exceptions.**



# *Perkins Prom Notes*

- **2002-03 Electronic Prom Note**
  - **Electronic Template Posted to IFAP**
- **Master Note Promissory Note**
  - **Draft in Early Stages of Clearance**
  - **Phase-In Implement in Spring of 2003 for 2003-2004 Award Year**



# *PLUS Master Prom Note*

- Both FFEL and Direct Loans
- Forms in OMB Clearance
- Phase-In for 2003-04
- Note: All schools will be eligible for multi-year functionality of both student and PLUS MPNs





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# *Fellowships and Assistantships*

## **Question:**

**What is the correct treatment for awards such as fellowships and assistantships? Should they be used as resources and estimated financial assistance (EFA) in the current year,**

**OR**

**Reported on the student's next year's FAFSA for calculation of the next EFC?**



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# *Fellowships and Assistantships*

## **Two Tests:**

### **1. Is Award Employment?**

**If Not Employment: Must Use as Resource/EFA, without regard to need**

**If Employment: Go to Test 2**

### **2. Is Award Need-Based?**

**If Award is Need-Based: Must use as Resource/EFA**

**If Award is Not Need-Based: Not used as resource/EFA Most likely reported on next FAFSA**



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# *Fellowships and Assistantships*

## **Is the Award Employment?**

**Determined by institution based upon non-financial aid requirements. Does the institution consider the payment to be employment based upon state and federal rules, e.g.**

- **withholding**
- **W-2s**
- **social security**
- **unemployment**
- **worker's compensation requirements.**



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## *Use of Electronics*

### **Question:**

**Do the regulations allow schools (and others) to conduct Title IV business electronically?**

### **Answer:**

**Unless a regulatory requirement specifically states that a notification, certification, authorization, or signature must be in a paper format, such communications and transactions may be accomplished electronically.**



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## *Use of Electronics*

### **Question:**

**Will the regulations be modified to allow schools (and others) to conduct Title IV business electronically?**

### **Answer:**

**No. Since, in almost all instances, the current language of the regulations does not specifically require either a printed “pen and ink” communication or a “wet” signature, there is no need to modify the regulations.**

# *Use of Electronics*

## **More Discussion:**

**Must ensure that such processes are in compliance with all laws including E-Sign:**

- Consent**
- Disclosure**
- Testing**



***Consult with school's legal counsel.***



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# *Use of Electronics*

## **More Discussion:**

**We expect to issue guidance for the use of electronics in the administration of the Title IV programs. It will address issues related to:**

- **The use of “shared secrets” such as PINs**
- **The sending of electronic notices**
- **Obtaining electronic authorizations**
- **Use of electronics in the verification process**

**See Session # 18**



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# Reauthorization

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# Reauthorization

## Discussion Topics

**Need Analysis**

**Pell Grants**

**Campus-Based Programs**

**General Provisions**



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