



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

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THE ASSISTANT SECRETARY

Subject: Enactment of the Student Aid Provisions of the Health Care and Education Reconciliation Act of 2010

Summary: This letter provides the higher education community with a high level description of two of the major Federal student aid provisions of the recently enacted Health Care and Education Reconciliation Act of 2010.

Dear Colleague:

As I am sure you are aware, on March 30, 2010, President Obama signed the Health Care and Education Reconciliation Act of 2010 (HCERA) (Public Law 111-152), that, among other things, makes significant changes to the Federal student aid programs authorized by Title IV of the Higher Education Act of 1965, as amended (the HEA). Over the next weeks and months we will be providing the financial aid community with details on those provisions. The purpose of this letter is to provide high level discussions on the provisions of the HCERA that impact the Federal Pell Grant Program and those that end the authority for lenders to make new loans under the Federal Family Education Loan (FFEL) Program.

Federal Pell Grant Program

The HCERA amends the HEA to provide for more stable and predictable funding for the Federal Pell Grant Program. It also modifies, beginning with the 2010-2011 Award Year, the calculation for determining an individual student's Pell Grant award. The HCERA increases the maximum Expected Family Contribution (EFC) for Pell Grant eligibility for the 2010-2011 Award Year to 5273. Note that the 2010-2011 Pell Grant Payment and Disbursement Schedules published on January 13, 2010, (see DCL P-10-01) established 4617 as the maximum EFC for Pell Grant eligibility. We expect to post to our IFAP Web Site revised 2010-2011 Pell Grant Payment and Disbursement Schedules sometime next week. Until then, institutions may wish to defer packaging students until the revised schedules are available.

Title IV Federal Student Loan Programs

The HCERA provides that, after June 30, 2010, no new student loans will be made under the Federal Family Education Loan (FFEL) Program. Therefore, beginning July 1, 2010, all new subsidized and unsubsidized Stafford Loans made to students, PLUS loans made to parents and to graduate/professional students, and consolidation loans made to borrowers, can only be made under the William D. Ford Federal Direct Loan (Direct Loan) Program. The Federal Perkins Loan Program is not affected by the HCERA.

It is important to note that if the first disbursement of a FFEL loan was made by the lender on or before June 30, 2010, the second and any subsequent disbursements of that loan, even if the subsequent disbursement(s) will be made after June 30, 2010, must be made by the FFEL lender. FFEL lenders that make a first disbursement are obligated to make the subsequent disbursement(s) as provided in the loan certification provided by the institution. This is a longstanding regulatory requirement. If, for example, an institution certifies a FFEL loan for a loan period of May 17, 2010 through August 15, 2010, and the FFEL lender makes the first disbursement of that loan prior to July 1, 2010, the FFEL lender must make the second disbursement at the mid-point of the loan period – on or about July 16, 2010 in this example. Similarly, if a FFEL lender makes the first disbursement of a loan for a borrower-based loan period that, for example, begins on June 1, 2010 and ends on December 31, 2010, it must make the second disbursement at the mid-point of the loan period – on or about August 31, 2010.

It would be prudent for institutions to confirm with those FFEL lenders who have made loans to their students in the past whether those lenders will make first disbursements for loans that the institution may certify for enrollment periods that begin prior to July 1, 2010 but may have a subsequent disbursement date(s) after June 30, 2010.

Institutions that are not currently participating in the Direct Loan Program and who have not begun making preparations to do so should contact the Department's Federal Student Aid (FSA) office as soon as possible in order to avoid disruption in the delivery of needed student loan funds to students and their families. Contacts should be directed to our School Relations Team at (800) 848-0978, or by e-mail at DLEnrollment_FSA@ed.gov.

Note: The HCERA makes special provisions for institutions located outside the United States to participate in the Direct Loan Program. These institutions should contact the Foreign Schools team at FSA.Foreign.Schools.Team@ed.gov or by calling (202) 377-3168, and attend, if possible, one of the training opportunities being offered in the coming months to assist foreign institutions in the transition to the Direct Loan Program.

Sincerely,



Daniel T. Madzellan
Delegated the Authority to Perform
the Functions and Duties of the
Assistant Secretary for
Postsecondary Education