



The Higher Education Reconciliation Act (HERA)



Welcome

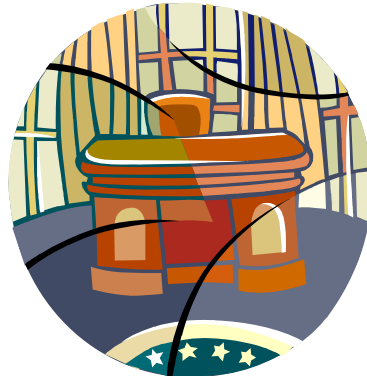
The Higher Education Reconciliation Act (HERA)



Overview

The Higher Education Reconciliation Act (S. 1932)

- Signed by President Bush on February 8, 2006
- No negotiated rule-making sessions



The Higher Education Reconciliation Act (HERA)



- FFELP Community working with the Department of Education to implement loan related provisions
- 4 Dear Colleagues released
 - GEN-06-02 (FP-06-01)
 - GEN-06-03 (FP-06-02)
 - GEN-06-04
 - FP-06-04



Higher Education Reconciliation Act (HERA)



- NCHELP Committees working on 2 lists of related Q & A's
 - Q & A list for Department of Education
 - Q & A with set of “best practices”





OKLAHOMA GUARANTEED STUDENT LOAN PROGRAM

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INFO

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Schools/Lenders

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SCHOOLS/LENDERS



Higher Education Reconciliation Act (HERA) Resource Page

OGSLP has compiled the following resources to assist schools and lenders with implementation of the new provisions that were signed into law on February 8, 2006. The provisions are found in the Higher Education Reconciliation Act (HERA) which is Title VIII of the Deficit Reduction Act (DRA).

>>To view resources, click on the following links:

Resources

- [OGSLP's DRA Impact Summary \(PDF\)](#)
- [Frequently Asked Questions \(last updated 3/23/2006\)](#)
- [NCHELP's Fact Sheet \(PDF\)](#)
- [HERA Bill Text \(S. 1932\) \(PDF\)](#)
- [Dear Colleague Letter \(GEN-06-02, FP-06-01\) - Enactment of the Higher Education Reconciliation Act of 2005 \("the HERA"\)](#)
- [Dear Colleague Letter \(GEN-06-03, FP-06-02\) - Correction to GEN-06-02, FP-06-01](#)

Training

Notifying Borrowers of the HERA Changes



Forms and Master Promissory Note Revisions

- New Borrower Notification
 - Addenda Stafford MPN, PLUS MPN and Consolidation MPN
 - Plain Language Disclosure
- Existing Borrower Notification
 - Lender statements
 - Lender websites



Borrower-Focused Program Changes

Laura Weiss
Policy Specialist



Interest Rates for Stafford and PLUS loans



- Stafford Loans – fixed 6.8%
- PLUS Loans – fixed 8.5% for FFELP
- Direct PLUS Loans – 7.9%
- Effective on loans for which the first disbursement is made on or after July 1, 2006
- Consolidation loans – no changes

Origination Fees



- Reduces Stafford (subsidized and unsubsidized) origination fees over time
- FFELP loans with a first disbursement on or after:

July 1, 2006	2.0%
July 1, 2007	1.5%
July 1, 2008	1.0%
July 1, 2009	0.5%
July 1, 2010	0%

No change to PLUS Loans

Origination Fees



- Direct Loans with a first disbursement on or after:

July 1, 2006	3.0%
July 1, 2007	2.5%
July 1, 2008	2.0%
July 1, 2009	1.5%
July 1, 2010	1.0%

No change to
PLUS Loans

Origination Fees



- No change to PLUS loans - 3% mandatory origination fee
- Borrower responsible for origination fees per the Department of Education on PLUS loans



Origination Fees



- Oklahoma Lender Advisory Council (OLAC)
 - *OLAC Lender Fee Spreadsheet*



Federal Default Fee



- Replaces guarantee fee
- Requires 1% “Default Fee” to be collected and deposited into the Federal Reserve Fund
- Effective for loans guaranteed on or after July 1, 2006



Federal Default Fee Billing Options



- Lenders have two options for submitting D- fee payments to OGSLP.
 - Standard Option (paper) - OGSLP sends paper invoice to lender for preceding month's disbursements.
 - Fee Express Option (electronic) - Lender sends a file of disbursement data and a check for preceding month's disbursements.

Federal Default Fee



- *Contact Information*
 - *Lisa Hale, Loan Services Supervisor*
 - *(405) 234-4384 or lhale@ogslp.org*
- Registration Q&As

Graduate and Professional Student PLUS Loan



- PLUS loan eligibility expanded to include graduate/professional students
- Terms and conditions applicable in Parent PLUS loan will apply - credit check, interest rate and repayment
- Required to complete FAFSA
- Maximum loan amount is COA minus EFA

Graduate and Professional Student PLUS Loan



- Borrower must have applied for their annual loan maximum under the Federal Subsidized and Unsubsidized Loan Program before applying for a Graduate/Professional PLUS loan
- Effective for loans certified in the FFEL Program or originated in the Direct Loan Program on or after July 1, 2006

Graduate and Professional Student PLUS Loan



- New NSLDS Code
 - GB for FFELP
 - D3 for Direct



Graduate and Professional Student PLUS Loan



Systems Impact

- Web Products (OpenNet & Nteract)
 - Phased-in approach (pre-post addendum language availability)
 - Until addendum language is approved/distributed-borrowers may only get pre-qualified from a credit perspective
 - Once addendum language approved/distributed-products will be updated with language and electronic signature will be available
 - No school certifications until 7/1/2006 (suspends)

Graduate and Professional Student PLUS Loan



Systems Impact

- ELM Resources
 - Operationally compliant by 7/1/2006
 - Ready for testing beginning 6/16/2006
- Oklahoma Student Loan Authority
 - Planning phase but will be ready by 7/1/2006

Repayment Plans



- Aligns repayment plans (other than ICR in Direct Loans and ISR in FFELP) in Direct Loans with those in FFELP

Standard Repayment Plan

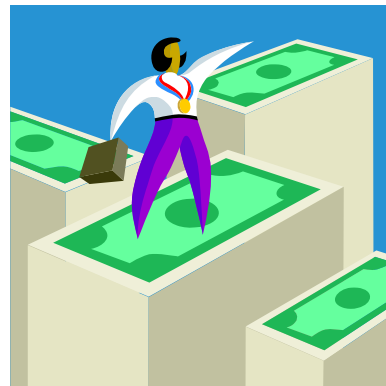
Graduated Repayment Plan

Extended Repayment Plan

Repayment Plans



- Also applies to Direct Consolidation Loans
- Effective for Direct Loan borrowers who enter repayment on their loans on or after 7/1/2006



Forbearance



- Deletes the requirement that a borrower's request for any mandatory forbearance be "in writing"
- Requires a notice to be sent to the borrower confirming the terms that were agreed to by both parties
- Document in servicing history
- Effective for agreements entered into or renegotiated with the borrower on or after July 1, 2006

Loan Limit Chart



 Indicates changes due to HERA	Base Sub/Unsub	Additional Unsub
1 st year undergraduate	\$3,500 (from \$2625)	\$4,000
2 nd year undergraduate	\$4,500 (from \$3500)	\$4,000
3 rd year & beyond undergraduate	\$5,500	\$5,000
Graduate/professional	\$8,500	\$12,000 (from \$10K)
Preparatory coursework (for enrollment in an undergraduate program)	\$2,625	\$4,000
Preparatory coursework (for enrollment in a graduate or professional program)	\$5,500	\$7,000 (from \$5,000)
Teacher certification	\$5,500	\$7,000 (from \$5,000)
NOTE: AGGREGATE LOAN LIMITS DO NOT INCREASE		

College Access Initiative



- Secretary to work with each guaranty agency to provide information to the public
 - Planning and paying for college, career planning, and financial literacy
- A Guaranty agency is not expected to duplicate existing services
 - Already a part of OGSLP's mission
 - Informative website with links and publications/brochures
- Secretary shall publicize the availability of the College Access Initiative information no later than 270 days after date of enactment (11/15/06)

College Access Initiative



- NCHELP workgroup recommending use of a national portal approach for students/parents investigating options on a state-by-state basis
- Members from workgroup meeting with the Department of Education this week to discuss approach
 - Has been discussed at recent Advisory Committee on Student Financial Assistance



Questions?





School Changes



Kim Elston
Compliance Specialist

Study-Abroad and Foreign Multiple Disbursement Rules



- Reinstates the waiver of the multiple disbursement requirement for schools with cohort default rates less than 10% for the 3 most recent years.
- Includes eligible foreign institutions.
- Effective for any disbursement made on or after February 8, 2006.

Study-Abroad and Foreign Delayed Delivery Rules

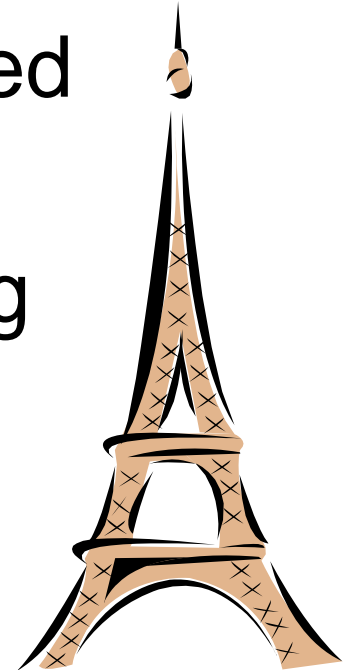


- Reinstates the waiver of the delayed delivery requirement for schools with cohort default rates less than 10% for the 3 most recent years.
- Includes eligible foreign institutions.
- Effective for any disbursement made on or after February 8, 2006.

Foreign School Disbursement Waivers



- Foreign schools are no longer *automatically* exempt from the multiple disbursement and delayed delivery requirements, but may qualify based on cohort default rates.
- Effective for loan periods beginning on or after July 1, 2006.



Delayed & Multiple Disbursement Waivers



Who can?

- Domestic schools with 3-year CDR less than 10%
- Foreign schools with 3-year CDR less than 10%
- Domestic schools with most recent CDR less than 5%, for study-abroad students only.

Who can't?

- Domestic schools with any CDR of 10% or more in the three most recently published years.
- Foreign schools with any CDR of 10 or more in the three most recently published years.

Must cease certifying loans using exemptions within 30 days of notification that CDR exceeds the applicable threshold.

Direct Disb to Study-Abroad and Foreign School students.



- Study-abroad student may receive loan disbursement directly from the lender at the *student's* request after the lender or guarantor has verified enrollment. School must notify guarantor.
- Foreign school student may receive loan disbursement directly from the lender at the *school's* request after the lender or guarantor has verified enrollment.
- Effective for loans first disbursed on or after July 1, 2006.

Study - Abroad/Foreign School Authorization Form

LENDER/DISBURSING AGENT INFORMATION

Lender/Disbursing Agent Name: _____

Lender/Disbursing Agent ID: _____

Lender/Disbursing Agent Fax number to return approval to: () _____ - _____

STUDY - ABROAD/FOREIGN SCHOOL AND BORROWER INFORMATION

Foreign School Name: _____

Foreign School Code: _____

Borrower Name: _____

Last four digits of Borrower's SS#: _____

LOAN DISBURSEMENT INFORMATION/VERIFICATION AND APPROVAL

The disbursement(s) for the borrower listed above will be made co-payable to the school and the borrower. **No OGSLP approval is required.**

The borrower has requested direct disbursement(s) for a study-abroad program. **We request OGSLP to verify the following:**

_____ The student has been accepted for at-least-half-time enrollment.

The foreign institution disbursement(s) for the borrower listed above will be made payable **directly** to the borrower. **We request OGSLP to verify the following:**

_____ The school has been verified as "eligible" by checking the PEPS system.

_____ The student has been accepted for at-least-half-time enrollment.

Demographic information of the study-abroad program or foreign school:

Note: Please fax the completed form to (405)234-4459 and allow 3-5 business days for processing time. Wait for faxed approval before making disbursements on checks made payable directly to the borrower.

This information has been verified by: _____ Date: _____

OGSLP Authorized signature

Disbursement Pursuant to Power of Attorney



- Disbursement to a study-abroad student may be made pursuant to an authorized power of attorney.
- Disbursement to a foreign school student may ***no longer*** be made pursuant to an authorized power of attorney.
- Effective for loans first disbursed on or after July 1, 2006.

Direct Disbursement and Power of Attorney



Currently:

- Study-abroad or foreign school students may request direct disb or POA.
- GA required to verify foreign school eligibility and student's enrollment before direct disb.
- Enrollment verification not required for study-abroad students.

Loans first disb on/after 7/1/06:

- Direct disb to study-abroad student allowed at student's request after enrollment verification. POA allowed.
- Direct disb to foreign school student allowed at the school's request after enrollment verification. POA no longer allowed.

Lender must comply with the disbursement request of the applicable party.

School As Lender



- In order for a school to act as lender, the school must have met the eligibility criteria in effect February 7, 2006, and made loans on or before April 1, 2006. For schools that qualify to participate as lenders, new provisions are effective 7/1/2006.
- Unchanged requirements:
 - Must employ at least one full-time person to administer financial aid for its students.
 - Must not be a home-study school.



School As Lender



- New requirements effective July 1, 2006:
 - May only make Stafford loans to graduate and professional students.
 - May *not* make PLUS loans to parents or grad/professional students, consolidation loans, or loans to anyone not enrolled at the school.
 - Must award any financing, servicing, or administrative contracts on a competitive basis.

School As Lender



- New requirements effective July 1, 2006:
 - Must offer origination fees and/or interest rates lower than that authorized by HEA.
 - Must have cohort default rate less than 10%.
 - Must submit to ED an annual compliance audit of its lender function, regardless of volume.
 - All earnings above administrative expenses, including proceeds from sales of loans, must be directed to need-based grant programs.

Program Eligibility Factors



- Reduces the number of weeks in an academic year for a clock hour program from 30 weeks to 26 weeks
- Expands the definition of “eligible program” to include telecommunications for schools evaluated as effective to deliver distance-education programs by a recognized accrediting agency or association.
- Allows direct assessment as a measure of student learning if consistent with the accreditor or program using the results of the assessment.
- Effective 7/1/2006.

Telecommunication Courses



- Eliminates telecommunications courses from correspondence course definition under the 50% rule.
- Students eligible for aid as long as they are in recognized certificate, associate, bachelor's or graduate degree program.
- Allows certificate program of less than one year offered by telecommunications to qualify for Title IV assistance.
- Requires telecommunications program to be accredited by agency that is approved to accredit distance education programs.
- Effective July 1, 2006.



Verification of IRS Data



- Authorizes the Secretary to verify financial information, as reported on the FAFSA, with IRS data
- Revises the comparison data from AGI, taxes paid, filing status, and exemptions to simply refer to the information reported in the IRS code of 1986, which is AGI, taxpayer id information and filing status
- Awaiting formal guidance

Institutional Refunds



- Amends language requiring school to contact borrower in cases where the borrower is eligible for a late disbursement or post-withdrawal disbursement to confirm whether the loan funds are still needed:
 - Institution must explain borrower's obligation to repay the funds.
 - Institution also must document in the borrower's file the decision of the borrower and the school's final determination concerning the disbursement.

Institutional Refunds



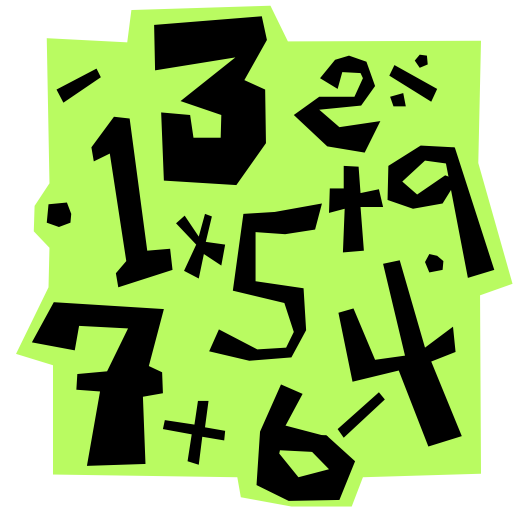
- Requires an institution to return Title IV program funds not earned by the student not later than 45 days from the determination of withdrawal.
- Clarifies that for grant overpayments, a student is only required to return the amount that exceeds 50% of the total grant assistance received by the student.
 - Student is not required to return an amount that is \$50 or less



Institutional Refunds



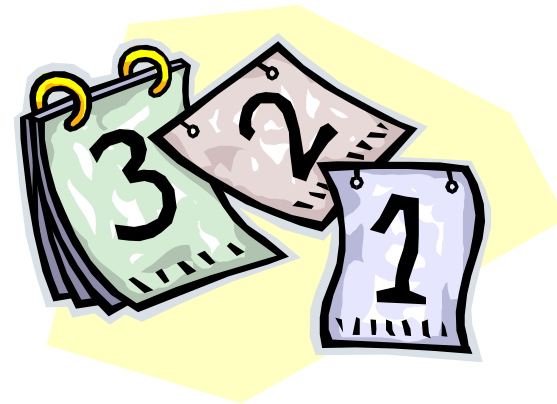
- Calculations for clock hour programs revised
 - The percentage of the payment period or period of enrollment completed is equal to the total number of clock hours divided by the number of clock hours scheduled to be completed by the student in that period as of the day the student withdrew



Leave of Absence



- Allows students to take “one or more leaves of absence” from an institution for not more than 180 days in a 12-month period without being considered withdrawn
- Codifies guidance in 11/01/02 Final Regulations
- Effective 7/1/2006





Questions?





Lender and Eligibility Changes

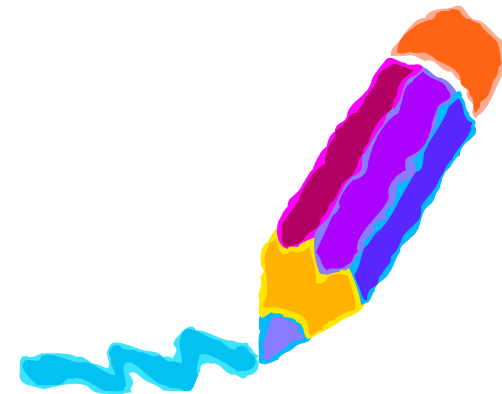


Mary Heid
NSLDS Supervisor

LaRS Changes



- LaRS reporting - DCL FP-06-04 - Reporting Changes for Lenders
 - Reduction of Origination Fees.
 - New Interest Rates for FFEL PLUS and Stafford Loans.



LaRS Changes



- Additional Topics of Interest in DCL
 - Lender Identification Number Assignment.
 - Consolidation Loan Rebate Fees.
 - Lender Profile Updates.
 - Organizational Participation Agreements.
 - Renewal Deadline.
 - Treasury Offset Program (TOP).

Special Allowance Changes



- New special allowance reporting for repayment of “excess interest” for loans first disbursed on or after April 1, 2006
- *The HERA requires the repayment by a lender of excess interest when the applicable interest rate on a loan for any quarter exceeds the “special allowance support level.”*

Special Allowance Changes



- New Special Allowance Codes
 - CE - For all Stafford Loans during an in-school, grace or deferment period.
 - CF - For all Stafford Loans in repayment.
 - CG - For Consolidation Loans.
 - CH – For PLUS Loans, including PLUS Loans made to graduate and professional students, as authorized by HERA.

PLUS Loans Eligible for Special Allowance



- Beginning with the quarter ending September 30, 2006, PLUS loans first disbursed on or after July 1, 2006, will be eligible for special allowance.



Military Deferment



- New deferment type for eligible borrowers on active duty during war, national emergency, or military operation (includes National Guard).

- New Definitions

- Active Duty- The term “active duty” has the meaning given such a term in section 101(d)(1) of title 10, United States Code, except that such term does not include active duty for training or attendance at a service school.



Military Deferment



– New Definitions

- Military Operation –The term “military operation” means a contingency operation as such term defined in section 101(a)(13) title 10, United States Code.
- National Emergency – The term “national emergency” means the national emergency by reason of certain terrorist attacks declared by the President on September 14, 2001, or subsequent national emergencies declared by the President by reason of terrorist attacks.

Military Deferment



- On or after July 1, 2006 a qualified borrower may receive a deferment for a period in which he or she meets the qualifications.
- Effective for loans for which the first disbursement is made on or after July 1, 2001.
- May not exceed 3 years.



Military Deferment



- No refunding of payments already made.
- All underlying loans in Consolidation loan must be eligible.
- Loan level and not borrower level.
- New NSLDS deferment code will be MO.



Military Deferment

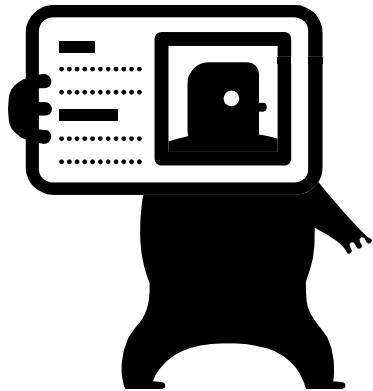


- New Form will be necessary
 - **Until a new form is available** obtain a copy of the borrower's military orders, or a written statement from the borrower's commanding officer or personnel officer that the borrower is serving on active duty during a war or other military operation, or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency.
- System modifications are in the works.

Identity Theft



- Provision adds crime of identity theft as a new type of false certification discharge.
- GEN- 06-02 advises until the discharge regulations can be developed, if the borrower presents evidence on or after 7/1/2006, that the lender or guaranty agency believes to be reasonably persuasive.
 - Lenders may provide administrative forbearance
 - Guaranty agencies may suspend default collections



Identity Theft



- NCHELP recommends
 - ED adopt the same definition of identity theft used by the financial institution regulators. The FACT ACT defines identity theft as meaning, “a fraud committed using the identifying information of another person.”
 - Use of an identity theft report as defined in the Fair Credit Reporting Act, as documentation for this new claim type.
- Regulations on this issue are pending.

Teacher Loan Forgiveness



- Eliminates the effective date limitation for the increased Teacher Loan Forgiveness amounts up to \$17,500.
 - Effective on date of enactment, retroactive to October 1, 2005.
- Expands the borrower eligibility to include teachers in nonprofit, private schools who take and pass a competency test of subject knowledge and skills.
 - Effective for applications received on or after July 1, 2006.

Teacher Loan Forgiveness



- Eligibility will continue to be established by a certifying official's signature.
- Revised form will be necessary.
 - OGSLP TLF contact:
Cody Layman (405) 225-9294 or
clayman@osrhe.edu



Parent, Graduate Professional and Student Fraud



- Adds provisions that require students, parents or graduate/professional students who have been convicted of, or have pled no contest, or guilty to, a crime of fraud involving Title IV aid to repay such funds in order to be eligible to receive any funds.
- Regulations on this issue are pending.



Student Eligibility Drug Related Offenses



- “A student who is **convicted** of any offense under any Federal or State law involving the possession or sale of a controlled substance **for conduct that occurred during a period of enrollment** for which the student was receiving any grant, loan, or work assistance under this title **shall not be eligible** to receive any grant, loan, or work assistance under this title from the date of that conviction **for the period of time specified in the following table:**” (FAFSA question- self certifying)

Student Eligibility – Drug Related Offenses



- If convicted of an offense involving:

The possession of a controlled substance	
	Ineligibility period is
First offense	1 year
Second offense	2 years
Third offense	Indefinite

The sale of a controlled substance	
	Ineligibility period is
First offense	2 years
Second offense	Indefinite

Student Eligibility Drug Related Offenses



- 2006-2007
 - FSA develops new worksheet
 - CPS informs all applicants who answered “yes” to complete the new worksheet and update CPS if appropriate





Questions?





Consolidation, Claims and Rehabilitation Changes

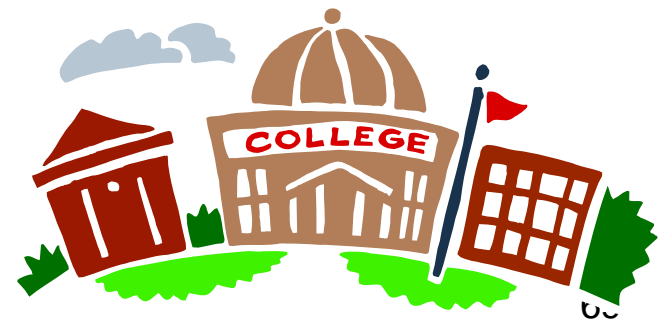


Andrea Stone
Training Coordinator

Repeal of In-School Consolidation



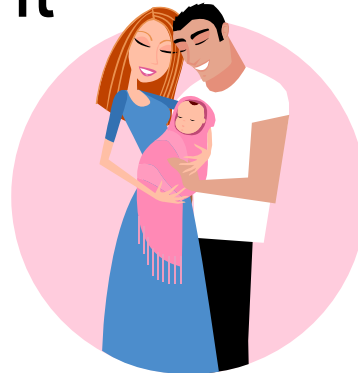
- Eliminates in-school consolidation effective for borrower requests received by FFEL lenders on or after July 1, 2006.
- Effective for Consolidation loan applications received by the Direct Loan Program on or after July 1, 2006.



Grace Period Issue



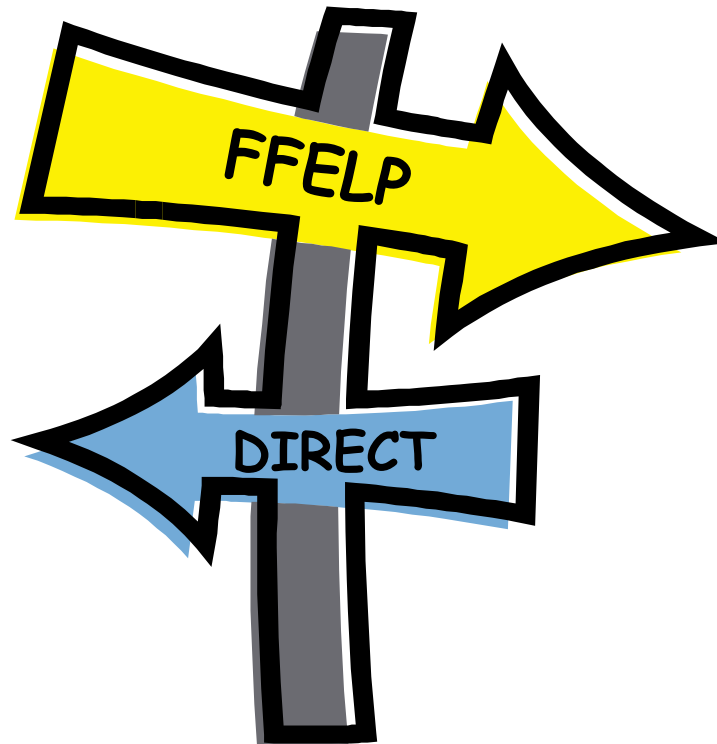
- Borrowers may consolidate while in-school after 7/1/2006 **if they waived their grace period prior to 7/1/2006**
- Since borrowers can't waive their grace period after 7/1/2006, there is an unresolved ED issue with the Parental Leave deferment



Cross Program Consolidation



- Terminates borrower eligibility for a new consolidation loan if borrower already obtained a FFELP or Direct Consolidation Loan



Exceptions allowing Access to Direct Loan Consolidations



- Two ways FFELP Borrowers can obtain Direct Consolidation Loans:
 - ✓ Borrower seeks to obtain an income-contingent repayment plan AND the initial Consolidation loan has been submitted to the guarantor for default aversion assistance
 - ✓ If a lender denies a FFELP Consolidation Loan with income sensitive repayment terms, the Secretary must offer a Direct Consolidation Loan
- Effective for Consolidation Loan applications received on or after July 1, 2006

Spousal Consolidation



- Eliminates spousal consolidation loans effective for Consolidation Loan applications received on or after July 1, 2006



Forms Impacts



- The new Consolidation Addendum will contain information regarding Cross Program, In-School and Spousal Consolidations.

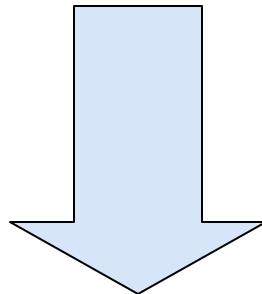


Reduction of Lender Insurance



- Reduces insurance of defaulted loans from 98% to 97% beginning with loans for which the first disbursement of principal is made on or after July 1, 2006

98%



97%

Exempt Claims



- Exempt Claims due to the disbursement of ineligible funds are increased to 100% effective for loans for which the first disbursement of principal is made on or after July 1, 2006

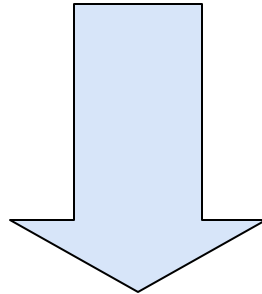
100%

Exceptional Performer



- Reduces Exceptional Performer from 100% to 99% for any default claim submitted by the exceptional performer on or after July 1, 2006

100%



99%

Consolidation of Defaulted Loans



- Limits the amount of collection costs charged the borrower by the guaranty agency to 18.5% of the outstanding principal and interest in a defaulted loan paid off through consolidation
- Guaranty agencies must rebate 8.5% of the 18.5% collection costs to ED
- Effective on or after 10/1/2006

Consolidation of Defaulted Loans



- Requires guaranty agencies to remit the entire collection charge to the Secretary on defaulted loans paid off with excess consolidation proceeds beginning on or after Oct. 1, 2009
- Excess consolidation proceeds are defined as the proceeds of consolidation of defaulted loans that exceed 45% of the agency's total collections on defaulted loans in a federal fiscal year.

Loan Rehabilitation



- Changes the number of payments required for loan rehabilitation from 12 consecutive monthly payments to 9 payments made during 10 consecutive months.
- Each of the 9 payments must be made within 20 days of the due date
- Will be retroactive for OGSLP borrowers in rehabilitation if one of the nine payments is made after July 1, 2006
- Effective for all loan rehabilitation agreements with borrowers beginning on or after July 1, 2006

Wage Garnishment Requirements



- The maximum amount deducted from any pay period has been changed from 10% to 15% of disposable pay.
- Borrowers must be notified that they can obtain a hearing if they object to the increased withholding amount **and** they have **new** information not presented at their initial garnishment hearing
- Effective 7/1/2006



Questions?





Thank You



Please join us after lunch for a
Q & A session and
“Are You Change Ready?”