



DRAFT

Higher Education Reconciliation Act of 2005 (HERA)

Impact Summary

The Higher Education Reconciliation Act of 2005 (HERA), is Title VIII of the Deficit Reduction Act of 2005 (DRA). This legislation (Pub.L. 109-171) was signed by President Bush on February 8, 2006. This document is a summary overview of the provisions and is intended for informational purposes only.

* Effective dates - This document includes any effective dates listed in the Department's Dear Colleague Letters (DCLs), Interim Final Rules published in the *Federal Register* dated August 9, 2006, and Final Rules published in the *Federal Register* dated November 1, 2006.

Item Number	Section - Subject	Higher Education Reconciliation Act	* Effective Date	Sources
8001 - Short Title; Reference; Effective Date				
1	Short Title	This subtitle may be cited as the "Higher Education Reconciliation Act of 2005."		
2	References	Except as otherwise provided, whenever in this subtitle an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to other provision of the Higher Education Act of 1965.		
3	Effective Date	Unless otherwise specifically provided, amendments made by this legislation become effective July 1, 2006.		
8002 - Modification of 50/50 Rule				
4	Correspondence Courses	Under HERA, courses offered by telecommunications are no longer considered correspondence courses, and students enrolled in telecommunications courses are no longer considered to be correspondence students. As a result, otherwise eligible institutions that offer over 50% of their courses by telecommunications, or have 50% or more of their regular students enrolled in telecommunications courses, are now eligible for participation in the Title IV, HEA programs. The 50% limitations continue to apply to correspondence courses and students. Makes it easier for a distance education institution to qualify as a Title IV institution.	For loan periods beginning on or after 7/1/2006	DCL GEN-06-05 contains changes to Student and Institutional Eligibility and Student Assistance General Provisions under the Federal Student Aid Programs.

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8003 - Academic Competitiveness Grants				
5	New Mandatory Grant Program	<p>The new law creates a new Academic Competitiveness Grant program and an Academic Competitiveness Council to oversee and provide guidance for the program. Provides additional grants for Pell eligible undergrads:</p> <ul style="list-style-type: none"> • Up to \$750 Academic Competitive Grants for 1st year students who have pursued a "rigorous academic curriculum" in high school • Up to \$1,300 Academic Competitive Grants for 2nd year students who have pursued a "rigorous academic curriculum" in high school • Up to \$4,000 SMART Grants for 3rd and 4th year students majoring in math, science, technology, engineering or a critical foreign language. 	Available to eligible students for the 2006-2007 award year	<p>DCL GEN-06-04 contains information on the two new grant programs available to eligible students for the 2006-07 award year.</p> <p>DCL GEN-06-06 provides the list of academic majors eligible for the National SMART Grants for the 2006-2007 award year.</p> <p>DCL GEN-06-08 announces the Secretary's letter to States on the implementation of the Academic Competitive Grant and National SMART Grant Programs.</p> <p><i>Federal Register</i>, posted July 3, 2006 (Volume 71, Number 127) - Rules and Regulations pages 37989-38012 - Establishment of Regulations for the ACG and National SMART Grant Programs, and Grant and Loan Program Amendments; Interim Rule</p> <p>Electronic Announcement (EA) posted July 13, 2006, - HERA Operational Guidance (CPS, COD System, and EDEExpress Suite) - Resource and Updates Related to ACG Recognized Rigorous Secondary School Program of Study Requirement</p> <p>Electronic Announcement posted July 19, 2006, - Update to IFAP Web site with Frequently Asked Questions on ACG and National Smart Grant Awards</p> <p>DCL GEN-06-15 provides a revised list of academic majors eligible for the National SMART Grants for the 2006-07 award year.</p> <p>DCL GEN-06-18 provides guidance to institutions concerning how to implement the "academic year" definition within the ACG and National SMART Grant programs for the 2006-07 and 2007-08 award years.</p>

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8004 - Reauthorization of Federal Family Education Loan Program				
6	Administrative Cost Allowance	Changes "administrative cost allowance" that is paid to guaranty agencies to "loan processing fee" to conform to language used in 428 (f).		
7	Duration of Program	Extend the federal loan insurance program from 2004 to 2012. Extends insurance for prior borrowers from 2008 to 2016.		
8	Duration of Program Subsidized Loan Program	Extend the federal subsidized loan program from 2004 to 2012. Extends insurance for prior borrowers from 2008 to 2016.		
9	Consolidation Loans	Extends authorization for the consolidation program from 2004 to 2012.		
8005 - Loan Limits				
10	Annual Undergraduate Stafford Loan Limits	<p>Increases annual Stafford loan limits:</p> <ul style="list-style-type: none"> •1st year students from \$2,625 to \$3,500 •2nd year students from \$3,500 to \$4,500 <p>The HERA did not increase aggregate loan limits in either program.</p> <p>The Department has noted that the school may certify Stafford loans for these new loan amounts provided that both of the following parameters apply:</p> <ul style="list-style-type: none"> ▪ The loan is made for a loan period that includes July 1, 2007, or that begins after that date. ▪The loan is first disbursed on or after July 1, 2007. <p>If the school certifies a loan for a loan period that includes July 1, 2007, but has a first disbursement date prior to July 1, 2007, then on or after July 1 the school may certify a new loan up to the applicable new annual maximum loan limit.</p>	<p>Effective for any loan certified or originated on or after 7/1/2007</p>	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p><i>Federal Register</i> (dated August 9, 2006), interim final regulations (Volume 71, No. 153, pages 45675 and 45700)</p>

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11	Unsubsidized Stafford Loan Limits for Graduate and Professional Students	<p>Increases annual unsubsidized Stafford loan limits for graduate/professional students from \$10,000 to \$12,000. Instead of a maximum of \$18,500, graduate/professional students would be eligible for up to \$20,500 in Stafford loan funds, where no more than \$8,500 is subsidized.</p> <p>Increases the amount of unsubsidized Stafford loan funds available to students with an undergraduate degree who enrolled in courses needed for enrollment in a degree-granting program, and for students enrolled in a program necessary for professional certification as required for employment as a teacher. The additional unsubsidized Stafford eligibility for this population is \$7,000, an increase from \$5,000. Instead of a maximum of \$10,500, these students would be eligible for up to \$12,500 in Stafford loan funds, of which no more than \$5,500 may be subsidized.</p> <p>Aggregate loan limits unchanged.</p>	Effective for any loan certified or originated on or after 7/1/2007	<p>Please refer to DCL GEN-06-03 for correction to DCL GEN-06-02. NCHELP identified a couple of errors in the chart on page 7 of DCL GEN-06-02. For 3rd year and beyond undergraduate, the additional unsub should be \$5,000 (not \$10,500) and for preparatory coursework (for enrollment in an undergraduate program) the additional unsub should be \$4,000 (not \$6,625).</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, page 45675 and 45700)</p>

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12	PLUS Loan for Graduate and Professional Students	<p>PLUS loan eligibility expanded to include graduate and professional students. Eligible to borrow under the PLUS Loan program up to their cost of attendance (COA) minus (-) other estimated financial assistance in both the FFEL and DL programs.</p> <p>Terms and conditions applicable in Parent PLUS loans also apply to Graduate/Professional PLUS loans. A school that participates in the Federal PLUS Program must make PLUS loans available to both parent and graduate or professional student borrowers, as applicable.</p> <p>These loans will have a fixed interest rate of 8.5% in the FFEL program and 7.9% in the DL program.</p> <p>Applicants for these loans are required to complete the FAFSA</p> <p>Borrower also must have applied for their annual loan maximum eligibility under the Federal Subsidized and Unsubsidized Stafford Loan Program before applying for a Graduate/Professional PLUS loan. However, a graduate or professional student is not required to receive Federal Stafford Loan funds as a condition for receiving a Federal PLUS loan and a school may not require a graduate or professional student to receive Federal Stafford loan funds before the student may apply for a Federal PLUS Loan.</p> <p>Graduate/Professional PLUS loan does not count toward student's aggregate loan amount.</p> <p>Graduate/Professional PLUS loan will not be included in the school's cohort default rate.</p> <p>Per the November 1, 2006, final regulations, a graduate professional student's maximum annual Stafford Loan eligibility under either the Direct Loan or FFEL Program must be determined before the student applies for a PLUS Loan.</p> <p>Sections 682.604 (h) and 685.303(e) have been amended to include PLUS Loan borrowers in the overaward language.</p>	<p>This program will be in effect for graduate or professional students for loans certified in the FFEL program or originated in the DL program on or after 7/1/2006</p>	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-05 announces promissory note addenda and revised Plain Language Disclosures that explain changes to the terms and conditions of FFEL Program loans that were made by HERA. The letter also provides guidance on awarding Federal PLUS Loans to graduate and professional students.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, page 45674)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64383, 64391, 64397 and 64399)</p>

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13	PLUS Loan for Graduate and Professional Students	<p>A graduate or professional student PLUS applicant who is determined to have an adverse credit history may receive a Federal PLUS Loan if they obtain an endorser who does not have an adverse credit history.</p> <p>The rules for multi-year use and expiration of the PLUS MPN are the same for both parent PLUS and graduate or professional student PLUS borrowers.</p> <p>The FFELP loan type code on NSLDS will be GB for Graduate PLUS Borrowers. For Direct Loans, the loan type code will be D3.</p> <p>A graduate or professional student PLUS borrower attending an eligible foreign institution will need to sign a new PLUS MPN for each new loan period. There are no eligible foreign institutions approved for the multi-year feature of the PLUS MPN at this time.</p> <p>The repayment period for a Federal PLUS Loan made to graduate or professional student begins on the date of the final disbursement of the loan and the first payment is due within 60 days after the date the loan is fully disbursed. A graduate or professional Federal PLUS Loan borrower may receive a deferment while enrolled on at least a half-time basis at an eligible school. If the borrower drops to less than half-time enrollment status, there is not a grace period and there is no authority for lenders to align payments of principal on a student PLUS borrower's Stafford and PLUS loan.</p>	This program will be in effect for graduate or professional students for loans certified in the FFEL program or originated in the DL program on or after 7/1/2006	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-05 announces promissory note addenda and revised Plain Language Disclosures that explain changes to the terms and conditions of FFEL Program loans that were made by HERA. The letter also provides guidance on awarding Federal PLUS Loans to graduate and professional students.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, page 45674)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64383, 64391, 64397 and 64399)</p>
8006 - PLUS Loan Interest Rates and Zero Special Allowance Payment				
14	PLUS Loan Interest Rates	<p>The PLUS loan interest rate is set at 8.5% fixed rate instead of the current variable rate. Previous text provided for a 7.9% fixed rate.</p> <p>Currently, the 8.5% rate only applies to FFELP PLUS loans. (The Direct PLUS loan interest rate will be 7.9%).</p> <p><i>Note: The HERA did not change the provisions in section 427A(1) that requires a 6.8% fixed interest rate for all Stafford loans first disbursed on or after July 1, 2006, in both the FFEL and DL Programs. This change from a variable to a fixed interest rate for Stafford Loans was enacted as part of earlier legislation, and does not affect a borrower's variable interest rate on loans made before July 1, 2006.</i></p>	On loans for which the first disbursement is made on or after 7/1/2006	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-04 contains guidance to FFEL lenders on reporting changes to the quarterly Lender's Interest and Special Allowance Request and Report (LaRS) as a result of the HERA.</p> <p>DCL FP-06-05 announces promissory note addenda and revised Plain Language Disclosures that explain changes to the terms and conditions of FFEL Program loans that were made by HERA. The letter also provides guidance on awarding Federal PLUS Loans to graduate and professional students.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45674 and 45700)</p>

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15	Recapture of Excess Interest	<p>Adds a new clause that requires lenders to remit excess interest back to the Department (at least annually) when the special allowance calculation for a given quarter is at a rate that is less than the applicable interest rate.</p> <p>The Department intends to collect the excess interest from lenders quarterly.</p> <p>Per DCL FP-06-04: This provision requires new special allowance categories. For loans first disbursed on or after 4/1/2006, the new special allowance categories will be:</p> <ul style="list-style-type: none"> • CE – For all Stafford Loans during an in-school, grace or deferment period, • CF – For all Stafford loans in repayment, • CG – For Consolidation Loans, and • CH – For PLUS loans, including PLUS loans made to graduate and professional students, as authorized by HERA. 	<p>Applies to loans for which the first disbursement of principal is made on or after 4/1/2006, but does not apply with respect to any special allowance payment made under section 438 before 4/1/2006.</p>	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-04 contains guidance to FFEL lenders on reporting changes to the quarterly Lender's Interest and Special Allowance Request and Report (LaRS) as a result of the HERA.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45680, 45690, and 45705)</p>
16	Excess Interest Calculations	<p>The excess interest calculation is equal to the applicable interest rate minus (-) the special allowance support level multiplied (x) by the average daily principal balance of the loan (not including unearned interest added to principal) during a given quarter divided (/) by four.</p> <p>The special allowance support level is a number expressed as a percentage equal to the sum of the rates determined under sub clause (I) and (III) of clause (i), and applying any substitution rules applicable to such loan under clauses (ii), (iii), and (iv) in determining such sum.</p> <ul style="list-style-type: none"> • The average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in such quarter as reported by the Federal Reserve in Publication H-15 (or its successor) for such 3-month period, plus • 2.34% for Stafford loans in repayment, or 1.74% during the in-school, grace, and deferment periods; or • 2.64% for PLUS and Consolidation loans. <p>For example, if the average daily principal balance of a loan was \$1,000 and the applicable interest rate and special allowance support level were 6.8% and 5.8% respectively, the excess interest to be rebated would be: $\\$1,000 \times 1.0\% / 4 = \\2.50.</p>	<p>Applies to loans for which the first disbursement of principal is made on or after 4/1/2006, but does not apply with respect to any special allowance payment made under section 438 before 4/1/2006.</p>	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-04 contains guidance to FFEL lenders on reporting changes to the quarterly Lender's Interest and Special Allowance Request and Report (LaRS) as a result of the HERA.</p> <p><i>Federal Register</i> (dated August 9, 2006), interim final regulations (Volume 71, No. 153, pages 45680, 45690 and 45705)</p>

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17	Special Allowance: PLUS Loans	<p>Removes the clauses that special allowance payments would not be made on PLUS loans disbursed on or after July 1, 2006, during any 12-month period beginning July 1 and ending June 30 unless the average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial), for the last calendar week ending on or before such July 1, plus 2.64%, exceeded 9%.</p> <p>Per DCL FP-06-04: Beginning with the quarter ending September 30, 2006, PLUS loans first disbursed on or after July 1, 2006, will be eligible for special allowance.</p> <p>Per DCL FP-06-10: Consistent with the provisions of the HERA, lenders may receive special allowance payments on PLUS loans that were first disbursed on or after January 1, 2000, and before July 1, 2006, for periods beginning April 1, 2006. The first special allowance payments for these loans will be for the second quarter of calendar year 2006 (April 1, 2006 through June 30, 2006). Lenders may submit billings for these payments on or after July 1, 2006.</p>	<p>Lenders may receive special allowance payments on PLUS loans that were first disbursed on or after 1/1/2006 and before 7/1/2006, for periods beginning 4/1/2006</p> <p>Beginning with the quarter ending 9/30/2006, PLUS loans first disbursed on or after 7/1/2006, will be eligible for special allowance</p>	<p>DCL FP-06-04 contains guidance to FFEL lenders on reporting changes to the quarterly Lender's Interest and Special Allowance Request and Report (LaRS) as a result of the HERA.</p> <p>4/19/2006 Dear Lender letter: FSA will process billings for the quarter ending 3/31/2006 under all regular applicable conditions and requirements with the following exception: <i>PLUS loans made on or after 1/1/2000 will not be processed for payment of special allowance until such time as guidance regarding the proper billing and payment of special allowance for these loans is finalized by the Department.</i></p> <p>DCL FP-06-10 provides guidance to FFEL lenders on billing for and the payment of special allowance for certain FFEL PLUS Loans.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45679 and 45703-45705)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64386 - 64387)</p>

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8007 - Deferment of Student Loans for Military Service				
18	Military Deferment	<p>Allows DL and FFELP to provide up to 3 years of deferment for eligible borrowers on active duty during war, national emergency or military operation, and includes National Guard duty under same circumstances.</p> <p>This is a new deferment type and may not exceed a total of 3 years.</p> <p>The HERA does not authorize the refunding of any loan repayment already made by a borrower at the time the deferment is granted.</p> <p>The new military deferment code will be MO on NSLDS.</p> <p>Adds new subsection, 8007(d), that provides definitions for the following: <u>Active Duty</u> - The term "active duty" has the meaning given such 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. <u>Military Operation</u> - The term "military operation" means a contingency operation as such term defined in section 101(a)(13) of title 10, United States Code.</p> <p><u>National Emergency</u> - 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.</p>	Effective for loans for which the first disbursement is made on or after 7/1/2001. On or after 7/1/2006, a qualified borrower may receive a deferment for a period in which he or she meets the qualifications after 7/1/2001.	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-05 announces promissory note addenda and revised Plain Language Disclosures that explain changes to the terms and conditions of FFEL Program loans that were made by HERA. The letter also provides guidance on awarding Federal PLUS Loans to graduate and professional students.</p> <p><i>Federal Register</i> (dated August 9, 2006), interim final regulations (Volume 71, No. 153, pages 45674, 45689, 45701, and 45702)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, page 64382)</p>
19	Military Deferment	<p><u>Serving on Active Duty during a War or other Military Operation or National Emergency</u> - The term "serving on active duty during war or other military operation or national emergency" means service by an individual who is -</p> <ul style="list-style-type: none"> • a Reserve of an Armed Force ordered to active duty under section 12301(a), 12301(g), 12302, 12304 or 12306 of title 10, United States Code, or any retired member of an Armed Force ordered to active duty under section 688 of such title, for service in connection with a war or other military operation or national emergency, regardless of the location at which such active duty service is performed; and • any other member of an Armed Force on active duty in connection with such emergency or subsequent actions or conditions who has been assigned to a duty station at a location other than the location at which such member is normally assigned. 	Effective for loans for which the first disbursement is made on or after 7/1/2001. On or after 7/1/2006, a qualified borrower may receive a deferment for a period in which he or she meets the qualifications after 7/1/2001.	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-05 announces promissory note addenda and revised Plain Language Disclosures that explain changes to the terms and conditions of FFEL Program loans that were made by HERA. The letter also provides guidance on awarding Federal PLUS Loans to graduate and professional students.</p> <p><i>Federal Register</i> (dated August 9, 2006), interim final regulations (Volume 71, No. 153, pages 45674, 45689, 45701, and 45702)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, page 64382)</p>

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20	Military Deferment	<p><u>Qualifying National Guard Duty during a War or other Military Operation or National Emergency</u> - The term "qualifying National Guard duty during a war or other military operation or national emergency" means service as a member of the National Guard on full-time National Guard duty (as defined in section 101(d)(5) of title 10, United States Code) under a call to active service authorized by the President or the Secretary of Defense for a period of more than 30 consecutive days under section 502 (f) of title 32, United States Code, in connection with a war, other military operation, or a national emergency declared by the President and supported by Federal funds.</p> <p>In some cases, a borrower may be eligible for a military deferment on loans first disbursed on or after 7/1/2001, but ineligible for the deferment on older loans. A borrower consolidating loans first disbursed on or after 7/1/2001, is eligible for the new deferment on the entire Consolidation loan, but only if all of the borrower's title IV loans included in the Consolidation loan were first disbursed on or after 7/1/2001.</p> <p>Documentation establishing eligible active duty service for the new deferment may include 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, as those terms are defined.</p>	<p>Effective for loans for which the first disbursement is made on or after 7/1/2001. On or after 7/1/2006, a qualified borrower may receive a deferment for a period in which he or she meets the qualifications after 7/1/2001.</p> <p>9</p>	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-05 announces promissory note addenda and revised Plain Language Disclosures that explain changes to the terms and conditions of FFEL Program loans that were made by HERA. The letter also provides guidance on awarding Federal PLUS Loans to graduate and professional students.</p> <p><i>Federal Register</i> (dated August 9, 2006), interim final regulations (Volume 71, No. 153, pages 45674, 45689, 45701, and 45702)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, page 64382)</p>

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8008 - Additional Loan Terms and Conditions				
21	Disbursement - Study Abroad and Foreign Schools	<p>Disbursements made to a student studying outside the U.S. in a program of study at an eligible foreign institution may be, at the request of the foreign institution, disbursed by check or other means directly to the student only after the student's enrollment is verified by the lender or guarantor. Does not apply to Direct Loan program - Direct Loan funds are disbursed to the borrower directly by the institution.</p> <p>This reflects current practice for students enrolled at foreign institutions discussed in DCL G-03-348, August 2003.</p> <p>This is not the current practice for students enrolled at a domestic school and studying abroad.</p> <p>The study abroad student may authorize a power of attorney to endorse the check or authorize a funds transfer.</p> <p>"Enrollment" for this purpose means admission to the eligible foreign institution for new student, or status that meets the definition of "enrolled" in 34 CFR 668.2 for continuing students.</p> <p>Per DCL GEN-06-11: A foreign school may make a single request to disburse all FFEL Stafford loans directly to eligible students who attend the foreign school.</p> <p>In accordance with section 20 U.S.C. §1078-2(c) of the HEA, PLUS loans, including those to graduate and professional students, may not be disbursed directly to the borrower by a lender.</p> <p>A lender is still required to notify a foreign school when the lender makes a disbursement of FFEL Stafford loans funds directly to a borrower [34 CFR §682.207(b)(1)(v)(E)]. Upon receipt of this notification, a foreign school is expected to notify the lender if a borrower has ceased to be enrolled on at least a half-time basis or has otherwise become ineligible. (Applies to both foreign schools and the home institution for study-abroad schools)</p>	<p>This provision is effective for loans first disbursed on or after 7/1/2006.</p>	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-05 announces promissory note addenda and revised Plain Language Disclosures that explain changes to the terms and conditions of FFEL Program loans that were made by HERA. The letter also provides guidance on awarding Federal PLUS Loans to graduate and professional students.</p> <p>DCL GEN-06-11 notifies foreign schools of changes made by HERA to FFELP and provides information on foreign school reporting requirements.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45678, 45690, 45700, and 45701)</p>

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21	Disbursement - Study Abroad and Foreign Schools (continued)	<p>Per the August 9, 2006, interim final regulations, a guaranty agency or lender must verify enrollment before each disbursement, including second and subsequent disbursements, of a Stafford loan.</p> <p>The interim final regulations have different standards for verifying enrollment at a foreign school for a new student and for verifying enrollment for a continuing student.</p> <p>The lender or guaranty agency must document the student's file with information on the contact.</p> <p>Per the November 1, 2006, final regulations, Section 682.207 (b)(1)(v)(C)(1) has been revised to clarify that a lender or guaranty agency may make a disbursement directly to a student enrolled in a study-abroad program only after verification of the student's enrollment with the home institution.</p> <p>Section 682.207(b)(2)(i) has been revised to permit a lender or guaranty agency to contact a foreign school via facsimile to verify a student's enrollment. In addition, § 682.207(b)(2)(i)(A) has been changed to require guaranty agencies and lenders to contact foreign schools in accordance with any procedures specified by the Secretary.</p>		<p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64384 - 64385 and 64397 - 64398)</p>
22	Repayment Plans	<p>Aligns repayment plans (other than Income Contingent Repayment {ICR} in Direct Loans and Income Sensitive Repayment {ISR} in FFELP) in Direct Loans with those in FFELP.</p> <ul style="list-style-type: none"> • A standard repayment plan, with a fixed annual repayment amount paid over a fixed period of time, not to exceed 10 years; • A graduated repayment plan paid over a fixed period of time, not to exceed 10 years; and • For new borrowers on or after October 7, 1998, with \$30,000 in outstanding loans accumulated on or after that date, an extended repayment plan, with a fixed annual or graduated repayment amount paid over a period not to exceed 25 years. <p>The Secretary also is authorized by section 455 (d) (4) to provide, on a case-by-case basis, alternative repayment plans to a borrower who demonstrates that other available repayment plans are not adequate to accommodate the borrower's exceptional circumstances.</p>	<p>The following repayment plans will be available to DL borrowers who enter repayment on their loans on or after 7/1/2006: a standard repayment plan, a graduated repayment plan and an extended repayment plan</p>	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45682-45683)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, page 64379)</p>

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22	Repayment Plans (continued)	<p>Also applies to Direct Consolidation loan borrowers effective for Direct Loan Consolidation Loan applications received on or after July 1, 2006:</p> <ul style="list-style-type: none"> • A graduated repayment plan must be paid over a fixed period, not to exceed 10 years, regardless of the loan amount, and • An extended repayment plan is available only to a borrower with a total outstanding balance being consolidated of more than \$30,000, who borrowed for the first time on or after October 7, 1998, and may not exceed 25 years of fixed annual or graduated repayment amounts. <p>The Department will also allow Direct Consolidation loan borrowers who consolidate in excess of \$30,000 to elect a repayment schedule consistent with that offered to FFEL Consolidation loan borrowers under section 428C (c) (2). This option is available for borrowers whose Direct Consolidation Loan applications are received on or after July 1, 2006.</p>	This option is available for borrowers whose Direct Consolidation Loan applications are received on or after July 1, 2006.	
23	FFELP Origination Fees	<p>Reduces Stafford (subsidized and unsubsidized) origination fees over time. Loans with a first disbursement made on/after:</p> <ul style="list-style-type: none"> •7/1/2006 will have a fee of 2%; •7/1/2007 will have a fee of 1.5%; •7/1/2008 will have a fee of 1%; •7/1/2009 will have a fee of 0.5%; and •7/1/2010 will have a fee of 0%. <p>Consolidation loan borrowers are not charged this fee. The mandatory 3% origination fee will continue to be charged to PLUS loan borrowers.</p>	Beginning with loans for which the first disbursement of principal is made on or after 7/1/2006, and before 7/1/2007, the maximum origination fee that can be charged will be 2%. The maximum fee drops to 1.5% on 7/1/2007, 1% on 7/1/2008, and 0.5% on 7/1/2009. The fee will be eliminated as of 7/1/2010	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-04 contains guidance to FFEL lenders on reporting changes to the quarterly Lender's Interest and Special Allowance Request and Report (LaRS) as a result of the HERA.</p> <p>DCL FP-06-05 announces promissory note addenda and revised Plain Language Disclosures that explain changes to the terms and conditions of FFEL Program loans that were made by HERA. The letter also provides guidance on awarding Federal PLUS Loans to graduate and professional students.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45674-45675, and 45700)</p>

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24	Direct Loan Origination Fees	<p>Reduces Stafford (subsidized and unsubsidized) origination fees over time. Loans with a first disbursement made on or after:</p> <ul style="list-style-type: none"> •7/1/2006 will have an fee of 3%; •7/1/2007 will have a fee of 2.5%; •7/1/2008 will have a fee of 2%; •7/1/2009 will have a fee of 1.5%; and •7/1/2010 will have a fee of 1%. <p>Consolidation loan borrowers are not charged this fee. The mandatory 3% origination fee will continue to be charged to PLUS loan borrowers.</p>	<p>Beginning with loans for which the first disbursement of principal is made on or after 2/8/2006, and before 7/1/2007, the origination fee that can be charged is 3%. The fee drops to 2.5% on 7/1/2007, 2% on 7/1/2008, and 1.5% on 7/1/2009 and 1% on 7/1/2010</p>	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-04 contains guidance to FFEL lenders on reporting changes to the quarterly Lender's Interest and Special Allowance Request and Report (LaRS) as a result of the HERA.</p> <p>DCL FP-06-05 announces promissory note addenda and revised Plain Language Disclosures that explain changes to the terms and conditions of FFEL Program loans that were made by HERA. The letter also provides guidance on awarding Federal PLUS Loans to graduate and professional students.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45674-45675 and 45700)</p>
25	Repayment Incentives	<p>Authorizes the Secretary to reduce origination fees paid by DL borrowers in order to encourage on-time repayment.</p> <p>The Department will continue the existing "up front" interest rebate incentive program for DL borrowers.</p>		<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45674-45675 and 45700)</p>

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8009 - Consolidation Loan Changes				
26	Cross-Consolidation Between Programs	<p>Terminates borrower eligibility for a new Consolidation loan if borrower already obtained a FFELP or Direct Consolidation loan (eliminates reconsolidation into other program).</p> <p>Adds an exception to existing limitations on subsequent Consolidation loans to permit borrowers who currently have a Consolidation loan to obtain a subsequent Consolidation under the following circumstance:</p> <ul style="list-style-type: none"> • Borrower seeks to obtain an income-contingent repayment plan, AND • The initial Consolidation loan has been submitted to the guarantor for default aversion assistance. <p>Both of the above conditions must be in place for the borrower to obtain a subsequent Consolidation loan under this exception.</p> <p>Repealed by the Appropriations Act (see below) <i>~HERA strengthens language which allows borrowers to obtain a Direct Consolidation loan "if lender denies" instead of "if borrower is unable to obtain" a FFELP Consolidation loan with income-sensitive repayment terms. New sentence states that, upon a lender's denial, the Secretary must offer a Direct Consolidation loan to resolve the borrower's default.</i></p> <p>Per DCL GEN-06-12 (FP-06-11): Consolidation of Defaulted FFEL Loans into the Direct Loan Program - The Appropriations Act repealed changes made to the loan program [section 428C(b)(5)] by the enactment of HERA, limiting the circumstances under which a FFEL borrower without any Direct Loans may consolidate FFEL loans into a Direct Consolidation Loan. The Appropriations Act eliminated these restrictions and restored the statutory provision that was in place prior to the enactment of HERA.</p> <p>Therefore, a FFEL Stafford or PLUS loan borrower continues to be eligible to apply for a Direct Consolidation Loan if the borrower is unable to obtain a FFEL Consolidation Loan, or is unable to obtain one with income-sensitive repayment terms acceptable to the borrower.</p>	<p>Effective for Consolidation Loan applications received on or after 7/1/2006.</p> <p>Effective for Direct Consolidation Loan applications received on or after 7/1/2006.</p> <p>Effective on 6/15/2006 with the enactment of the Appropriations Act</p>	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-03 reiterates and confirms the Department's position that, beginning April 1, 2006, it will enforce the single holder rule in the making of FFEL Consolidation Loans. Any FFELP Consolidation Loan made after March 31, 2006, that does not comply with the single holder rule by including at least one FFEL loan is not eligible for reinsurance and other program benefits unless the consolidating lender submitted all applicable Loan Verification Certificates (LVCs) to the holder(s) of the underlying loans on or before March 31, 2006.</p> <p>DCL FP-06-05 announces promissory note addenda and revised Plain Language Disclosures that explain changes to the terms and conditions of FFEL Program loans that were made by HERA. The letter also provides guidance on awarding Federal PLUS Loans to graduate and professional students.</p> <p>DCL GEN-06-12 (FP-06-11) discusses changes made to the FFEL and Direct Loan Consolidation Loan Programs by the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (the Appropriations Act).</p> <p>DCL FP-06-12 announces the revised applications and promissory note addendum that explains the changes to terms and conditions of FFEL Federal Consolidation Loans by the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and the Hurricane Recovery, 2006 (the Appropriations Act)</p>

Item Number	Section - Subject	Higher Education Reconciliation Act	* Effective Date	Sources
26	<p>Cross-Consolidation Between Programs</p> <p>(continued)</p>	<p>Electronic Announcement posted June 26, 2006, - Consolidation Loans made under the FFEL and William D. Ford Federal Direct Programs. Advises that the "two-step" consolidation loan process will not be resumed. The "two-step" process involved the Direct Loan consolidation of a FFELP consolidation loan followed by the reconsolidation of the loan back into the FFELP.</p> <p>Per the November 1, 2006, final regulations, an otherwise eligible borrower may also consolidate a single Federal Consolidation Loan into the Direct Loan Program for the purpose of obtaining an income contingent repayment plan if the borrower has filed an adversary complaint in a bankruptcy proceeding seeking to have the Federal Consolidation Loan discharged, regardless of whether that Federal Consolidation Loan is current, delinquent, or in default. A borrower who is seeking to have a Federal Consolidation Loan discharged in bankruptcy should be treated the same as a borrower whose loan has been submitted for default aversion.</p> <p>Per DCL GEN-06-20 (FP-06-16): There is no minimum number of loans that may be included in a Consolidation Loan. A FFEL or Direct Consolidation Loan may include just one eligible loan. A borrower may not consolidate a Perkins or Health Professions loan into the Direct Loan Program without including at least one FFEL or Direct Loan.</p> <p>A loan holder or servicer that fails to comply with the requirement to complete and return an LVC within 10 business days of its receipt could be subject to fines or other sanctions. In addition, the Department will consider the loan holder's or servicer's record of compliance with this requirement when determining eligibility for designation as an exceptional performer.</p> <p>The Department will monitor loan activity through NSLDS to ensure that there are no FFEL Consolidation Loans that consist only of a single FFEL or Direct Loan Consolidation Loan. If a violation of this restriction is found, the new Consolidation Loan will be subject to loss of reinsurance and other FFEL Program benefits.</p> <p>A FFEL borrower cannot reconsolidate a single consolidation loan unless they are obtaining a Direct Consolidation Loan for the purpose of obtaining the income contingent repayment (ICR) plan.</p> <p>The Department will not deny reinsurance or other federal benefits on FFEL Consolidation loans where the second step of the two-step process was completed after June 30, 2006 and prior to the date of this letter (posted 12/1/06). Effective with the date of this letter, a FFEL lender may not make a Consolidation Loan to a borrower with only a FFEL or Direct Consolidation Loan even if the Consolidation Loan application was received by the lender prior to July 1, 2006.</p>		<p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, page 45683)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64383-64384)</p> <p>DCL GEN-06-20 (FP-06-16) revised eligibility requirements for consolidation loans in the FFEL and Direct Loan Programs, LVC processing and restrictions on a borrower's eligibility to consolidate an existing Consolidation Loan</p>

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27**	Consolidation - Single Holder Rule **	<p>Repeal of Single Holder Rule - The single holder rule formerly found in section 428C(b)(1)(A)(i) no longer applies. The repeal means that an eligible borrower may consolidate loans with any eligible consolidation lender in the FFEL Program, even if the borrower's loans are held by only one FFEL holder.</p> <p>Per DCL GEN-06-20 (FP-06-16): The consolidating lender is responsible for ensuring that it does not make a Consolidation Loan based upon an application received before June 15, 2006, from a borrower who would have been ineligible for the requested Consolidation Loan from that lender because of the single holder rule.</p> <p>Any FFEL Consolidation Loan made in violation of the single holder rule, as in effect for Consolidation Loan applications received prior to June 15, 2006, will be subject to loss of reinsurance and other FFEL Program benefits.</p>	For any Federal Consolidation loan based on an application received by an eligible lender on or after 6/15/2006	<p>DCL GEN-06-12 (FP-06-11) discusses changes made to the FFEL and Direct Loan Consolidation Loan Programs by the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (the Appropriations Act).</p> <p>Electronic Announcement posted June 26, 2006, - Consolidation Loans made under the FFEL and William D. Ford Federal Direct Programs</p> <p>DCL FP-06-12 announces a revised application and promissory note addendum that explains the changes to the terms and condition of FFEL Federal Consolidation Loans by the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (the Appropriations Act).</p> <p><i>Federal Register</i> (dated August 9, 2006), interim final regulations (Volume 71, No. 153, pages 45677, and 45689)</p> <p>DCL GEN-06-20 (FP-06-16) revised eligibility requirements for consolidation loans in the FFEL and Direct Loan Programs</p>
28	Spousal Consolidation	Eliminates "spousal consolidation" loans.	Effective for Consolidation Loan applications received on after 7/1/2006	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-05 announces promissory note addenda and revised Plain Language Disclosures that explain changes to the terms and conditions of FFEL Program loans that were made by HERA. The letter also provides guidance on awarding Federal PLUS Loans to graduate and professional students.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, page 45674)</p>

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29	Repeal of In-School Consolidation	<p>Eliminates the borrower's option to enter repayment early. A conforming change is made in the eligibility requirements for a Consolidation loan, section 428C(a)(3)(A)(ii)(I).</p> <p>A borrower is currently able to enter repayment early in order to take advantage of the in-school interest rate when consolidating loans. This provision would eliminate this option. The repayment period will begin the day after the end of the 6-month grace period.</p> <p>The changes clarifying the definition of repayment for FFEL Consolidation Loans in section 428C (a) (3) and defining eligible borrower for Direct Consolidation Loans in section 455 (g) are effective for Consolidation Loan applications received on or after 7/1/2006.</p> <p>Per DCL FP-06-09: A borrower's request for early repayment must be received by the holder of the underlying loan prior to July 1, 2006. DCL GEN 05-08 also includes a discussion about the procedures for permitting in-school borrowers to request early conversion to repayment for the purpose of qualifying for a Consolidation loan.</p> <p>Per the August 9, 2006, interim final regulations, the repayment period is now defined as the period beginning 6 months and one day after the date the student ceases to carry at least one-half the normal full-time academic workload, as determined by the institution.</p> <p>Per the November 1, 2006, final regulations, the requirement that a borrower waive at least one month of the grace period so that the borrower may be certified as having been enrolled at least half time within the six-month period preceding the deferment start date in § 682.210(o) applies only to the parental leave deferment - eligible borrowers may continue to waive a month of the grace period, if necessary, in order to qualify for the parental leave deferment.</p>	<p>The changes to section 428 (b) (7) (A) apply to borrower requests received by FFEL lenders on or after 7/1/2006.</p> <p>The changes made to section 455 (a) apply to Consolidation loans applications received by the DL Program on or after 7/1/2006.</p>	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-09 provides options for lenders in FFEL program to use when determining Federal Consolidation Loan interest rates as of July 1, 2006, and shortly thereafter.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45675, 45690, and 45701)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, page 64385)</p> <p>DCL GEN-06-20 (FP-06-16) revised eligibility requirements for consolidation loans in the FFEL and Direct Loan Programs, LVC processing and restrictions on a borrower's eligibility to consolidate an existing Consolidation Loan</p>
8010 - Requirements for Disbursements of Student Loans				
30	Disbursement Rules - Low-Cohort Schools - Multiple Disbursement Waiver	<p>Reinstates provisions for low-cohort default rate schools (less than 10% for the 3 most recent fiscal years) that allows for the disbursement of loan funds in a single installment for a period of enrollment that is not longer than 1 semester, 1 trimester, 1 quarter, or a period of 4 months.</p> <p>This provision was previously in law and allowed to expire on September 30, 2002.</p> <p>Includes an eligible foreign institution.</p>	<p>Changes are effective for any disbursement made on or after 2/8/2006</p>	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p>

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31	Disbursement Rules - Foreign Schools	<p>Loans to students attending low-cohort default rate foreign schools (less than 10% for the 3 most recent fiscal years) are no longer exempt from the disbursement requirements (i.e., multiple disbursement and delayed delivery).</p> <p>Eligible foreign institutions are eligible for the low cohort default rate exemptions.</p> <p>Per DCL GEN-06-11: A FFELP loan for a student attending a foreign school may no longer be disbursed in a single installment. For loans that were previously certified with loan periods beginning on or after July 1, 2006, the foreign school must contact the lender and revise the disbursement schedule, if necessary, to comply with these multiple disbursement requirements. For programs offered in standard terms (semester, trimester, or quarters) or nonstandard terms that are substantially equal in length, at least one disbursement is made for each term in the loan period.</p> <p>For programs offered in clock hours, credit hours without terms, or credit hours with nonstandard terms that are not substantially equal in length, the loan must be disbursed in at least two substantially equal amounts, with the first disbursement generally disbursed at or near the beginning of the loan period.</p> <p>HERA provides that a school with a cohort default rate of less than 10% for each of the three most recent fiscal years for which data are available is not required to delay the first disbursement for such students. For loans that were previously certified for such students with loan periods beginning on or after July 1, 2006, the foreign school must contact the lender to revise the disbursement schedule, if necessary, to comply with the requirement.</p>	This change is effective for loans with loan periods beginning on or after 7/1/2006	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL GEN-06-11 notifies foreign schools of changes made by HERA to FFELP and provides information on foreign school reporting requirements.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45682, 45691, and 45709)</p>
32	Disbursement Rules - Low-Cohort Schools - Delayed Delivery Waiver	<p>Reinstates the provision, previously in law, for low-cohort schools default rate schools (less than 10% for the three most recent fiscal years) that allows such schools to waive the 30-day delayed delivery of funds to first-time borrowers who are first-year students.</p> <p>Includes an eligible foreign institution.</p>	Changes are effective for any disbursement made on or after 2/8/2006	DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.

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8011 - School As Lender				
33	School as Lender	<p>To be an eligible lender under this part, the lender must have met the requirements of 435(d) (2) (A) – (F) that were in effect prior to the date of enactment, and must have made loans under this part on or before April 1, 2006.</p> <p>On or after July 1, 2006, as a result the changes made by HERA, a school lender may make only subsidized and unsubsidized Stafford loans under section 428 and 428H to graduate or professional students enrolled at the school.</p> <p>Beginning on July 1, 2006, a school as lender may not make PLUS loans to parents or to graduate or professional students, or make Consolidation loans.</p> <p>Effective July 1, 2006 eliminates school lender could not make loans to more than 50% of the undergraduate students at the school</p> <p>Effective July 1, 2006- lowers the cohort default rate requirement from 15% to 10%. Requires school to offer loans that have interest rates and/or origination fees lower than what is permitted in Title IV for any loan disbursed on or after July 1, 2006. Also requires the cohort default rate of the school to be no more than 10%.</p> <p>Per the November 1, 2006, final regulations, the requirement that school lenders have an annual audit in § 682.601(a)(7) has been amended to clarify that, in addition, a school lender subject to the Single Audit Act must in addition during years when the student financial aid cluster, as defined in OMB Circular A -133 Compliance Supplement, is not audited as a major program, also audit the school's lending activities as a major program under the Single Audit Act. This additional requirement is without regard to the amount of loans made. Technical correction to § 682.06(c)(2) has been made.</p> <p>Section 682.601(a)(8) has been revised to remove the words "which does not include providing origination fees or interest rates at less than the fee or rate authorized under the provisions of the Act" following the words "need-based grants" and before ";and." A technical change has also been made to § 682.601(a)(9) to reflect the requirement that an eligible school lender must have made one or more FFEL program loans on or before April 1, 2006.</p>	<p>Effective 4/1/2006, only a school that would have met the school lender eligibility requirements as they existed in section 435 (d) (2) (A)-(F) on the day before the date of enactment of HERA (i.e., 2/7/2006) can be a school lender, and only if the school made FFEL loans as a lender on or before 4/1/2006.</p>	<p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45682, 45691, and 45708)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64390-64391)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64390 - 64391 and 64399)</p>

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34	School as Lender	<p>Effective July 1, 2006, stipulates that the school must award any financing, servicing, or administration contract on a competitive basis. Schools are required to do an annual compliance review of the portfolio and to provide the audit report to the Department.</p> <p>Clarifies that all earnings – including the proceeds from special allowance payments, interest payments and any proceeds from the sale or other disposition of loans – except for reasonable reimbursement of direct administrative expenses, must be used for need-based grant programs. Also clarifies that the earnings are to be used to supplement – not supplant – non-federal funds that would be used for need-based grants.</p> <p>Per the August 9, 2006, interim final regulations, the Department will be issuing further guidelines for the lender compliance audits that must be submitted by school lenders.</p> <p>School lenders must submit audits for fiscal years beginning before July 1, 2006, in accordance with current requirements.</p>	Effective 7/1/2006	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45682, 45691, and 45708)</p>

Item Number	Section - Subject	Higher Education Reconciliation Act	* Effective Date	Sources
8012 - Repayment by the Secretary of Loans of Bankrupt, Deceased, or Disabled Borrowers; Treatment of Borrowers Attending Schools that fail to Provide Refund, Attending Closed Schools, or Falsely Certified as Eligible to Borrow				
35	False Certification	<p>Provision adds identity theft as a new type of false certification discharge, authorizing a discharge if the borrower's loan was falsely certified as a result of a crime of identity theft.</p> <p>Until the discharge regulations can be developed, lenders may provide administrative forbearance, and guaranty agencies may suspend default collections, if a borrower presents evidence, on or after July 1, 2006, that the lender or guaranty agency believes to be reasonably persuasive, showing that the borrower's loan may have been falsely certified as a result of a crime of identity theft.</p> <p>Per the August 9, 2006, final interim regulations, the borrower's obligation is discharged if the borrower provides the holder of a loan, or the Secretary in the case of a Direct Loan, a copy of a local, State, or Federal court verdict or judgment that conclusively determines that the individual who is the named borrower of the loan was the victim of the crime of identity theft, and the borrower demonstrates that the loan in question was made as a result of that identity theft.</p> <p>Discharge relief is available to the victim of the proven crime of identity theft, whether or not prosecution was based on, or expressly referred to, the loan in question. If the conviction or judgment did not expressly reference that loan, the individual must provide authentic examples of his or her other identification credentials, and an explanation of facts that demonstrate that this criminal conduct resulted in the school certifying that individual's eligibility to borrow, and, as a result, in the loan being made.</p> <p>Relief is provided only to individuals who did not knowingly accept the benefit of the falsely-certified loan, and require individuals who claim relief to certify that they did not, with knowledge that the loan had been made, receive or accept the benefits of the loan.</p> <p>Per the November 1, 2006, final regulations, § 682.402(e)(1)(iii)(A) has been revised by adding the word "not" before the words "pay reinsurance."</p>	Effective 7/1/2006	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-05 announces promissory note addenda and revised Plain Language Disclosures that explain changes to the terms and conditions of FFEL Program loans that were made by HERA. The letter also provides guidance on awarding Federal PLUS Loans to graduate and professional students.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45676-45677, 45690, and 45707)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64388 - 64389 and 64398)</p>

Item Number	Section - Subject	Higher Education Reconciliation Act	* Effective Date	Sources
8013 - Elimination of Termination Dates from Taxpayer-Teacher Protection Act of 2004				
36	Teacher Loan Forgiveness	<p>Eliminates the effective date limitation included in the Taxpayer- Teacher Protection Act of 2004, that provides the increased forgiveness amounts for math, science, and special - education teachers.</p> <p>Expands borrower eligibility for teacher loan forgiveness to individuals who are employed as teachers in private schools who take and pass a competency test of subject knowledge and skills. The competency test must be recognized by five or more States for determining highly qualified teacher requirements under No Child Left Behind Act of 2001 (NCLB), and the score achieved by such teacher must be equal to or greater than the average passing score of teachers in those five states.</p> <p>Per DCL GEN-06-13 (FP-06-13), the forms were revised to reflect changes made by HERA. The HERA added a provision that defines highly qualified for nonprofit, private elementary and secondary school teachers. HERA also extended the increased amount for the teacher loan forgiveness program beyond October 1, 2005.</p> <p>A note was added to Section 8 of the Teacher Loan Forgiveness Application (TLFA) form that the U.S. Department of Education considers all elementary and secondary schools operated by the Bureau of Indian Affairs (BIA) or operated on Indian reservations by Indian tribal groups under contract with the BIA to qualify as schools serving low-income students.</p> <p>Per the November 1, 2006, final regulations, the word "either" is removed from §682.215(c)(3)(ii)(B), §682.215(c)(4)(ii)(B), §685.217(c)(3)(ii)(B), and §682.217(c)(4)(ii)(B). Use of the word "either" was not intended to imply that service as a highly qualified special education teacher in an eligible elementary school and service as a highly qualified special education teacher in an eligible secondary school could not be combined to qualify a borrower for teacher loan forgiveness.</p>	<p>Increased loan forgiveness is effective on date of enactment, retroactive to October 1, 2005.</p> <p>New provision effective for applications received on or after 7/1/2006.</p>	<p>Removed the 10/1/2005 termination date for the increased Teacher Loan Forgiveness (TLF) amounts up to \$17,500 for teachers in certain specialties and other eligibility criteria provided under the Taxpayer-Teacher Protection Act (TTPA). For further information on the changes made by TTPA, please review DCL GEN-04-14, December 2004.</p> <p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL GEN-06-13 (FP-06-13) announces the approval of the revised Teacher Loan Forgiveness Application and Teacher Loan Forgiveness Forbearance Form.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45675-45676, and 45702-45703)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64386 and 64398)</p>

Item Number	Section - Subject	Higher Education Reconciliation Act	* Effective Date	Sources
37	Special Allowance (applicable to loans made or purchased with tax-exempt funds)	<p>Provides for the elimination of "recycling" for loans made or purchased on or after the date of enactment HERA and for those loans held by the lender that are not receiving the minimum yield for eligible tax-exempt funding as of the date of enactment.</p> <p>Provides for an exception until 12/31/2010 in the case of a holder that is, on 2/8/2006 (date of enactment) and in the final quarter for which special allowance is paid:</p> <ul style="list-style-type: none"> • a unit of state or local government or a nonprofit private entity; • not owned or controlled by, or under the common ownership or control with, a for-profit entity; and • held, directly or through any subsidiary, affiliate, or trustee, a total unpaid balance of principal equal to or less than \$100,000,000 on loans for which special allowances were paid under this subparagraph (i.e., 9.5%) in the most recent quarterly payment prior to 9/30/2006. <p>Per DCL FP-06-04: The Department created new tax-exempt special allowance categories for loans disbursed on or after 4/1/2006, for those lenders eligible under the special exceptions noted. The new codes effective April 1 are:</p> <ul style="list-style-type: none"> • XM – For all Stafford Loans in an in-school, grace or deferment period, • XN – For all Stafford loans in repayment, • XO – For Consolidation Loans, and • XP – For PLUS Loans, including PLUS Loans made to graduate and professional students. <p>Per DCL FP-06-10: The PLUS Loan "XH" category code may continued to be used for lenders unable to modify their systems by the quarterly billing in July 2006. However, for quarterly billing immediately following the lender's ability to report using the new "XQ" code, any earlier reported "XH" loans must be reversed and reported as "XQ".</p> <p>Per DCL FP-06-15: The interim final regulations were written to describe the new requirements contained in the TTPA and HERA as well as to explain the requirements that were in effect under the HEA as in effect prior to the enactment of the TTPA, under prior regulations, and under Department policy guidance.</p> <p>These regulations apply directly to transactions that occur on or after September 8, 2006, the effective date of the interim final regulations. With regards to transactions that occurred before September 8, 2006, the Department will apply the requirements regarding eligibility for SAP as stated in the HEA, in the regulations that existed prior to and in the DCLs L-93-161, L-93-163, L-96-186, FP-05-01 and FP-06-01.</p>	Effective on 2/8/2006 with the enactment of the HERA	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-04 contains guidance to FFEL lenders on reporting changes to the quarterly Lender's Interest and Special Allowance Request and Report (LaRS) as a result of the HERA.</p> <p>DCL FP-06-10 provides guidance to FFEL lenders on billing for and the payment of special allowance for certain FFEL PLUS Loans. For tax-exempt PLUS loans first disbursed on or after 4/1/2000 and before 4/1/2006, lender must use a new special allowance category code, "XQ".</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, page 45680)</p> <p>DCL FP-06-15 clarifies the applicability of the interim final regulations published by the Department on August 9, 2006, as they relate to the payment of SAP at the 9.5 % minimum return rate for certain loans made or acquired by a lender using funds from tax-exempt obligation.</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, page 64386 - 64387)</p>

Item Number	Section - Subject	Higher Education Reconciliation Act	* Effective Date	Sources
38	Special Allowance (applicable to tax exempt funds used to make or purchase loans)	<p>Makes permanent by removing the January 1, 2006, sunset date provision of the Taxpayer- Teacher Protection Act of 2004 (TTPA). Eliminates the 9.5% minimum yield on loans made or purchased with pre-October 1, 1993 tax-exempt funding when such tax-exempt funding is refunded on or after September 30, 2004, including when such loans are no longer held in minimum yield eligible tax-exempt funding on or after September 30, 2004.</p> <p>Per DCL FP-06-15: Special Allowance Payment (SAP) is paid at the normal (not the 9.5% minimum rate) on any loan that was acquired on or after February 8, 2006, or (if previously acquired by the holder) that was not already eligible for 9.5% SAP on that date.</p> <p>Per the November 1, 2006, final regulations, the interim final regulations were intended to state and not change, existing law. Section 682.302 revised to state in new paragraph (f)(2)(i), that an obligation the proceeds of which are used to make or purchase loans, including by pledge as collateral for that obligation, is considered to be originally issued on the date it is issued. The limitation that that loans are considered purchased only if the Authority has neither an existing legal or equitable interest in the loan is removed.</p> <p>The regulation is revised to add a new paragraph (f)(2)(ii) to address specifically a tax-exempt obligation that refunds, initially or in a series of such refundings, a tax-exempt obligation the proceeds of which were used to make or purchase loans [one described paragraph (f)(2)(i)]. Such a tax-exempt refunding obligation is considered to be originally issued on the date on which the initial tax-exempt obligation, described in paragraph (f)(2)(i), was issued.</p>	Effective on 2/8/2006 with the enactment of the HERA	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-04 contains guidance to FFEL lenders on reporting changes to the quarterly Lender's Interest and Special Allowance Request and Report (LaRS) as a result of the HERA.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, page 45680)</p> <p>DCL FP-06-15 clarifies the applicability of the interim final regulations published by the Department on August 9, 2006, as they relate to the payment of SAP at the 9.5 % minimum return rate for certain loans made or acquired by a lender using funds from tax-exempt obligation.</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64386 - 64387 and 64398)</p>

Item Number	Section - Subject	Higher Education Reconciliation Act	* Effective Date	Sources
8014 - Additional Administrative Provisions				
39	Reduction of Insurance	Reduces insurance on defaulted loans from 98% to 97%. Ineligible borrower (exempt) claims as well as Lender of Last Resort (LLR) claims will continue to be insured at 100%.	Beginning with loans for which the first disbursement of principal is made on or after 7/1/2006	DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA. DCL FP-06-07 provides guidance to guaranty agencies on reporting changes to the Guaranty Agency Financial Report (GAFR), ED Form 2000, as a result of HERA. <i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45681, 45690 and 45706)
40	Standardized Forms and Procedures	"Anticipated graduation date" is included in the list of standardized forms and procedures that the Secretary must develop in consultation with the FFELP community.		
41	Federal Default Fees – Subsidized and Unsubsidized Loans	A federal default fee equal to 1% of principal shall be deducted proportionately from each disbursement prior to disbursing loan proceeds to the borrower or shall be paid using non-federal sources. The fee must be deposited into the Federal Student Loan Reserve Fund and the proceeds must not be used for incentive payments to lenders. Corresponding change also made to 428 H (h) for unsubsidized loans. The federal default fee applies to PLUS loans as well. Per DCL FP-06-07: The default fee must be deposited into the guaranty agency's Federal Fund immediately upon receipt, but no later than 45 days after the loan proceeds have been disbursed by the lender, even if payment will be made from a source other than borrower proceeds.	Effective for loans for which the date of guarantee of principal is on or after 7/1/2006	DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA. DCL FP-06-05 announces promissory note addenda and revised Plain Language Disclosures that explain changes to the terms and conditions of FFEL Program loans that were made by HERA. The letter also provides guidance on awarding Federal PLUS Loans to graduate and professional students. DCL FP-06-07 provides guidance to guaranty agencies on reporting changes to the Guaranty Agency Financial Report (GAFR), ED Form 2000, as a result of HERA. <i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45677-45678, 45690, 45706 and 45708) <i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64384 and 64387)

Item Number	Section - Subject	Higher Education Reconciliation Act	* Effective Date	Sources
42	Federal Default Fee – Voluntary Flexible Agreements (VFAs)	<p>Corresponding change made to the insurance premium language for VFAs as was made for subsidized and unsubsidized loans in other areas of the Act. The Secretary is prohibited from waiving these provisions for guaranty agencies that have VFAs under section 428A.</p> <p>The federal default fee applies to PLUS loans as well.</p>		<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-05 announces promissory note addenda and revised Plain Language Disclosures that explain changes to the terms and conditions of FFEL Program loans that were made by HERA. The letter also provides guidance on awarding Federal PLUS Loans to graduate and professional students.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45677-45678, 45690, 45706 and 45708)</p>
43	Exempt Claims	Clarifies that “exempt claims” qualify for insurance at 100%. Defines “exempt claims” as claims for loans on which it is determined that the borrower (or the student on whose behalf a parent has borrowed), without the lender’s or the institution’s knowledge at the time the loan was made, provided false or erroneous information or took actions that caused the borrower or the student to be ineligible for all or a portion of the loan or for interest benefits.	For loans for which the first disbursement of principal is made on or after 7/1/2006	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-07 provides guidance to guaranty agencies on reporting changes to the Guaranty Agency Financial Report (GAFR), ED Form 2000, as a result of HERA.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45681, 45690, and 45707)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64387 - 64388)</p>

Item Number	Section - Subject	Higher Education Reconciliation Act	* Effective Date	Sources
44	Exceptional Performer Insurance	<p>Decreases the insurance paid by the guarantor to the eligible lender or servicer designated as exceptional performer from 100% to 99%.</p> <p>Per DCL FP-06-07: For any default claim submitted to a guaranty agency by the exceptional performer lender or lender servicer on or after July 1, 2006, regardless of when the loan was made or when it defaulted.</p> <p>Per the November 1, 2006, final regulations, a lender or lender servicer that has been designated as an exceptional performer can still receive 100 percent insurance on loans disbursed prior to October 1, 1993 by relinquishing its exceptional performer status. By relinquishing its exceptional performer status, however, it will be accepting a lower insurance rate on all other claims.</p>	For any default claim submitted by the exceptional performer on or after 7/1/2006	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-07 provides guidance to guaranty agencies on reporting changes to the Guaranty Agency Financial Report (GAFR), ED Form 2000, as a result of HERA.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45682, 45691, and 45708)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64389 - 64390)</p>
45	Consolidation of Defaulted Loans	<p>Limits the amount of collection costs charged the borrower by the guaranty agency on or after 10/1/2006 to 18.5% of the outstanding principal and interest on a defaulted loan paid off through consolidation. In addition, requires guaranty agencies to remit to the Secretary 8.5% of the 18.5% collection charge on defaulted loans that are consolidated until October 1, 2009.</p> <p>On and after October 1, 2009, a guaranty agency must remit the entire collection charge to the Secretary on defaulted loans that is paid off with "excess consolidation proceeds."</p> <p>Excess consolidation proceeds are defined in subparagraph (C) 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, effective for any federal fiscal year on or after October 1, 2009.</p> <p>Effective July 1, 2006, the HERA requires that procedures be established to preclude consolidation payments from being an excessive proportion of a guaranty agency's recoveries on defaulted FFEL loans.</p>	<p>On or after 10/1/2006</p> <p>On or after 10/1/2009</p> <p>For any federal fiscal year beginning on or after 10/1/2009</p>	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-07 provides guidance to guaranty agencies on reporting changes to the Guaranty Agency Financial Report (GAFR), ED Form 2000, as a result of HERA.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45681, 45690, and 45706)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, page 64388)</p>

Item Number	Section - Subject	Higher Education Reconciliation Act	* Effective Date	Sources
46	Default Claims - Reinsurance	<p>Reduces the number of days a guarantor has to file a claim for reinsurance on default claims from 45 days to 30 days following the date the guaranty agency pays the lender's claim on the loan.</p> <p>Per DCL FP-06-07: The Department of Education will provide guaranty agencies with the option of reporting reinsurance claims twice each month. A supplemental form will be available (web application only) for reporting reinsurance claims one time between monthly reports.</p>	Effective for reinsurance requests filed on or after 7/1/2006	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>DCL FP-06-07 provides guidance to guaranty agencies on reporting changes to the Guaranty Agency Financial Report (GAFR), ED Form 2000, as a result of HERA.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45681, 45691, and 45708)</p>
47	Escrow Agent – Transfer of Funds	<p>Reduces the number of days a lender may disburse funds in advance to an escrow agent for disbursement to a school from 21 days to 10 days.</p> <p>This provision does not change when a school may receive funds (30 days prior to disbursement for paper checks and 10 days prior to disbursement for EFT).</p> <p>Per the November 1, 2006, final regulations, there is a difference between the discussions of the 10-day period in the preamble and in the interim final regulations. The language in the interim final regulations that states that the escrow agent shall transmit loan proceeds received from a lender to a school not later than 10 days after the agent receives the funds from the lender accurately reflects our policy on this issue.</p> <p>§ 682.408(c) amended to clarify that an escrow agent may disburse Stafford Loan proceeds directly to a borrower who is attending a study-abroad program and who requests a direct disbursement from the lender.</p>	Effective for all loan proceeds paid by a lender to an escrow agent on or after 7/1/2006	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45678 and 45708)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64384 and 64399)</p>

Item Number	Section - Subject	Higher Education Reconciliation Act	* Effective Date	Sources
48	Interest Subsidy-Escrow Agents	<p>Extends restriction on interest subsidy to include disbursements made through an escrow agent. A lender cannot bill for interest benefits on loans disbursed through an escrow agent more than three days before the first disbursement date.</p> <p>This is to codify existing rule.</p> <p>The Department interprets the word "disbursement" to mean disbursement to the institution or direct disbursement to the borrower.</p> <p>Per the August 9, 2006, interim final regulations, a lender may first receive interest subsidy payments on loans disbursed by an escrow agent on behalf of the lender three days prior to the first day of the period of enrollment, or if the loan is disbursed after the first day of the period of enrollment, three days after disbursement.</p>	Effective for all loan proceeds paid by a lender to an escrow agent on or after 7/1/2006	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45679 and 45703)</p>
49	Forbearance	<p>Deletes the requirement that a borrower's request for any mandatory forbearance be "in writing."</p> <p>The Department's regulations generally permitted this practice even before the HERA.</p> <p>The new legislation adds a provision requiring a notice to be sent to the borrower confirming the terms that were agreed to by both parties and requires that the terms be recorded in the borrower's file.</p> <p>Per the November 1, 2006, final regulations, § 682.211(h)(3) has been amended to reflect the new forbearance requirements that the lender send a notice to the borrower/endorser and include a notation in the borrower's file confirming the forbearance.</p>	Effective for agreements entered into or renegotiated with a borrower on or after 7/1/2006	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45679, 45690, and 45702)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64385 - 64386 and 64398)</p>
50	Parent and Graduate and Professional Student Eligibility	<p>Adds a provision that requires a PLUS loan borrower (parent and graduate/professional student) who has been convicted of, or pled "nolo contendere" (no contest) or guilty to, crime of fraud involving fraud in obtaining Title IV HEA program funds must complete repayment of the fraudulently obtained funds to be eligible to receive a PLUS loan.</p>	Effective for MPNs signed on or after 7/1/2006	<p>DCL FP-06-05 announces promissory note addenda and revised Plain Language Disclosures that explain changes to the terms and conditions of FFEL Program loans that were made by HERA. The letter also provides guidance on awarding Federal PLUS Loans to graduate and professional students.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45674, 45692 and 45698, 45699)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, page 64383)</p>

Item Number	Section - Subject	Higher Education Reconciliation Act	* Effective Date	Sources
51	Voluntary Flexible Agreement (VFA)	<p>Deletes the option for the Secretary to waive inducement prohibitions as part of a Voluntary Flexible Agreement (VFA).</p> <p>Also removes the requirement that the Secretary report to Congress no later than September 20, 2001, regarding the impact of VFA's.</p>		
52	Rehabilitation - Default Reduction Program	<p>Provision 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.</p> <p>For a loan rehabilitation agreement that began prior to July 1, 2006, a guaranty agency will have the option of considering the borrower to have met the new rehabilitation standard if at least one of the borrower's payments is made (within 20 days of the due date) on or after July 1, 2006. However, the guaranty agency must treat all borrowers in this situation the same.</p> <p>These charges do not apply to rehabilitation of defaulted Federal Perkins loans.</p> <p>Per the August 9, 2006, interim final regulations, a borrower meets the requirements for rehabilitation if that borrower makes at least nine of the ten payments required under a monthly repayment, if each payment is received within 20 days of the scheduled due date for that payment, and notwithstanding the 20-day grace period otherwise applicable, if all nine of those payments are received within a period of no more than 10 consecutive calendar months that begins no earlier than the first scheduled due date of the nine payments and ends no later than the scheduled due date in the tenth month following that first due date.</p> <p>Per the November 1, 2006, final regulations, the original § 682.405(b)(1)(ii) through (v) had been removed from the interim final regulations by an inadvertent drafting error and has been reinserted and renumbered accordingly.</p>	<p>Effective on 7/1/2006, change from 12 consecutive monthly payments on the loan to 9 payments made within 20 days of the due date during a period of 10 consecutive months. All loan rehabilitation agreements beginning on or after 7/1/2006, must incorporate the 9 payments in 10 months standard</p>	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45677, 45691, 45707, and 45708)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64382-64383, 64389 and 64398-64399)</p>
53	Rehabilitation - Default Reduction Program	<p>New provision that a guaranty agency may charge the borrower and retain collection costs in an amount not to exceed 18.5% of the outstanding principal and interest at the time of sale of the rehabilitated loan.</p>	<p>Effective on or after 7/1/2006</p>	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p>

Item Number	Section - Subject	Higher Education Reconciliation Act	* Effective Date	Sources
8015 - Funds for Administrative Expenses				
54	Account Maintenance Fee	<p>This section is rewritten and contains the following:</p> <ul style="list-style-type: none"> • Preserves mandatory appropriations for administering the loan programs and for paying guarantors the account maintenance fee for FY2006, but caps the amounts at \$820 million. • Beginning in FY2007, provides that administrative funds other than the AMF are subject to the annual appropriations process. • AMF payments from FY2007-2011 continue to be mandatory. • Eliminates the cap on AMF funds and sets the AMF payment at an amount “shall not to exceed the basis of 0.10% of the original principal amount of outstanding loans”. <p>For each of the fiscal years 2007 through 2011, account maintenance fees shall be paid quarterly and deposited in the guaranty agency's Operating Fund established under 422B, and shall not exceed 0.10% of the original principal amount of outstanding loans on which insurance was issued under the FFEL program.</p> <p>H.R. 6138 changed HERA language from "shall not exceed" to " be calculated on the basis of 0.10% of the original principal amount of outstanding loans on which insurance was issued."</p>		<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p>*** H.R. 6138 (P.L. 109-292), the "Third Higher Education Extension of 2006," signed by the President on September 30, 2006, included amendment to the Guaranty Agency Account Maintenance Fee.</p> <p>*** DCL GEN-06-21 (FP-06-17) discusses the Third Higher Education Extension Act of 2006 extending HEA and summarizes changes made to Title IV student loan programs and the Hispanic Institutions grant program in Title V.</p>
8020- General Provisions				
55	Definition of Academic Year	<p>Clarifies that the definition of academic year for a course of study that measures its program length in:</p> <ul style="list-style-type: none"> • credit hours must contain a minimum of 30 weeks of instructional time, • clock hours must contain a minimum of 26 weeks of instructional time. <p>For an undergraduate program, at least:</p> <ul style="list-style-type: none"> • Twenty-four semester or trimester hours, or 36 quarter hours for a course of study that measures its program length in credit hours; or • Nine-hundred clock hours for a course of study that measures its program length in clock hours <p>This provision reduces the number of weeks in an academic year for a clock hour program from 30 weeks to 26 weeks.</p> <p>Also, allows a program that uses direct assessment of student learning, in lieu of credit or clock hours as a measure of student learning, to be an eligible program, if the direct assessment is consistent with the accreditation of the institution or program using the results of the assessment.</p> <p>Also expands the definition of “eligible program” to include a program that is offered in whole or in part through telecommunications for institutions (other than foreign school) that have been evaluated and determined to have the capability to effectively deliver distance-education programs by an accredited agency or association that is recognized by the Secretary and has evaluation of distance-education programs within the scope of its recognition. The Secretary will determine a program's eligibility if such a program is being evaluated for the first time.</p>	For loan periods beginning on or after 7/1/2006	<p>DCL GEN-06-05 contains changes to Student and Institutional Eligibility and Student Assistance General Provisions under the Federal Student Aid Programs.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45669, 45689, and 45693,)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, page 64379)</p>

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56	Correspondence Courses	<p>Student eligibility for Title IV aid revised with regard to a student's enrollment in courses offered via telecommunication. Eliminates the law which places limitations on such courses, requiring that they (among other things) be part of a program of study that is at least 1 year in length.</p> <p>Eliminates the provision that categorizes courses offered via telecommunications as correspondence courses if the total amount of telecommunications and correspondence courses at the school equals or exceeds 50% of the total amount of all courses at the school. Under this provision, these students would be eligible for aid, as long as they are in recognized certificate, associate, bachelor's or graduate degree programs. They are eligible for Title IV, HEA financial assistance if: (1) the programs are otherwise eligible; (2) the programs are offered by an institution, other than a foreign institution, that is accredited by an agency that is recognized by the Secretary; and (3) the institution has been evaluated by the accrediting agency and determined to have the capability to effectively deliver distance education programs.</p> <p>Per DCL GEN-06-11: Beginning July 1, 2006, students enrolled in a program offered by a foreign school that uses telecommunications to provide some of the instruction to students who are separated from the instructor may not receive FFEL Program funds. An institution should exclude from its next application for recertification to participate in the FFEL Program any programs that have lost ability as a result of this change.</p> <p>Per the August 9, 2006, interim final regulations, the definition of telecommunications course now specifies that a telecommunications course is one that uses one or a combination of technologies to deliver instruction to students who are separated from the instructor and to support regular and substantive interaction between these students and the instructor, either synchronously or asynchronously.</p>	For loan periods beginning on or after 7/1/2006	<p>DCL GEN-06-05 contains changes to Student and Institutional Eligibility and Student Assistance General Provisions under the Federal Student Aid Programs.</p> <p>DCL GEN-06-11 notifies foreign schools of changes made by HERA to FFELP and provides information on foreign school reporting requirements.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45667, 45689, 45692, 45693, and 45696.)</p> <p>DCL GEN-06-17: provides all institutions with a copy of a letter that has been sent to institutions the Department identified whose primary accrediting agency does not have distance education within its scope of recognition.</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64378-64379)</p>
57	Correspondence Courses	The provision also collapses the general requirement for schools under this section into a single exception, i.e., schools that fall under a particular section of the Carl D. Perkins Vocational and Technical Education Act of 1998, are exempted from these provisions such that students attending such schools are not subject to the limitations of this subsection.		

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8021- Student Eligibility				
58	Student Eligibility Fraud	<p>Adds a provision that requires a student who has been convicted of fraud, or who has pled "no contest" or guilty to, a crime of fraud in obtaining Title IV, HEA financial assistance must have completely repaid the fraudulently obtained Title IV funds to the Secretary, or to the holder of the loan in the case of a Title IV, HEA loan, before regaining eligibility for Title IV, HEA financial assistance (Title IV grant, loan, or work assistance).</p> <p>Per the August 9, 2006, interim final regulations, § 674.39(a), § 682.405 (a)(1), and § 685.211(f) have been amended to specify that a Perkins, FFEL, or Direct Loan Program loan that was fraudulently obtained, and for which the borrower has been convicted of, or has pled nolo contendere or guilty to, a crime involving fraudulently obtained Title IV, HEA program assistance, is not eligible for rehabilitation.</p>	Effective for MPNs signed on or after 7/1/2006	<p>DCL FP-06-05 announces promissory note addenda and revised Plain Language Disclosures that explain changes to the terms and conditions of FFEL Program loans that were made by HERA. The letter also provides guidance on awarding Federal PLUS Loans to graduate and professional students.</p> <p>DCL GEN-06-05 contains changes to Student and Institutional Eligibility and Student Assistance General Provisions under the Federal Student Aid Programs.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45672, and 45696)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, page 64383)</p>
59	Student Eligibility Drug Related Offenses	<p>Increases access to students who are convicted of drug-related offenses by limiting their ineligibility for new aid to only those convictions occurring during the period of enrollment for which such students are receiving aid under this Part. The provisions for periods of ineligibility and regaining eligibility are unchanged by HERA.</p> <p>Further defines Title IV grant, loan, or work assistance as Title IV, HEA financial assistance.</p> <p>Prior to the HERA changes, the provision restricted students who have been convicted of drug-related offenses from receiving aid for a specified period regardless of when the offense occurred.</p> <p>Per DCL GEN-06-10: The new provision limits the timeframe for when the offense for which an applicant was convicted to periods of enrollment for which the student was receiving Title IV aid. It does not change the period of ineligibility, which begins on the day the student was convicted and continues for one year, two years, or indefinitely depending upon the nature of the drug-related offense and number of convictions.</p> <p>Institutions may, but are not required to, identify applicants whose eligibility may have been restricted because of their response to the drug conviction eligibility question and direct them to the revised FAFSA Worksheet.</p>	applies to the 2006-2007 award year for the Pell Grant, ACG, National SMART Grant, and campus-based programs and for periods of enrollment beginning on or after July 1, 2006 for the FFEL and Direct Loan Programs	<p>DCL GEN-06-05 contains changes to Student and Institutional Eligibility and Student Assistance General Provisions under the Federal Student Aid Programs.</p> <p>DCL GEN-06-10 provides guidance on changes made by HERA related to estimated financial assistance, cost of attendance, expected family contribution calculations and student eligibility for the 2006-2007 award year.</p> <p>Electronic Announcement posted June 14, 2006 - HERA Operational Implementation Guidance (CPS, COD System, and EDEExpress Suite) -Student Eligibility Requirements Regarding Drug Related Offenses</p> <p>FAFSAs and Renewal of FAFSAs revised on June 30, 2006 - Final 2006-2007 Drug Worksheets</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45672, and 45696)</p>

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60	Verification of IRS Data	Authorizes the Secretary to verify financial information, as reported on the FAFSA, with IRS data. The bill revises the comparison data from AGI, taxes paid, filing status, and exemptions to simply refer to the information reported in section 6103 (l) (13) of the Internal Revenue Code of 1986, which is AGI, taxpayer ID information, and filing status.	This authority will not be implemented at this time. This authority may be implemented only when a match with the IRS is authorized under the Internal Revenue Code.	
8022- Institutional Refunds				
61	Institutional Refunds	<p>Amends language requiring the institution to contact the borrower prior to making a late disbursement or post-withdrawal disbursement of loan funds to confirm whether the loan funds are still needed. In making such contact, the institution must explain the borrower's obligation to repay the funds following the disbursement. The institution also must document in the borrower's file the decision of the borrower and final determination concerning the disbursement.</p> <p>Per the August 9, 2006, interim final regulations, the 14- day deadline (from the date the institution sent the notification) for a student, or parent for a parent PLUS loan, to accept some or all of a direct disbursement of a post -withdrawal disbursement, now applies to confirmation of loan disbursements that an institution wishes to credit to a student's account.</p> <p>Per the November 1, 2006, final regulations, the Secretary has revised §668.165(a)(2) to make it clear that an institution is not required to notify a student or parent of loan funds that are credited to a student's account for students who withdraw and are due a post-withdrawal disbursement.</p>	For withdrawals that occur on or after 7/1/2006	<p>DCL GEN-06-05 contains changes to Student and Institutional Eligibility and Student Assistance General Provisions under the Federal Student Aid Programs.</p> <p>Electronic Announcement posted June 30, 2006, - HERA Operational Implementation Guidance - Return of Title IV Funds worksheet</p> <p>Electronic Announcement posted August 7, 2006, - HERA Operational Implementation Guidance (CPS, COD System, EDExpress Suite) - Availability of Enhanced Return of Title IV Funds (R2T4) Web Application</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45669, 45694, and 45695)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64379-64380 and 64397)</p>

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62	Institutional Refunds	<p>Requires an institution to return unearned Title IV program funds for which it is responsible no later than 45 days after the date that it determines that the student has withdrawn.</p> <p>Although, HEA does not currently specify a time frame during which the school must return Title IV funds, federal regulations (§ 668.22) stipulate that a school must return Title IV funds not earned by the student no later than 30 days after the school's determination that the student withdrew. Therefore, this change provides schools with an additional 15 days (beyond the 30 days currently stipulated in regulations) to return funds to Title IV programs under the aforementioned circumstance.</p> <p>Per the August 9, 2006, interim final regulations, conforming changes also made to § 668.173(b) to extend the deadlines specified in that regulation by 15 days.</p>	For withdrawals that occur on or after 7/1/2006	<p>DCL GEN-06-05 contains changes to Student and Institutional Eligibility and Student Assistance General Provisions under the Federal Student Aid Programs.</p> <p>Electronic Announcement posted May 19, 2006 - HERA Operational Implementation Guidance (CPS, COD System and EExpress Suite) - Updates to R2T4 on the Web and Archival of R2T4 PC Product Due to HERA</p> <p>Electronic Announcement posted June 26, 2006 - HERA Operational Implementation Guidance (CPS, COD System and EExpress Suite) - Reminder: R2T4 PC Product Archived Due to HERA</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45672, and 45696)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, page 64381)</p>
63	Institutional Refunds	<p>Clarifies that the amount of a grant overpayment due from a student is limited to the amount by which the original grant overpayment amount exceeds half of the total Title IV grant funds received by the student. A student does not have to repay a grant overpayment of \$50 or less.</p> <p>Increases current amount not returned by \$25.</p> <p>Per the August 9, 2006, interim final regulations, consistent with § 668.35(e)(3), this new standard does not apply to remaining grant overpayment balances; that is, a student must repay a grant overpayment that has been reduced to \$50.00 or less because of payments made.</p> <p>Per the November 1, 2006, final regulations, § 668.22(h)(3)(ii)(B) has been revised to make it clear that the provision that a student is not required to return an original grant overpayment of \$50 or less applies on a Title IV, HEA program-by-program basis.</p> <p>A student who owes a grant overpayment of \$50 or less that is not a remaining balance and is a result of the return of Title IV aid calculation is eligible to receive additional Title IV, HEA program assistance.</p>	For withdrawals that occur on or after 7/1/2006	<p>DCL GEN-06-05 contains changes to Student and Institutional Eligibility and Student Assistance General Provisions under the Federal Student Aid Programs.</p> <p>Electronic Announcement posted June 30, 2006, - HERA Operational Implementation Guidance - Return to Title IV Funds worksheet</p> <p>Electronic Announcement posted August 7, 2006, - HERA Operational Implementation Guidance (CPS, COD System, EExpress Suite) - Availability of Enhanced Return of Title IV Funds (R2T4) Web Application</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45671, 45695 and 45695)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64380-64381 and 64397)</p>

Item Number	Section - Subject	Higher Education Reconciliation Act	* Effective Date	Sources
64	Institutional Refunds	<p>Subsection (a) (3) (B) (ii) now refers to subsection (d) in determining whether a student has completed 60% of the payment period or period of enrollment, and has, therefore earned 100% of the grant or loan assistance received.</p> <p>The formula used for programs measured in credit hours did not change.</p> <p>Only scheduled hours, not completed hours, will be used to determine the percentage of the period completed by a student withdrawing from a clock hour program. Therefore, a student withdrawing from a clock hour program earns 100% of his or her aid if the student's withdrawal date occurs after the point when he or she was scheduled to completed 60% of the scheduled hours in the payment period or period of enrollment.</p> <p>The language in subsection (d) is amended. Only scheduled hours, not completed hours will be used to determine the percentage of the period completed by a student withdrawing from a clock hour program. The "percentage of the payment period or period of enrollment completed" is determined by dividing the total number of clock hours comprising the period into the number of clock hours schedu</p>	For withdrawals that occur on or after 7/1/2006	<p>DCL GEN-06-05 contains changes to Student and Institutional Eligibility and Student Assistance General Provisions under the Federal Student Aid Programs.</p> <p>Electronic Announcement posted June 30, 2006, - HERA Operational Implementation Guidance - Return to Title IV Funds worksheet</p> <p>Electronic Announcement posted August 7, 2006, - HERA Operational Implementation Guidance (CPS, COD System, EDEExpress Suite) - Availability of Enhanced Return of Title IV Funds (R2T4) Web Application</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45670-45671, and 45695)</p> <p><i>Federal Register</i> (dated November 1, 2006) final regulations (Volume 71, No. 211, pages 64380 and 64397)</p>
65	Leave of Absence	<p>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 as withdrawn.</p> <p>Clarifies that an institution may grant more than one leave of absence to a student.</p>	For withdrawals that occur on or after 7/1/2006	<p>Clarified in the 11/01/2002 <i>Final Regulations</i>, amending § 668.22 to simplify and to allow for multiple leaves of absence not to exceed 180 days in any 12-month period.</p> <p>DCL GEN-06-05 contains changes to Student and Institutional Eligibility and Student Assistance General Provisions under the Federal Student Aid Programs.</p>

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8023- College Access Initiative				
66	College Access Initiative	<p>New section allows the Secretary to direct each guaranty agency to provide information to the Secretary and the public regarding:</p> <ul style="list-style-type: none"> • postsecondary educational opportunities, • programs, • publications, • Web sites, • and other available services. <p>Guarantors may fund these activities from their operating funds.</p> <p>Guaranty agencies are not expected to duplicate any existing services or efforts that meet the requirements of providing information to the public.</p> <p>A guaranty agency must also promote and publicize information for students and traditionally underrepresented populations on how to plan, prepare and pay for college.</p>	Effective 7/1/2006 - Not later than 270 days after date of enactment (11/5/2006)	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45681, 45690, and 45706)</p>
8024- Wage Garnishment Requirement				
67	Wage Garnishment Requirement	<p>The maximum amount deducted from any pay period has been changed from 10% to 15% of disposable pay.</p> <p>If a guaranty agency decides to increase the withholding rate with respect to borrowers already being garnished at a lesser rate based on a garnishment proceeding pre-dating July 1, 2006, the agency must notify such borrowers that (1) they can obtain a hearing upon request if they object to the increased withholding amount on the basis of undue hardship; and (2) a borrower who has new information not presented at the initial garnishment hearing may request a reconsideration of the existence or amount of the debt. Guaranty agency must follow the procedures described in 24 CFR 682.410(b)(9) for sending the notices to borrowers and employers and for scheduling a hearing for a borrower who chooses to have one.</p>	Effective 7/1/2006	<p>DCL GEN-06-02 (FP-06-01) contains information on changes made to the loan programs by the enactment of the HERA.</p> <p><i>Federal Register</i> (dated August 9, 2006) interim final regulations (Volume 71, No. 153, pages 45681- 45682, 45691, and 45708)</p>

* Effective dates - This document includes any effective dates listed in the Department's Dear Colleague Letters (DCLs), Interim Final Rules published in the *Federal Register* dated August 9, 2006, and Final Rules published in the *Federal Register* dated November 1, 2006.

** This provision is found in the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (the Appropriations Act), signed by President Bush on June 15, 2006.

*** These provision are found in the Third Higher Education Extension Act of 2006 (THEEA), signed by President Bush on September 30, 2006. This act extends the programs authorized by the Higher Education Act of 1965, as amended (HEA) until June 30, 2007.