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Message from Milton

Happy New Year and we look forward to working with you in 2010! We are gearing up for another successful year at HEAG. Our consultants are getting ready for the review season which will be upon us shortly. Please do give us a call if you need help managing the busy work load over the spring and summer. HEAG will gladly assist you with your compliance and processing needs. In addition, HEAG will be announcing several new initiatives coming to you soon. Stay tuned for more information from us.

- Milton Kerstein, President

HIGHLIGHTS FROM THE 2009 FSA CONFERENCE

By Jana Haile
Associate Director of Financial Assistance
Boston University

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Over 6,000 financial aid administrators and higher education staff registered for the 2009 Federal Student Aid Conference held in Nashville, TN from December 1st through 4th making this one of the largest aid conferences ever. Conference attendees were introduced to William Taggart, Chief Operating Officer for Federal Student Aid, at the opening session who encouraged the aid community to "embrace the opportunity for change" and invited administrators to "engage, advise and

challenge us, as together we prepare to shape the future of student financial assistance." Attendees also heard inspirational words from Arne Duncan, Secretary of Education, who expressed his commitment to work under the leadership of President Obama and with all those involved in education "to enhance education in America, to lift our children and families out of poverty, to help our students learn to contribute to the civility of our great American democracy, and to strengthen our economy by producing a workforce that can make us as competitive as possible."

If you missed the conference, no worries! For the first time ever, all of the general sessions and breakout sessions were video-taped and have been

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Release of 2010-2011 Free Application for Federal Student Aid (FAFSA) is now available. Go to www.federalstudentaid.ed.gov

2010-2011 EXPECTED FAMILY CONTRIBUTION (EFC) FORMULA GUIDE

November 16, 2009

Federal Student Aid is pleased to announce the posting of the 2010-2011 EFC Formula Guide on the Information for Financial Aid Professionals (IFAP) Web site. The guide includes Expected Family Contribution (EFC) worksheets and tables for the 2010-2011 processing cycle. These worksheets and tables can be used to calculate an estimated EFC for students. The methodology for determining the EFC is found in Part F of Title IV of the Higher Education Act of 1965, as amended (HEA).

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posted to the FSA conference website. Both the slides and the video presentations are available for viewing in the comfort of your own office (<http://www.fsaconferences.ed.gov/program09.html>).

The focus of this year's conference was clearly on Direct Lending (DL), as over one-third of the breakout sessions covered a variety of DL topics such as cash management, loan servicing, reconciliation and a number of sessions for schools who are new to the DL program. During the annual federal update, the department announced they owned approximately 82% of all Stafford Loans, as a result of purchasing a large number of FFEL loans in 08/09. The prior year the department owned 21% of the loan portfolio. Department officials encouraged all schools to educate themselves about processing loans via DL and start conversations about how DL would be implemented on their campuses.

Aside from the push for DL preparedness, the federal update focused on information about the Student Aid and Fiscal Responsibility Act (SAFRA) of 2009, recent pending legislation that includes simplification of need analysis, the American Graduation Initiative, a program to bolster college access and completion support programs, and a review of the proposed Direct Perkins Loan program. Department officials also reviewed issues regarding awarding two Pell Grants in an award year, stressing that although this creates extra work for administrators, "keep in mind this is free money for poor kids," reminded Jeff Baker, Director, Policy Liaison and Implementation for FSA. FSA staff also called upon aid administrators to generate new ideas for the Experimental Sites Initiative and to think about alternative approaches to the administration of Title IV student aid as we all work toward increasing the number of college graduates in this country. If you've ever thought that "it would be easier if we did it this way," it's not too late to submit your ideas!

The hot topic during the Application Processing update was an introduction to the IRS Data Retrieval Tool that allows FAFSA on the Web applicants to request and retrieve their income and tax data from the IRS which can then be imported directly into their FAFSA application. This tool will be available for 2009-10 FAFSA filers beginning in late January, 2010. FSA has also focused on FAFSA on the Web redesign which reduces the number of questions and screens presented to applicants in efforts to simplify the application process for 2010-11.

To further encourage dialogue between aid administrators and the Department of Education, all conference attendees were invited to participate in a Town Hall meeting on the last day of the conference led by William Taggart and Bob Shireman, Deputy Undersecretary of Education. Aid administrators were encouraged to express their ideas about how to make the student aid process better and were invited to ask questions of the panel. Despite the underlying anxiety by aid administrators to come up with the resources needed to implement changes to aid programs, the crowd at the Town Hall meeting was quite positive. People seemed to embrace the opportunity to be heard and the department officials seemed receptive to new ideas, as well as empathetic to the additional burdens placed on hard-working aid staff. As William Taggart summed up, "I applaud your commitment and thank you for your dedication to ensuring millions of students have the resources necessary to pursue education beyond high school."

TELL YOUR FRIENDS!

The official FAFSASM is at www.FAFSA.gov – not at a ".com" Web site. If you go to a ".com" site, you will probably be asked to pay to submit the FAFSA. Remember, the first F in "FAFSA" stands for "free" – so use the official government site to submit your application.

To meet the Federal Student Aid deadline please be reminded to apply as early as possible beginning January 1st of each year

REQUIREMENT CHANGES FOR FAFSA PREPARERS

Did you know that the Higher Education Opportunity Act (HEOA) changed the requirements for FAFSA preparers? Effective August 14, 2008, only persons who are paid a fee to help the student complete the FAFSA are considered preparers. **Those who advise students without charging a fee, such as high school counselors and financial aid administrators, are not preparers.**

Preparers must include their name, their company's name (if applicable), their address or the company address, and either their SSN or the company Employer Identification Number (EIN, as assigned by the IRS). With the paper FAFSA, the preparer must also sign and date the form. The wording for the related questions on the 2009-10 FAFSA has been updated.

Preparers must also:

- Clearly inform each individual upon initial contact, including via the Internet or phone, that the FAFSA is free and can be completed electronically or on paper without professional help
- Include in any advertising clear and conspicuous information that the FAFSA is free and can be completed electronically or on paper without professional help
- Link their web site, if they use one to advertise or provide information or services to consumers, to FAFSA on the Web
- Not produce, use, or disseminate any form other than the FAFSA for the purpose of applying for Title IV aid.

A preparer who knowingly provides false or misleading information on the application is subject to the same penalties as an applicant.

A preparer is permitted to collect source information from a student or parent, including IRS tax forms, in providing consultative and preparation services in completing the FAFSA.

RELEASE OF TRIAL THREE-YEAR COHORT DEFAULT RATES

By William Taggart, Chief Operating Officer, Federal Student Aid

December 7, 2009

The Higher Education Opportunity Act (HEOA), enacted on August 14, 2008, made a number of changes to the student aid programs authorized under Title IV of the Higher Education Act (HEA), including the timeframes for the calculation of FFEL/Direct Loan Cohort Default Rates. On October 28, 2009 the Department published in the Federal Register the regulations that will govern the calculation of default rates beginning with the FY 2009 cohort.

Under the new provisions an institution's Cohort Default Rate (CDR) is calculated as the percentage of the borrowers in the cohort who default before the end of the second fiscal year following the fiscal year in which the borrowers entered repayment. This represents a one year extension of the current default monitoring period. The FY 2009 cohort (borrowers who entered repayment between October 1, 2008 and September 30, 2009) will be the first CDR calculation using the new standard. Thus, an institution's FY 2009 three-year CDR will be the percentage of its borrowers who were included in the 2009 cohort who subsequently default on or before September 30, 2011. Draft rates will be provided to institutions in February of 2012 with official rates released in September of 2012.

The Department will continue to calculate and publish official two-year CDRs until three sets of three-year rates are published. The last of these two-year rates will be for the FY 2011 cohort and will be released in 2013. Beginning in 2014, only three-year rates will be published since at that time three three-year rates would have been calculated (FY 2009 published in 2012, FY 2010 published in 2013, and FY 2011 published in 2014).

To assist institutions in understanding the impact of the new three-year CDR calculation, the Department has calculated and is making available unofficial trial three-year cohort default rates for the last three cohorts for which there are data to support a three-year calculation (FY 2005, FY 2006, and FY 2007). An institution's trial FY 2005 three-year rate is calculated as the percentage of the institution's borrowers who entered repayment between October 1, 2004 and September 30, 2005 and subsequently defaulted on or before September 30, 2007. The trial FY 2006 three-year rate is the percentage of borrowers who entered repayment between October 1, 2005 and September 30, 2006 and subsequently defaulted on or before September 30, 2008. The trial FY 2007 three-year rate will apply to borrowers who entered repayment between October 1, 2006 and September 30, 2007 and defaulted on or before September 30, 2009.

These rates are provided for information only. No benefits or sanctions apply to these trial rates. In addition, because these are unofficial rates and serve as preview data only, institutions may not submit challenges or appeals that normally apply to draft and official rates. Nor do these rates reflect certain adjustments that may be made for official rates (fewer than 30 borrowers in a cohort, low participation, mergers, recalculations due to appeals/adjustments, etc.). The rates are simply meant to assist schools in preparing for the upcoming three-year CDR calculations.

Institutions can immediately access their trial FY 2005, FY 2006, and FY 2007 CDRs and can request a Loan Record Detail Report (LRDR) for each calculation using NSLDS at www.nslsdfap.ed.gov. Institutions will also be able to compare these trial rates with the institutions official two-year rates for the relevant cohort years. To see the trial rates an institution should choose the Cohort Default Rate tab and look for the row labeled "3-Year Trial". Use the Request Loan Details box to access the backup information.

While the reason for most of any increase between an institution's two-year official rate and its three-year trial rate is, of course, the additional monitoring year, there may be other reasons. The most common of these is that while the official rates were computed one, two, or three years ago; the trial rates were computed within the past two weeks. Thus, there could have been small changes in the makeup of the cohort over time as a result of corrections made to the NSLDS database by lenders, guaranty agencies, and/or the Direct Loan Servicer.

Because we have received many requests for this information from the press and from the higher education community, beginning December 14, 2009 these trial rates (with enrollment information) will be posted publicly on the Federal Student Aid Data Center at www.FSADataCenter.ed.gov.

We hope institutions find these trial rates useful as they consider not only the impact of the move to a three-year rate but also as they think about interventions they might take to help their students avoid the consequences of defaulting on their student loans.

SECRETARY DUNCAN'S LETTER TO COLLEGE PRESIDENTS

*By Jeff Baker, Director Policy Liaison and Implementation,
Federal Student Aid*

The following letter from U.S. Education Secretary Arne Duncan was e-mailed to college presidents last week

THE SECRETARY OF EDUCATION WASHINGTON, DC 20202

October 26, 2009

As this academic year moves forward, it is hard to believe we already need to consider the 2010-2011 year to come. In doing so, I am writing to seek your assistance and offer mine in taking the necessary steps to ensure uninterrupted access to federal student loans by ensuring your institution is Direct Loan-ready for the 2010-2011 academic year.

Eighteen months ago, uncertainty in the financial markets seriously threatened the availability of Federal Family Education Loan (FFEL) Program loans for the upcoming 2008-09 academic year. Congress acted quickly to provide the Department of Education with unprecedented temporary authority to directly finance loans made through FFEL Program lenders. The goal was to ensure that every student or parent with a need for a federal loan would be able to get one, whether or not the student's educational institution had taken the steps to provide loans through the Direct Loan Program (where loan access was not affected). This stopgap measure, the Ensuring Continued Access to Student Loans Act (ECASLA), was helpful in assisting FFEL Program lenders in making \$61.3 billion in new loans to students and their parents this past year. And the bulk of those funds—some \$46.3 billion—was provided by the Department of Education.

While many institutions like yours continued to use the FFEL Program loan delivery process last year, more than 500 others responded to the uncertainty by switching to the Direct Loan Program. These colleges' move to direct lending happened in an efficient and effective manner, without any interruption of service to students, and the number of Direct Loans increased by nearly two-thirds compared to the previous year. As you know, the Direct Loan Program provides students with the same types of loans, with essentially the same terms, as those made in the FFEL Program.

I do not anticipate any major loan access problems during the remainder of this academic year because Congress's temporary measure remains in effect. However, while there are encouraging signs that the financial markets are rebounding, the most prudent course of action is for you to ensure that your institution is Direct Loan-ready for the 2010-2011 academic year. That way, loan access for your students will be assured. As you may know, President

Obama has proposed that Congress make the loan system more reliable by moving to a 100 percent Direct Loan delivery system. In any event, under current law, ECASLA will expire, and the continued participation of FFEL Program lenders will be in question.

The Department of Education stands ready to assist with any questions you and your staff may have about becoming Direct Loan-ready. Many institutions have already taken the initial step of contacting us to ensure the appropriate transition steps have been taken at Federal Student Aid to begin the process. If your school has not taken this initial step, we recommend that you do so. Please also reach out to your technology, financial aid, and business offices to make sure they are working together to ensure federal loan access for your students and their parents. If they are unsure of the steps to take, please have them contact our school relations center at 1-800-848-0978, or e-mail us at DLEnrollment_FSA@ed.gov with questions.

Thank you for your attention to this important matter.

Arne Duncan

HEAG Announces New Program Policy and Procedure (P&P) Manual Service



Federal regulations require schools to have written policies and procedures for the administration of the Title IV student assistance programs.

Do you need help to create or update your Policy and Procedure (P&P) manual? We have the staff and resources available to help you get this job done.

Call Beth Ingle, 617-928-1975 or email at bingle@heag.cnc.net

FROM THE 2010-2011 EFC FORMULA GUIDE: WHAT IS THE DEFINITION OF AN INDEPENDENT STUDENT?

Because the EFC formula for a dependent student uses parental data, and the two formulas for independent students do not, the first step in calculating a student's EFC is to determine his or her dependency status. For the 2010-2011 award year, a student is automatically determined to be an independent applicant for federal student aid if he or she meets one or more of the following criteria:

- Student was born before January 1, 1987.
- Student is married or separated (but not divorced) as of the date of the application.
- At the beginning of the 2010-2011 school year, the student will be enrolled in a master's or doctoral degree program (such as MA, MBA, MD, JD, PhD, EdD, or graduate certificate, etc.).
- Student is currently serving on active duty in the U.S. Armed Forces, or is a National Guard or Reserves enlistee called into federal active duty for other than training purposes.
- Student is a veteran of the U.S. Armed Forces (see the definition in the box on page 4).
- Student has one or more children who receive more than half of their support from him or her between July 1, 2010 and June 30, 2011.
- Student has dependent(s) (other than children or spouse) who live with him or her and who receive more than half of their support from the student, now and through June 30, 2011.
- At any time when the student was age 13 or older, both of the student's parents were deceased, the student was in foster care, or the student was a dependent/ward of the court.
- The student is now or was upon reaching the age of majority, an emancipated minor (released from control by his or her parent or guardian) as determined by a court in his or her state of legal residence.
- The student is now or was upon reaching the age of majority, in legal guardianship as determined by a court in his or her state of legal residence.
- Student was determined to be an unaccompanied youth who was homeless by a high school or school district homeless liaison on or after July 1, 2009.
- Student was determined to be an unaccompanied youth who was homeless by the director of an emergency shelter or transitional housing program funded by the U.S. Department of Housing and Urban Development on or after July 1, 2009.
- Student was determined to be an unaccompanied youth who was homeless or was self supporting and at risk of being homeless by a director of a runaway or homeless youth basic center or transitional living program on or after July 1, 2009.
- Student is determined by the college financial aid administrator to be an unaccompanied youth who is homeless or is self-supporting and at risk of being homeless.

An FAA can make a determination of independence with documentation of special circumstances, even if the student initially filed as a dependent student.

Terms Used In The Definition Of An Independent Student

LEGAL DEPENDENT. Any child of the student who receives more than half of their support from the student (the child does not have to live with the student), including a biological or adopted child. Also, any person, other than a spouse, who lives with the student and receives more than half of his or her support from the student now and will continue to receive more than half of his or her support from the student through June 30, 2011.

VETERAN. A student who (1) has engaged in active service in the U.S. Armed Forces (Army, Navy, Air Force, Marines, or Coast Guard), or has been a member of the National Guard or Reserves who was called to active duty for purposes other than training, or was a cadet or midshipman at one of the service academies, or attended a U.S. military academy preparatory school, and (2) was released under a condition other than dishonorable. A veteran is also a student who does not meet this definition now but will by June 30, 2011.

About The Higher Education Assistance Group

The Higher Education Assistance Group, Inc. is a comprehensive higher education consulting and financial aid consulting group located in Wellesley, Massachusetts. In operation since 1989 initially as a financial aid consulting firm, we have since grown and expanded to represent all areas of student services management. We continue to advance and evolve to meet the needs of our school clients. The Group provides exceptional administrative and professional management services to all student service fields, including Admissions, Financial Aid, Continuing Education, Bursar and Registrar offices at two and four year institutions, both public and proprietary. The Group's highly qualified team of consultants has spent decades in the field providing administrators with the tools, knowledge and support necessary to complete institutional objectives. We pride ourselves on assisting post secondary institutions to meet challenges such as program regulatory compliance, organizational structure, staffing needs, and technological support.