HEAG
HIGHER EDUCATION ASSISTANCE GROUP, Inc.

NEWSLETTER

APRIL – JUNE 2010 VOLUME 2, ISSUE 2

Inside this Issue

Achieve a Higher Standard... with HEAG!

Message from Milton

Almost everywhere you turn, the topic is Direct Loans. Whether new to Direct Loans or not, everyone seems to be talking about implementation, loan processing, loan servicing, or where to turn to get more information. And for schools just starting out with the program, the July 1st deadline is fast approaching.

If you need assistance on any aspect of the Direct Loan program, please call us at HEAG. Our expert is Ray Nault, Vice President for Technology and Compliance, and he is available to help you. Find out more by going to our website at www.heag.us.

Enjoy the upcoming summer months.

~ Milton Kerstein, President

LETTER TO ALL SCHOOLS ABOUT THE DIRECT LOAN PROGRAM

By William J. Taggart
Chief Operating Officer
Department of Education

Dear Financial Aid Administrator:

As I am sure you are aware, on March 30, 2010, President Obama signed the Health Care and Education Reconciliation Act of 2010 (HCERA), which, among other things, makes significant changes to the federal student loans programs authorized by Title IV of the Higher Education Act of 1965. One of the provisions of the HCERA is the termination, as of July 1, 2010, of the authority for lenders to make new loans under the Federal Family Education Loan (FFEL) Program. Therefore, beginning July 1, 2010, all new Stafford, PLUS, and Consolidation loans can only be made under the William D. Ford Federal Direct Loan (Direct Loan) Program. More information about the student aid provisions of HCERA is included in a Dear Colleague Letter posted on our Information for Financial Aid Professionals (IFAP) Web site.

In past communications, I have told you of the efforts we have undertaken to update our systems and increase our capacity to accommodate every school that wishes to participate in the Direct Loan Program. We also established a comprehensive training program to assist schools as they make the transition to the Direct Loan Program. Over the past six months, we have trained over 10,000 financial aid professionals through both our webinar and conference training series. As a result, 90 percent of all schools participating in the federal student loan programs today are either participating in the Direct Loan Program or are in the process of transitioning to Direct Loans.

CONTINUED ON PAGE 2

TELL YOUR FRIENDS!

In March 2010, Federal Student Aid launched its new Web site, StudentLoans.gov, to help students manage their federal student loans. The new site allows students to access their own federal student loan data, complete their Master Promissory Note and find out more information about entrance and exit counseling, consolidation, and repayment options.

THE HIGHER EDUCATION ASSISTANCE GROUP, INC. (HEAG) AND RAY NAULT/COLLEGE AID SERVICES, LLC, ANNOUNCE MERGER

May 1, 2010

HEAG is pleased to announce that HEAG and Ray Nault/CollegeAidServices LLC have merged effective May 1, 2010. Ray will now hold the position of **Vice President for Information Technology and Compliance** and will head up a newly formed division within HEAG called Enterprise Systems Solutions. Ray will be offering expertise and support with Banner Implementation, Direct Loan Implementation and Support and Institution-wide System Integration.

Banner Implementation and Automated Processing

Colleges are being forced to reduce overhead, improve productivity, and work more efficiently with less staff, and are turning to automation to meet these goals. HEAG can provide you with a comprehensive analysis and plan to assist you to maximize Banner automated processing to help with tracking, budgeting, and packaging. This will, in turn, reduce the demands on your staff and improve their effectiveness and productivity.

Direct Loan Implementation and Servicing

The Direct Loan (DL) program has been passed into law and schools are now required to participate in this program. HEAG is able to provide you with training on all aspects of the DL program with implementation across all platforms. Whether new to DL or not, we have the expertise to help you implement the DL program quickly and efficiently, and assist your staff with on-going support that they need.

Institution wide System Integration and N2Services

Schools are looking for solutions in many administrative areas involved in the delivery of services to students. These administrative areas are reliant on computer-based information systems to perform and support their administrative functions. HEAG has partnered with N2services (www.n2services.net) a diversified, information technology service provider serving customers in Higher Education. N2 Services provides a highly innovative, low cost, alternative to traditional consulting firms. N2 Services software development teams excel in cutting-edge technologies like Internet, application development, E-Commerce solutions, Web, and rapid application development. Ray Nault and N2Services will be working together to help schools find solutions to their information technology needs.

For more information, please contact Beth Ingle at bingle@heag.cnc.net or 617-928-1975 or Ray Nault at rnault@heag.cnc.net or 401-636-2917.

FROM PAGE 1

Schools that have recently moved to the Direct Loan Program overwhelmingly report that the transition was an easy and positive experience for their campus and their students.

For those of you who have not begun the transition process, it's not too late. But you need to begin now to ensure your students will have access to federal student loans beginning July 1, 2010.

If you have not already done so, contact us and let us know if you intend to participate in the Direct Loan Program for the 2010-2011 year. You may e-mail the COD School Relations Center at CODSupport@acs-inc.com and include "Request to Participate in the Direct Loan Program" in the subject line. The email should include the name and address of your institution, its OPE ID and DUNS number (if known). Please include the name, position, e-mail address, and phone number(s) of a primary contact person. Once we receive this information, we will assign a dedicated representative who will assist your institution through the transition process. Your representative will work diligently to help you make a successful transition.

I also encourage you to review the many resources we have provided online o assist institutions through the transition to the Direct Loan Program. We established a dedicated section on our Direct Loan Web site (www.direct.ed.gov) for new Direct Loan schools. The site contains descriptions of our Direct Loan publications, peer contacts and frequently asked questions. From this site, you can also access the Direct Loan training calendar where we will continue to post information on training opportunities available this spring.

If you have questions or are unsure of the steps to take, please visit www.direct.ed.gov, contact our School Relations Team at 1-800-848-0978, or e-mail us at DLEnrollment_FSA@ed.gov.

While it is, of course, your responsibility to ensure that your institution is ready to provide federal student loans to your students, we are ready and able to help.

FY 2008 DRAFT COHORT DEFAULT RATES DISTRIBUTED FEBRUARY 8, 2010

By Katrina Turner
Director, Portfolio Performance Division, Federal Student Aid

February 8, 2010

On the morning of Monday, February 8, 2010, we distributed the FY 2008 Draft Cohort Default Rate notification packages to all eligible domestic and foreign schools. In this announcement, we provide information about our distribution of the draft rates and the begin dates for challenging the draft rates.

Distribution of FY 2008 Draft Cohort Default Rates
For both eligible domestic and foreign schools enrolled in the Electronic Cohort Default Rate (eCDR) process, we sent FY 2008 Draft Cohort Default Rate and accompanying documentation via the Student Aid Internet Gateway (SAIG). This information was sent to the SAIG mailbox for the destination point designated by the school. Each eCDR package contained the following information:

- Cover Letter (message class SHDRLROP)
- Reader-Friendly Loan Record Detail Report (message class SHCDRROP)
- Extract-Type Loan Record Detail Report (message class SHCDREOP)

We did not send eCDR notification packages to any school not enrolled in eCDR. These schools may download their cohort default rates and accompanying Loan Record Detail Reports from the National Student Loan Data System (NSLDS) via the NSLDS Professional Access website (**https://www.nslds.ed.gov/nslds_FAP/secure/logon.jsp**).

We also sent a Network Message (message class MESSAGTB) to each school's SAIG mailbox that provides instructions for downloading, viewing, and printing the eCDR files. If a technical problem caused by the Department of Education (the Department) results in an inability to access the data, **schools have five business days from the receipt of the eCDR notification package** to notify Portfolio Performance Division at the e-mail address given below.

Any school that did not have a borrower in repayment, during the current or any of the past cohort default rate periods, will not receive a FY 2008 draft cohort default rate notification package. These schools are considered to have no cohort default rate data and no cohort default rate.

Begin Dates for Challenging FY 2008 Draft Cohort Default Rates
The time period for challenging a school's FY 2008 Draft Cohort Default Rate under 34 CFR Part 668, Subpart M begins on Wednesday, February 17, 2010 for all schools.

In order to complete an adjustment or appeal, you may need a data manager's contact information. Click on a link entitled, "Numerical Data Managers" from the home page of the Cohort Default Rate Guide at **www.ifap.ed.gov/DefaultManagement/finalcdrg.html** where you will find a list of the data managers identified by a three-digit code found on a school's loan record detail report. When you click on the code or state (if no code exists), you will be directed to the data manager list that contains the name, address, telephone numbers, e-mail and Web site information for a particular data manager.

Contact Information
For additional information regarding the school cohort default rate calculation or the adjustment/appeal processes, please refer to the Cohort Default Rate Guide at **http://www.ifap.ed.gov/DefaultManagement/finalcdrg.html**.

You may also contact us by e-mailing **fsa.schools.default.management@ed.gov** or by calling the Portfolio Performance Division Hotline at 202/377-4259.

Duane Quinn joins HEAG

F. Duane Quinn was most recently Special Assistant to the President for American Student Assistance (ASA®), a national guarantor of student loans located in Boston, MA. He previously held the position of Director of Wellness Outreach in which he promoted ASA's "Student Success" activities which advance student financial literacy, retention, loan repayment and default prevention. For the prior twenty three years, however, he was employed as a financial aid administrator at a variety of institutions, among them: Clark University; Brandeis University and Lesley University. He has been a resident staff member of the Harvard Institute on College Admissions since 1989. He also serves as a resident faculty member at the Summer Financial Aid Institute sponsored by the New England Regional office of The College Board. He has held a number of elected and appointed positions with both the Massachusetts and Eastern Associations of Student Financial Aid Administrators (MASFAA / EASFAA), and has acted on the advisory boards of numerous organizations advocating student aid. He is the recipient of the Charles "Jack" Sheehan Distinguished Service Award (MASFAA) and the Mapping-Your Future Excellence Award.

Duane will be providing general consulting assistance to schools with special expertise in: policy and procedures manual guidance, verification, staff training, and focused office management issues.

5 THINGS YOU MAY NOT KNOW ABOUT THE COHORT DEFAULT RATE (CDR) CALCULATION

By Gretchen Bonfardine
Professional Services Consultant, American Student Assistance

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Cohort Default Rate is such a common concept to financial aid administrators, but few know everything that goes into it. And with all eyes on the pending legislation to reform student aid, it's easy to forget that Fiscal Year 2009 will be the first year of new rules for the calculation of Cohort Default Rates. Here are five things that you may not know that could help you manage future CDRs.

1. How is it calculated? You are already aware of the CDR calculated for your institution each year, and you probably know the national CDR as well, but do you know what goes into this calculation? The CDR is based on the number of borrowers entering repayment, not the number or types of loans. Several pieces of this statement need explanation.

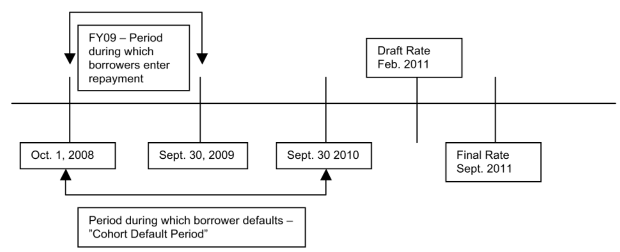
   a. Borrowers are considered to 'enter repayment' following the last date of their grace period. Even if the borrower immediately takes advantage of available forbearance or deferment options, as long as their grace period ends, that borrower is officially in repayment - whether or not they must make that first payment.

   b. The borrower must enter repayment during the specified Cohort Fiscal Year (FY). A Fiscal Year begins on Oct. 1 of a particular year, and ends on Sept. 30 of the following year. So, FY09 is Oct. 1, 2008 through Sept. 30, 2009. For FY09, borrowers who enter repayment between these dates are the only one's whose defaults count for your FY09 CDR. If you think about this, you may be surprised to realize then that your May 2009 grads would not be included in your FY09 CDR, since their grace period would not run out until November. Those students would be included in your FY10 CDR.

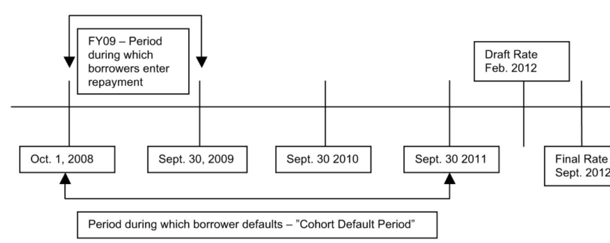
   c. FFEL and Direct Subsidized and Unsubsidized Stafford Loans are included in the calculation. Officially, the old Supplemental Loans for Students (SLS) are included as well (although there are few, if any, that would be entering repayment at this point). PLUS, Grad PLUS, and Perkins are NOT included.

2. What's the difference between the two-year and three-year calculation? Basically, in the 2 year calculation, a borrower's default was only counted within the first 2 years of repayment (officially called the 'Cohort Default Period). Under the 3 year terms, a default in the first 3 years (again, the 'Cohort Default Period) will be counted. So, it's not that more students are defaulting, it's just that previously, borrowers who only defaulted in their third year of repayment weren't considered in the calculation… now they will be. It is anticipated that Cohort Default Rates will rise significantly when the 3 year calculation is used. Officially, the FY09 CDR will be the first 3 year calculation. Therefore, you will not see what this means to your school until you receive your draft rate for FY09 in February 2012. Here are some timelines to make it more clear:

   a. 2 Year CDR example for FY09 (this is just an example since for FY09, the 3 year calculation will be used)



   b. 3 year example for FY09



3. How are Rehabilitated loans handled? While the new 3 year CDR calculation allows more time for defaults to occur, it also provides greater opportunity for a successful rehabilitation. Rehabilitated loans are previously defaulted loans on which the borrower makes 9 timely agreed upon payments. After the 9 months, the loan is no longer considered to be in default. If the borrower successfully rehabilitates their defaulted loan before September 30th of the Cohort Default Period (in our pre-

CONTINUED ON PAGE 5

TELL YOUR FRIENDS!

Visit www.direct.ed.gov to access the official website of the U.S. Department of Education's Direct Loan Program. Students and parents can explore the site for information about the Direct Loan Program, including helpful publications and tools to help manage their Direct Loans.

Financial aid professionals at schools can find operational communications and guidance, technical documents, and related information as well as tools for administering the program at their school. There is also a special section for schools interested in joining the program.

RED FLAGS RULE UPDATE

The Identity Theft Red Flags Rule ("Red Flags Rule") that was issued on November 9, 2007 by the Federal Trade Commission (FTC) (72 Fed. Reg. 63718) will not be enforcing the rule until June 1, 2010.

The purpose of this announcement update is to inform institutions participating in the Federal Perkins Loan Program that the FTC has granted another delay of enforcement of the new "Red Flags Rule" until June 1, 2010. This does not mean that the "Red Flags Rule" is not in effect, but only that the FCC will not enforce the rule until June 1, 2010. Further information about the delay of enforcement of the "Red Flags Rule" is available on the FTC Web site at **www.ftc.gov/redflagsrule**.

FROM PAGE 4

vious example, that would be Sept. 30, 2011), then that borrower is NOT counted as a defaulted borrower in the CDR calculation. If the borrower successfully rehabilitates after the end of the Cohort Default Period, they are no longer in default, but they ARE counted as a defaulted borrower in the CDR calculation. The key date is September 30th of the Cohort Default Period. If the borrower is in default as of that date, then they are counted as such for the CDR calculation.

4. How do consolidation loans affect the CDR? Consolidation loans do not directly affect the CDR. Even though the underlying loans are paid off when a consolidation loan is borrowed, it is still the Cohort Fiscal Year associated with the underlying loans that matter. So, if a borrower goes into repayment on underlying loans in FY09, then consolidates their loans, then proceeds to default on the consolidation loan during the Cohort Default Period (sometime on or before Sept. 30, 2011), that borrower is considered to be in default. Even though the underlying loans have technically been paid-in-full by the consolidation loan, this borrower would be counted as defaulted for the CDR calculation. Remember that the consolidation loan itself isn't considered for the CDR calculation; it is the repayment start date of the underlying loans that matter.

5. How can I have an impact on my CDR? ED recommends that you regularly monitor the loan repayment status of your current and graduated students, not just when your Draft Rate is released each February. In the Cohort Default Rate Guide that can be found at **http://www.ifap.ed.gov/DefaultManagement/CDRGuideMaster.html**, several NSLDS reports are identified which will help you do just that. With these reports, you can choose a specific cohort of your students and monitor their repayment status. While schools focus the majority of their effort on current and prospective students, it may behoove you to begin spending a little time developing a default prevention outreach program for your recently separated students. It is widely agreed that the school is the trusted partner with the student. If they receive a call or letter from the school, it could be better received than something from a lender, guarantor, or ED. Reaching out to offer assistance (even just information) when the borrower finds themselves delinquent in their repayment will go a long way in changing their repayment habits and getting them back on the right track, therefore directly impacting your CDR.

If you have additional questions about how the CDR is calculated or how you can monitor or appeal your rate, the information can be found at **http://www.ifap.ed.gov/DefaultManagement/CDRGuideMaster.html.** Your guarantor can also prove to be a valuable resource. From answering questions, to providing reports assisting you with regular monitoring of your CDR, your guarantor is there to support you every step of the way.

About The Higher Education Assitance 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.