



HIGHER EDUCATION ASSISTANCE GROUP, Inc.

NEWSLETTER

APRIL/JUNE 2009

VOLUME 1, ISSUE 2

Inside this Issue

1 Message from Milton

Short Term Staffing Solutions

Changes to FERPA

2 Verification Odd Balls

Household Size and Common Law Marriage

2009/10 ACG and Smart Grant Award Limits

3 Q & A Transition to 100% Direct Loan Program

4 Use of Professional Judgement during tough Economic Times.

5 Income Based Repayment

Cancellation of the Competitive Loan Auction Pilot Program for Parent PLUS Loans

Achieve a Higher Standard... with HEAG!

Message from Milton

"Glimmers of Hope"...stimulus money has started to hit the streets, banks are starting to lend to each other again and clients have started to call. With so much in flux this processing season and budgets at our institutions tighter than ever, I would like to thank all clients old and new for your confidence in HEAG and your recognition of the value of the service we work so hard to provide.

~ Milton Kerstein, President

NEW AT HEAG... SHORT TERM STAFFING SOLUTIONS

Short on time but need help immediately? HEAG is pleased to announce a new service which will provide immediate help to you and at low cost called **Short Term Staffing Solutions**. Our consultants are available for short term assignments: 1-2 days, once a week or once a month. Special Low 2009 rates apply.

In these challenging times, it might be helpful to know that the administrative cost allowance for campus based aid and the \$5.00 administrative fee for Pell Grant processing remain available to help you to defray the administrative costs associated with consulting help and the processing of financial aid applications.

Need ideas on how we can help?

- ACG processing
- Add/drop activities
- Administrative reports
- Loan outreach
- Extended office hours
- File review
- Admission Open House
- Loan certification,
- Summer aid processing
- Year-end reconciliation
- SAP appeals
- Incomplete applications
- Appeal processing
- Entrance/Exit sessions

CHANGES TO FERPA

Final regulations regarding changes and clarifications to FERPA were published in December 2008 and became effective on January 8, 2009. Many of these changes and clarifications are an effort to improve school safety, open access to data for research and accountability purposes and improve the safeguarding of educational records.

As a result, day-to-day questions and decisions to be made regarding FERPA and whether or not your institution is in compliance can be easier to manage.

The changes covered a number of areas and offer schools clarity and increased flexibility.

Four key areas affected by the changes are:

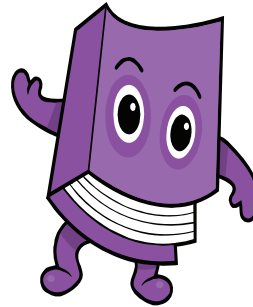
- Health or safety emergencies;
- Disclosure to parents;
- Expanded access to education data for research and accountability purposes; and
- Safeguarding privacy and education records.

Comprehensive information including the final regulations, a side-by-side analysis and the 12/17/2008 Dear Colleague letter regarding all the changes and clarifications can be found at www.ed.gov/policy/gen/guid/fpco/ferpa/index.html.

VERIFICATION ODDBALLS

We all know the 5 key data items necessary for verification but it helps to be reminded of the “oddballs”. Those “when was the last time I saw that” items.

- A family member attending college at one of the United States military academies is not considered to be a student in college for EFC purposes. This is because the 4 academies cover all costs associated with the Cost of Attendance normally established for Title IV aid recipients.
- IRS Form 8453-OL U.S. Individual Income Tax Declaration for an IRS e-file Online Return is not an acceptable tax filing document for verification purposes.
- Tax preparers must provide both his/her name AND SSN, EIN or PTIN to be valid for verification purposes.
- Schools have the option not to verify a student selected for verification if that student was an immigrant to the U.S. in 2008 or 2009.
- Don't forget those Policy and Procedure Manual updates for the elimination of Worksheets A, B and C; HEOA, CCRAA, ARRA; new Special Circumstances; expanded dependency questions and 2009-2010 general information.



HOUSEHOLD SIZE AND COMMON LAW MARRIAGE

Determining household size in a common law marriage situation can be a sticky Professional Judgment call. Every state has their own law(s) regarding what is considered a recognized common law marriage. It is the financial aid professional's responsibility to insure compliance with Title IV guidelines and review a student and family's application correctly. A couple's common law status is based on where they reside at the time the FAFSA is filed.

Moving from a state that recognizes common law marriage to one that doesn't results in that couple no longer being considered common law and the parent completing the FAFSA should be filing as Single.

The following states recognize some level of common law marriage:

- | | |
|------------------|------------------|
| ■ Alabama | ■ Colorado |
| ■ Georgia | ■ Indiana |
| ■ Iowa | ■ Kansas |
| ■ Montana | ■ New Hampshire |
| ■ Ohio | ■ Oklahoma |
| ■ Pennsylvania | ■ Rhode Island |
| ■ South Carolina | ■ Texas |
| ■ Utah | ■ Washington, DC |

For more detailed information go to www.expertlaw.com/library/family_law/common_law.html

2009/10 ACG AND NATIONAL SMART GRANT AWARD LIMITS

ACG-1ST YEAR

Full Time	\$ 750.00
¾ Time	\$ 563.00
½ Time	\$ 375.00

ACG-2ND YEAR

Full Time	\$1300.00
¾ Time	\$ 975.00
½ Time	\$ 650.00

NATIONAL SMART GRANT-3RD YEAR

Full Time	\$4000.00
¾ Time	\$3000.00
½ Time	\$2000.00

NATIONAL SMART GRANT-4TH YEAR

Full Time	\$4000.00
¾ Time	\$3000.00
½ Time	\$2000.00

NATIONAL SMART GRANT-5TH YEAR

Full Time	\$4000.00
¾ Time	\$3000.00
½ Time	\$2000.00

Awards can now be made to students enrolled at least half time and under certain circumstances a fifth year of the National SMART Grant can be awarded.

QUESTIONS & ANSWERS ON THE TRANSITION TO 100 PERCENT DIRECT LENDING

President Obama's Fiscal Year 2010 budget proposes that, beginning July 1, 2010, all Stafford (subsidized and unsubsidized), PLUS, and Consolidation loans will be made from the William D. Ford Federal Direct Student Loan (Direct Loan) Program. Thus, ending, as of that date, any new loans made under the Federal Family Education Loan (FFEL) Program.

This proposal would make college loans reliable, stable and efficient, thus eliminating uncertainty families have experienced due to the turmoil in the financial markets. All new student and parent loans would be provided directly from the federal government through the same electronic system that colleges use for Pell Grants. Taxpayers would save more than \$4 billion a year in reduced entitlement subsidies, funds that can be invested in more grant aid to students seeking a higher education. The Direct Loan Program would continue to use private sector companies to perform origination, servicing, loan collections, and related services through performance-based contracts with the Department of Education.

Has the FY 2010 Budget been approved?

No. On February 26, President Obama submitted the Administration's proposed budget for FY 2010 to the Congress, which must act on the President's proposals.

Does the Department of Education have capacity to assume 100% of FFEL Loan Volume?

Today, the Direct Loan program has ample capacity to assume significantly more origination volume with no impact to existing service levels and will be able to assume 100% of FFEL volume by the end of 2009. Currently, Direct Loan servicing can also assume significant more volume, including increased customer service activity. The Department is in the process of developing even more capacity over the next several months. These steps will mean

that all aspects of the Direct Loan Program will be fully supported both prior to the start of 2010-2011 activity and when the program assumes 100% of the volume.

When will ALL Stafford, PLUS, and Consolidation loans be originated using the Direct Loan program?

The budget proposal states that all Stafford, PLUS, and Consolidation loans made on or after July 1, 2010 be Direct Loans.

When would FFEL lenders stop making loans?

The latest a loan under the FFEL Program would be made would be June 30, 2010. However, depending on the status of the President's proposal and other factors, some FFEL lenders may choose to withdraw from, or scale back their participation in, the FFEL Program earlier.

How soon will schools that currently participate in the FFEL Program be required to convert to the Direct Loan Program?

If approved, the change will not be effective until July 1, 2010 (generally, the 2010-2011 school year). However, schools should begin a review of their internal policies, business processes, and systems to determine what changes they will need to make, and when, for conversion to the Direct Loan Program.

Is conversion to and participation in the Direct Loan Program complicated and costly to a school?

The process for a school to transition from FFEL to Direct Loans is relatively simple. First, the school must ensure that the Direct Loan Program is listed on its current Eligibility and Certification Approval Report (ECAR). If not, the school must submit to the Department a revised E-App at www.eligcert.ed.gov. Once approved, the school

sends an e-mail to the COD School Relations Center requesting to actively participate in the Direct Loan Program.

Because the Department uses the same solution [the Common Origination and Disbursement (COD) System] to process Direct Loans as it does for the Pell Grant Program, a Pell Grant participating school will have little difficulty providing Direct Loan information to the Department instead of sending FFEL information to a lender or guaranty agency. Non-Pell schools will find that registering and using the COD system is very easy and uncomplicated.

Of course, the school must ensure that its systems and processes are, if necessary, modified for the Direct Loan Program. This may include the school informing its third party servicer and/or software vendor of the change. Most commercial software used by schools have both Direct Loan and FFEL modules, so working with their software vendors (or third-party servicers) schools should find that conversion will be relatively simple.

Direct Lending loan origination process should not be any more difficult or require any more school resources under Direct Loan Program than under the FFEL Program. Schools are not required to perform loan origination themselves - the Department's origination process provides for the creation, distribution, and processing of the electronic Master Promissory Notes (MPN), just as many FFEL lenders do. (A school may choose to undertake all or some of these processes themselves, but they are not required to do so.)

In further support of the Direct Loan Program, the Department provides web-based entrance and exit counseling just as most FFEL lenders do, so a school enrolling in the Direct Loan Program simply has to redirect students to the Department's website for these services.

CONTINUED NEXT PAGE

USE OF PROFESSIONAL JUDGMENT DURING THESE TOUGH ECONOMIC TIMES

Dear Colleague,

I am writing to remind you of the authority you, as a financial aid administrator, have under the law (section 479A of the Higher Education Act) to make adjustments, on the basis of adequate documentation, and on a case-by-case basis, to address circumstances not reflected in a student's original Free Application for Federal Student Aid (FAFSA). This authority is particularly important for families who may be struggling during these difficult economic times. When families experience a layoff, face a costly medical situation, or lose a house to foreclosure, they are likely to feel vulnerable and unsupported. Simply stated, most do not know about their right to request that you adjust one or more of the components that determine their eligibility for financial aid. It is for this reason that I encourage you to do more than provide good service to the students who request that you make an adjustment. I would ask you to reach out to your students (and prospective students), particularly those who seem to have hit a rough patch, to make sure that they know there may be ways that you can help.

Your thoughtful use of professional judgment, especially to address a student's financial and family circumstances that may have changed from the base year information originally reported on the student's FAFSA, may be critical in determining whether the student can enter or continue in postsecondary education. A changed circumstance certainly includes the loss of a job or a reduction in work hours or wages, but it also includes, for example, the income loss associated with a prospective student's decision to leave the workforce or to reduce work hours in order to return to school.

When you make adjustments related to the student's or the student's family's income, it is appropriate to use information that realistically

reflects the individual's and/or family's current and near-term economic situation. For example, for an individual who has lost a job or has taken a significant salary cut beginning in November of 2008, you may choose to project income for the next 12-month period (December 2008 through November 2009) and use that figure instead of the base year income (calendar 2008) that was initially used in the calculation of the student's expected family contribution (EFC). Of course, you should seek to obtain, and maintain verifiable third-party documentation of the changed circumstances in order to support your decision to use professional judgment. By way of example, if an individual has lost a job, and you choose to project income for the next 12-month period, you should seek to obtain adequate documentation of the individual's loss of employment.

While we encourage you to exercise professional judgment where appropriate, you should be mindful of the statutory limitations. Professional judgment must only be used to address special circumstances, which are conditions that differentiate an individual student from a class of students. While students may face common or similar issues in these economic times, you may not establish automatic categories of special circumstances and provide identical treatment to all students in that circumstance. You could, however, identify a category to reach out to (for example, all students that had a parent that had recently lost a job) but then would need to assess and document how each individual student's situation was affected. (It would not be permissible to assume that every student in that category was affected in the same way.) You should refer to the complete information on pages 99-100 of the Application and Verification Guide of the Department's 2008-09 Federal Student Aid Handbook for further guidance on the use of professional judgment.

While not every student will become eligible for a Federal Pell Grant as a result of an adjustment based on your exercising professional judgment, many may become eligible for a subsidized Federal Stafford Loan or for assistance from one of the three campus-based programs. And, of course, most students are eligible for Federal Unsubsidized Stafford Loans from either the Federal Direct Loan Program or from the Federal Family Education Loan Program. These federal student loans have much better interest rates, repayment options, and other terms than those that are available with private educational loans, credit cards, or most any other method of credit-based financing.

Most non-federal loans have high, variable interest rates, loan fees well above those for the federal student loan programs, limited repayment options, and almost none of the features and protections provided in the federal programs, including payment deferment, forbearance, and cancellation. For more information about the advantages of federal student loans over private, non-federal loans, I encourage you to share with your students the information found at: <http://www.federalstudentaid.ed.gov/federalaidfirst/index.html>.

If you have questions regarding the information provided in this letter, please contact Carney McCullough by phone to (202) 502-7639 or by mail to carney.mccullough@ed.gov.

BEGINNING 7/1/09 -INCOME BASED REPAYMENT OPTION

Beginning 7/1/2009 federal student loan borrowers will be able to take advantage of a new payment option. Income Based Repayment, IBR, assists borrowers with affordable payments based on income and family size. IBR also has a forgiveness option for any remaining balance at the end of 25 years of qualifying payments.

Student borrowers in both the Guaranteed and Direct Loan programs are eligible to participate. IBR works on a sliding scale to calculate eligibility and payment percentages. Borrowers earning less than 150% of the poverty level for their family size would not be required to make any payment. Borrowers making more than 150% would see their loan payment capped at 15% of what they earn above the 150%.

It's possible that a reduced payment schedule would not cover all interest due on the loan. The government will pay the interest for the first 3 years of IBR on Subsidized Stafford Loans. At the end of the 3 years interest due but not being covered by the payment arrangement would be added to principal. This would also apply to all Unsubsidized loans from the beginning of the IBR plan.

CANCELLATION OF THE COMPETITIVE LOAN AUCTION PILOT PROGRAM FOR PARENT PLUS LOANS

Through a notice in the Federal Register of March 3, 2009, the Department established an April 1, 2009 deadline for the submission of pre-qualification requests under the Competitive Loan Auction Pilot Program for Parent PLUS Loans, relating to loans to be made for loan periods beginning on or after July 1, 2009 and ending on or before June 30, 2011. In order for the auction to have been considered successful for any State, at least two lenders must have submitted pre-qualification requests for that State. However, the Department failed to receive two requests for pre-qualification for any State, and for the vast majority of States the Department received no requests at all. For this reason, the Department considers the purpose of the Competitive Loan Auction Pilot Program to have been frustrated, and it is cancelling the auction that was scheduled to occur on April 15, 2009.

During the 2009-10 and 2010-11 award years, Parent PLUS loans under the Federal Family Education Loan program may be made by any eligible lender to parents of students attending eligible educational institutions in any State.

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

FROM PAGE 3

Will training be offered to schools to help them switch to Direct Lending?

Yes. The Department is planning a full training calendar to assist schools with this transition. Monitor the Information for Financial Aid Professionals (IFAP) Web site for training announcements that will provide training dates and registration information. In addition, the Department provides a convenient computer-based training program for schools new to the Direct Loan Program, and is prepared to help assist schools who may face a slightly more complicated conversion process because they use their own "home-grown" financial aid software. In many cases, the Department will be able to direct a school to other similar schools that have found a way to easily adapt their software to use the Direct Loan Program.

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.