HIGHER EDUCATION ASSISTANCE GROUP, Inc. ~ A Financial Aid and Higher Education Consulting Group

HEAG NEWSLETTER

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Achieve a Higher Standard... with HEAG!

Message from Milton

All of us at HEAG are very excited with the opening of our new office outside of Nashville, Tennessee. We have been and continue to be committed to providing excellent service for our clients. The opening of our new office will allow us to serve our clients in the southeastern United States at this same level of excellence.

Best Regards,

~ Milton Kerstein, President

HEAG IS GROWING: NEW SOUTHEASTERN REGIONAL OFFICE OPENS IN TENNESSEE

The Higher Education Assistance Group, Inc. (HEAG), in order to more effectively serve the southeastern region of the United States, is pleased to announce that it has opened a regional office outside of Nashville, Tennessee. To support this effort, Brittany Barker, one of HEAG's Title IV experts, has been promoted to the role of Southeastern Regional Director of Marketing and Client Services. Prior to this role, she served HEAG as a technical analyst in a consulting capacity.

As a first-generation college student, Brittany was drawn to higher education by her desire to make financial aid easy for students to understand and navigate. Brittany takes pride in her ability to make financial aid processes as efficient as possible

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FINANCIAL AID, THE LAW AND YOUR SCHOOL

Proper Implementation of Your SAP Policy

On January 18, 2012, the Department of Education's Office of Federal Student Aid (FSA) issued a Final Program Review Determination Letter (FPRD) to a college in Florida and concluded that the college "failed to apply its published satisfactory academic progress (SAP) policy."

More specifically, FSA alleged that the college failed to show that it had implemented, published, and applied reasonable standards to measure the progress in his or her eligible program of an otherwise Title IV-eligible student. FSA based this conclusion on its assertion that the college had provided its auditors with two different SAP policies (the "outdated" policy and the "revised" policy), both of which appeared to be in effect for the 2009-2010 academic year.

The Florida college did not deny the existence of two SAP policies within the same academic year. Instead, they argued that, though two SAP policies existed, the version published in the college's catalog and in

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HEAG Is Growing: New Southeastern Regional Office Opens in Tennessee

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for students and financial aid administrators alike. Brittany began working in Financial Aid in 2006. After serving as Director of Financial Aid at Northern Essex Community College in Massachusetts, as well as previously working in other financial aid roles at both Stetson University College of Law and Stetson University, she agreed to expand her role with HEAG. Brittany has a bachelor of arts degree in communications with a rhetoric concentration from the University of North Carolina at Chapel Hill. She is also completing a master's of science in leadership, with a concentration in professional administration, from Duquesne University.

Having relocated to Franklin, TN, Brittany's first priority is working to develop relationships with and provide assistance to institutions in the southeast region of the United States. In her role, she will assist institutions with their needs, such as managing Title IV programs including direct loan processing, professional judgments, appeals, satisfactory academic progress (SAP), reconciliation and conducting compliance reviews. Also, as an expert in Ellucian's Banner student information system, she is able to assist and train staff in the effective and efficient use of this technology.

In addition, Brittany is excited to help launch of one of HEAG's newest services, Remote Verification. This service will allow institutions to outsource all of their verification selections to HEAG with a streamlined process utilizing the most current and secure electronic scanning software.

If any of these services would benefit your institution, or if you would simply like to welcome Brittany to the HEAG team in her new role, please feel free to email her at bbarker@heag.us.

Financial Aid, the Law and Your School

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its policy and procedures manual had not been properly updated, and therefore was outdated. The college further argued that it had published the "revised" policy when it had sent its financial aid award letters to students. Therefore, the college asserted, the "revised" policy was the applicable policy.

Administrative Judge Slippen ruled in favor of the Department of Education. In his decision, the judge explained that the college had not sufficiently proved either that the "revised" SAP policy was included in the award letter packet or that it was sent to all the students. They had also failed to prove that the "revised" policy appeared on the school's website during the 2009-2010 academic year.

In concluding, the judge found that even if both policies had been compliant with Title IV regulations (which he determined was not the case here), the college still was not in compliance, in that both policies could not be implemented at the same time without creating inconsistencies and confusion. As a result, he ordered the college to pay the Department of Education $340,845.

This case is significant in that it reminds the practicing financial aid professional of the legal standard for administration of Title IV funds. Judge Slippen reaffirmed that all college financial aid professionals are expected to administer their Title IV funds with the highest standard of care and diligence.

If you have any comments or questions, you may contact Milton L. Kerstein, Esq. via email at mkerstein@kcl-law.com or by telephone at 617-965-9698.

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RECONSIDERATION OF PLUS DENIALS

The start of a new aid year is arguably the most stressful time for students and parents as they look over their remaining balance owed. Despite institutional, state and federal efforts to relieve the financial burden of higher education, there is almost always a portion that a family must cover on their own. Graduate PLUS Loans and Parent PLUS Loans are often the answer for many students and their families. Unfortunately, there has been an increase in PLUS denials over the past couple of years, most likely due to individual credit scores taking a hit as many face financial challenges. As a result, students and institutions alike are concerned with where these funds will come from.

Luckily, the Department of Education (ED) has set up a system to reconsider PLUS denials. Targeting specific students or parents, ED will send an email directly notifying them of additional steps that they can take to be reconsidered for PLUS funds, and listing the criteria that the student or parent must meet. If the applicant determines that they meet one or more of the criteria, they should contact the Student Loan Support Center via the email provided. The representative assigned will review any documentation and make a decision within 7 days.

ED cannot guarantee that all applicants requesting reconsideration will be approved, but they have found that the majority receive approval. Although ED contacts students directly, there is **a new reporting tool** that allows administrators to identify the students targeted so that they may reach them as well.

Click here for additional information on the Electronic Announcement regarding the PLUS Loan reconsideration process.

INTEREST RATE ADJUSTMENT FOR LOANS DISBURSED PRIOR TO JULY 1, 2013

On August 29th, the Department of Education published the new interest rates for loans disbursed prior to July 1, 2013 under the William D. Ford Direct Student Loan Program. Since loans prior to July 1, 2006 have a variable interest, the Department of Education is under statutory authority to recalculate the Direct Loan interest accordingly.

Section 455(b) of the Higher Education Act (HEA) of 1965 states that Direct Loan variable interest rates are based on formulas that use the bond equivalent rates of the 91-day Treasury bills auctioned at the final auction held before June 1 of each year, plus a statutory add-on percentage. These formulas apply to:

- all Direct Subsidized Loans and Direct Unsubsidized Loans;
- Direct Consolidation Loans for which the application was received on or after July 1, 1998, and before February 1, 1999; and
- Direct PLUS Loans disbursed on or after July 1, 1998.

In each case, the calculated rate is capped by a maximum interest rate. The bond equivalent rate of the 91-day Treasury bills auctioned on May 28, 2013, which is used to calculate the interest rates on these loans, is 0.046%, which is rounded to 0.05%.

It is important to note that in addition to the student interest rates, under section 455(b)(4) of the HEA, Congress also adjusted the Federal Direct Parent PLUS loan interest rate for all such loans first disbursed on or after July 1, 1994, and before July 1, 1998. The rate is based on the weekly average of the one-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System on the last day of the calendar week ending on or before June 26 of each year, plus a statutory add-on percentage. The calculated rate is capped by a maximum interest rate. The weekly average of the one-year constant maturity Treasury yield published on June 21, 2013, which is used to calculate the interest rate on these loans, is 0.13%.

For more information about the student loan interest rates, visit IFAP for Federal Register Volume 78, Number 168 (Thursday, August 29, 2013).

MARKET-RATE STUDENT LOAN DEAL

On August 1, 2013, the House and the Senate finally came to an agreement on how to address student loan interest rates. The deal headed to the President's desk will transition student loans from the fixed interest rates students currently receive to what is known as variable-fixed student loans.

A variable-fixed student loan means that the interest rate will be determined by taking the 10-year Treasury note – the federal government's cost to borrow money – and adding the following percentage:

- 2.05% for undergraduate Stafford (subsidized and unsubsidized);
- 3.6% for graduate Stafford; and
- 4.6% for PLUS (parents and graduate students).

Though the interest rate can vary based on the Treasury note, whatever rate is initially determined will be the rate for the life of the loan. Because the current Treasury note is so low, for the time being this legislation will actually reduce the interest rates that students are receiving. However, as the economy, and therefore the note, increases, so will student interest rates. Luckily, in an effort to address this concern, Congress has included caps in their deal: 8.25% for undergraduate Stafford loans; 9.5% for graduate Stafford loans; and 10.5% for PLUS (parent or graduate).

As this deal is put into motion by the Department of Education, more guidance on how financial aid administrators should handle these changes is likely to be forthcoming. Keep an eye out for issues such as:

- How will this affect loans already originated for the 2013-2014 aid year?
- How often will the interest rates be determined (daily, monthly, each aid year)?
- How will student information systems be adjusted to take these varying interest rates into consideration?
- Will this complicate student loan consolidation?
- Will this new deal curb enrollment as the rates increase?

As the details are released, if you find that you need any assistance with implementation, either in practice or in technological preparation, please contact HEAG as a consultant would be happy to help you.

Click here for additional information regarding the Bipartisan Student Loan Certainty Act of 2013.

About The Higher Education Assistance Group

The Higher Education Assistance Group, Inc. (HEAG) is a comprehensive higher education and financial aid consulting group located in Wellesley, Massachusetts. In operation since 1989, we provide comprehensive financial aid consulting support to private, public and proprietary institutions. We provide administrative and professional consulting services in the areas of program regulatory compliance, financial aid processing and verification, interim staffing and technology. With over 25 years of experience, we have a proven track record of satisfied school clients.