

“WHAT’S NEXT IN STUDENT LOANS?”

Would you like to be able to keep up-to-date on the latest regulations, guidelines, and policies that affect your job? Now you can with “WHAT’S NEXT In Student Loans,” a new webpage on aesSuccess.org, designed to assist you in serving your students.

The webpage provides information on **federal regulations, pending legislation, policy and guidance, financial aid and lender practices**, as well as resources for financial aid officers in one convenient location.

“WHAT’S NEXT in Student Loans” can be accessed via Alec, as well as through the AES School Services page on aesSuccess.org. If you have any questions regarding “WHAT’S NEXT In Student Loans,” please contact the **Education Services Group at 1.800.443.0646, Option 4, and then number 3.**

UPDATED ECONOMIC HARDSHIP DEFERMENT REQUEST FORM AVAILABLE

The U.S. Department of Education (ED) has published an updated Economic Hardship Deferment Request Form. The form is available at aesSuccess.org by selecting “**Manage Your Loans,**” clicking on “**Deferment & Forbearance,**” and then clicking on “**Deferment Forms.**” The new form has an expiration date of **January 31, 2009.**

The Economic Hardship Deferment Request Form was updated to include both the **federal minimum wage of \$5.85 per hour**, which became effective on July 24, 2007, and the **2007 Poverty Guidelines**. The monthly amount for the Federal Minimum Wage Rate is \$1,014.00. Poverty guidelines for a family of two are set at \$13,690 (monthly amount of \$1,140.83) in the 48 contiguous states and the District of Columbia. The poverty guidelines for Alaska and Hawaii for a family of two are \$17,120.04 (monthly amount of \$1,426.67) and \$15,750.00 (monthly amount of \$1,312.50), respectively.

AES FALL TRAINING WORKSHOP REGISTRATION

Don’t forget to register for the Fall Training Workshops going on now at 14 locations throughout Pennsylvania, Delaware, West Virginia, and Puerto Rico. For more information, go to aesSuccess.org/training. Please contact ESG training staff at **1.800.443.0646 Option 4, Option 3**, if you have any questions.

CONTACT

BUSINESS DEVELOPMENT & OPERATION/LOAN GUARANTY

Mon - Fri, 7:30am to 9:00 pm ET

STUDENT/PARENT GRANT & LOAN INQUIRIES

800.692.7392

granthelp@aesSuccess.org

studentloans@aesSuccess.org

SCHOOL/LENDER INQUIRIES

800.443.0646

loanhelp@aesSuccess.org



Be Next.

AES helps students and families from every walk of life afford higher education, because we believe in the potential of everyone who wants to learn.

AES offers comprehensive student aid services, which means that we’re there for students all the way. Starting from the time they apply for a loan, we deliver the funds, we stay with them through the academic years and guide them through successful repayment.

Because in making an education affordable, we do more than help students go to college. We guarantee the next generation of leaders, thinkers and doers.

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Loan Notes

Courtesy of American Education Services

NOTICE OF PROPOSED RULEMAKING PUBLISHED

On August 8, 2007, the U.S. Department of Education (ED) published a **Notice of Proposed Rulemaking (NPRM)** in the *Federal Register*. This NPRM is a result of negotiated rulemaking by the General Provisions Team/Committee (see June 2007 *Loan Notes* article on Negotiated Rulemaking), following the implementation of changes as a result of the Higher Education Reconciliation Act of 2005 (HERA).

Comments on the NPRM were due by September 7, 2007. ED will review the comments and plans to publish final rules on or before **November 1, 2007**. The Final Rules will become effective on July 1, 2008, unless ED allows earlier implementation.

Following is a summary of the changes affecting the FFEL program only, published in the NPRM. **Please note that the list is not all-inclusive. The General Provisions Team NPRM contains the full text of all proposed changes.**

GENERAL DEFINITIONS

Defines a **first professional degree** as a degree program that signifies both completion of the academic requirements for beginning practice in a given profession and a level of professional skill beyond that normally required for a bachelor's degree. Professional licensure is also generally required. Examples of a first professional degree include, but are not limited to, Veterinary Medicine (D.V.M.), and Law (L.L.B. or J.D.), among others.

Definitions of **full-time student, graduate or professional student, half-time student, three-quarter time student, and undergraduate student** have been consolidated to ensure a consistent definition across Title IV programs.

PAYMENT PERIODS

To align disbursements for all Title IV grant and loan programs, changes are proposed to the payment period definitions and to the disbursement requirements.

For a standard (semesters, trimesters, or quarters) credit-hour term program or for a nonstandard credit-hour term program in which the terms are substantially equal (i.e. no term in the program is more than two weeks of instructional time longer than any other term in the program) in length, the payment period is the academic term.

For a nonstandard term credit-hour program in which the terms are not substantially equal in length, as well as for a credit hour program that does not have academic terms and for a program that measures progress in clock hours, the payment period for a FFELP loan is:

- For a student enrolled in an eligible program that is **one academic year or less in length**, the first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours in the program and half of the number of weeks of instructional time in the program and the second payment period is the period of time in which the student successfully completes the program.
- For a student enrolled in an eligible program that is **more than one academic year in length**, the first payment period in the first and any subsequent full academic year is the period of time in which the student successfully completes half of the number of credit hours or clock hours in the academic year and half of the number of weeks of instructional time in the academic year and the second payment period is the period of time in which the student successfully completes the academic year. For any remaining portion of an eligible program that is more than half an academic year but less than a full academic year in length, the first payment period is the period of time in which the student successfully completes half of the number of credit hours or clock hours and half of the number of weeks of instructional time remaining in the program and the second payment period is the period of time in which the student successfully completes the remainder of the program. For any remaining portion of an eligible program that is half or less than half of an academic year in length, the payment period is the remainder of the program.



American Education Services

NOTICE OF PROPOSED RULEMAKING PUBLISHED – continued from page 1 –

DISBURSING LOAN FUNDS

Regulations continue to require that, for a loan period that is one payment period, loan funds must be disbursed in two installments, unless the school is exempt under the low cohort default rate exception. For additional information on the exception, please refer to the **Common Manual Subsection 6.4.A**. The Manual is available at aesSuccess.org.

However, proposed regulations require that the school not deliver the second disbursement until the student has successfully completed* half of the number of credit hours or clock hours, as appropriate, and half of the number of weeks of instructional time in the payment period. Based on Appendix B in the preamble to the NPRM, this proposed regulation applies to nonstandard term credit hours programs with terms not substantially equal in length, clock-hour programs, and non term credit hour programs.

For nonstandard term credit hour programs with terms substantially equal in length, Appendix B of the NPRM requires the school not to deliver the second disbursement of a single term loan until the student has successfully completed half of the weeks of instructional time in the payment period.

For standard term credit hour programs, Appendix B of the NPRM requires the school not to deliver the second disbursement of a single term loan until the calendar midpoint between the first and last scheduled days of class of the loan period.

**Successfully completed* is defined as the school considering the student to have passed the coursework associated with the applicable credit or clock hours.

DISBURSEMENTS OF FFEL FUNDS TO LESS THAN FULL-TIME STUDENTS

Under the proposed change, the student would receive the second disbursement after completion of half of the credit or clock hours, as applicable, and half of the weeks of instructional time in the payment period.

TRANSFERRING TO A NEW PROGRAM AT THE SAME INSTITUTION

A school **may** consider a student who transfers into another program at the same school to remain in the same payment period if four conditions are met:

- The student is continuously enrolled at the school.
- The coursework in the payment period the student is transferring out of is substantially similar to the coursework the student will be taking when he or she first transfers into the new program.
- The payment periods are substantially equal in length in weeks of instructional time and credit or clock hours; and
- There are little or no changes to the charges to the student for the payment period.

TREATMENT OF TITLE IV GRANT AND LOAN FUNDS IF A RECIPIENT DOES NOT BEGIN ATTENDANCE

If a school knows that a student would not begin attendance prior to disbursing FFELP loan funds directly to the student for the payment period or for the period of enrollment (e.g. the student notified the school that he or she would not attend or the school expelled the student), the school must return those loan funds.

Funds are considered to be returned timely if:

- The school deposits or transfers the funds into the bank account it maintains no later than 30 days after the date that the school becomes aware that the student will not or has not begun attendance.
- The school initiates an electronic transaction to inform the FFELP lender to adjust the borrower's loan account for the amount returned no later than 30 days after the date that the school becomes aware that the student will not or has not begun attendance.
- The school issues a check no later than 30 days after the date that the school becomes aware the student will not, or has not, begun attendance. A school does not satisfy this requirement if the school's records show that the check was issued more than 30 days after the date the school becomes aware that the student will not or has not begun attendance or the date on the cancelled check shows that the bank endorsed the check more than 45 days after the date the school became aware the student would not begin attendance.

CASH MANAGEMENT – RECOVERY OF UNCLAIMED TITLE IV FUNDS

The proposed regulations would establish timeframes, for the first time, in regulations for returning undeliverable funds. If a school issues a check to the borrower (frequently termed a refund check) but the check is not cashed or is returned as undeliverable to the school, the regulations require the school to return FFEL funds to the lender. This reduces the risk that the funds would escheat to the State.

If the funds are disbursed by check and the check is not cashed, a school must return those funds no later than 240 days after the initial attempt to disburse the funds.

If a check is returned to the school or an Electronic Funds Transfer (EFT) is rejected, the school may make subsequent attempts to disburse the funds within 45 days of the return date. If the school has not made another attempt to disburse those funds, the funds must be returned to the lender before the 45-day period ends. All attempts to disburse the funds must end and the school must return the funds by the end of the 240-day period.

CASH MANAGEMENT – ELECTRONIC DISBURSEMENTS OF TITLE IV FUNDS

Proposed regulations would remove the requirement that a school obtain a student's authorization to make an EFT payment and add provisions expanding the use of EFTs to bank accounts that underlie stored-value cards or similar device.

A school issues a (refund) check on the date that it mails the check to the student or parent or notifies the student that the check is available for immediate pickup at a specified location at the school. If the student does not pick up the check within the 21 days, the school must immediately mail the check to the student or parent, initiate an EFT to the student's or parent's bank account, or, return the funds to the appropriate Title IV account.

The proposed regulations would amend the provision under which a school – with the student's or parent's permission – pays a credit balance by providing that the school may issue a stored-value card or other similar device which would enable the student to access those funds.

CASH MANAGEMENT – MINOR PRIOR-YEAR CHARGES

Amount of prior-year charges that could be paid with current year funds would be increased to \$200.

School would not have to obtain the student's permission to pay for prior-year charges for tuition and fees, or room or board.

The provision allowing an institution to pay for prior-year charges of \$100 or more (now more than \$200) would be removed.

CASH MANAGEMENT – LATE DISBURSEMENTS

Proposed regulations would extend the period a school is allowed to make a late disbursement from 120 days to 180 days after the date of the school's determination that the student withdrew or after the date the student otherwise becomes ineligible.

Eliminates a school's ability to request funds after the 180-day period.

LOAN CANCELLATION NOTICE AND AFFIRMATIVE CONFIRMATION OF A LOAN

Affirmative confirmation is defined as a process under which the school obtains written confirmation of the types and amounts of Title IV, HEA program loans that a student wants for an award year before the school credits the student's account with those loan funds.

If a school obtains affirmative confirmation from the student, the school must provide the notice of credit to a student's account no earlier than 30 days before and no later than 30 days after crediting the student's account. A student or parent borrower must inform the school if he or she wishes to cancel all or a portion of a loan or loan disbursement within 14 days after the date the school sends the notification of the credit to the student's account or by the first day of the payment period, if the school sends the notification more than 14 days prior to the first day of the payment period.

If a school does not obtain affirmative confirmation, the school would be required to provide the notice of credit to the student's account no earlier than 30 days before and no later than 7 days after crediting the student's account with loan funds. The school would be required to give the student or parent borrower 30 days, after the date the school sends the notification of credit to the student's account, to cancel all or a portion of the loan disbursement.

MINIMUM PERIOD FOR CERTIFYING A LOAN

For schools that measure academic progress in **credit hours and use semesters, trimesters, quarters**, or have terms substantially equal in length with no term less than 9 weeks in length may certify a loan for a minimum period of a single term (i.e., a semester or quarter).

For schools that measure academic progress in **clock hours, or measure academic progress in credit hours but do not use a semester/trimester/quarter system** and do not have terms that are substantially equal in length with no term less than 9 weeks in length, the minimum period for certifying a loan is the lesser of the length of the student's program, or the remaining portion if the student has less than the full program remaining, or the academic year as defined by the school.

For a student who transfers into a school with credit or clock hours and the prior school certified a loan for a period of enrollment that overlaps the period of enrollment at the new school, the new school may certify a loan for the remaining portion of the program or academic year. In this case, the school may certify a loan for an amount that does not exceed the remaining balance of the student's annual loan limit.

For a student who completes a degree program at a school and where the student's last loan to complete that program had been for less than an academic year, and the student then begins a new degree program at the same school, the school may certify a loan for the remainder of the academic year. In this case, the school may certify a loan for an amount that does not exceed the remaining balance of the student's annual loan limit at the loan level associated with the new program.

ANNUAL LOAN LIMIT PROGRESSION

A student in a nonstandard term credit hour program with terms substantially equal in length and at least 9 weeks in length would progress to the next annual loan limit when the academic year calendar period has elapsed.