

ISSUE

July

August

2009

# Loan Notes

Courtesy of American Education Services

## 2009 AES FALL TRAINING WORKSHOPS

This year more than at any other time, there are an unprecedented number of new challenges and opportunities facing every school and financial aid administrator in the industry. With topics such as a Washington DC Update and updates from Compliance Services, Automated Loan Services, and the Pennsylvania State Grant and Special Programs staffs, to name a few, our expert staff will answer your questions and put your mind at ease in dealing with the present and planning for the future.

### 2009 WORKSHOP DATES & LOCATIONS:

<b>Tuesday, September 15</b>	<b>Tuesday, September 22</b>
PHEAA Headquarters, Harrisburg, PA	The Chadwick, Wexford, PA
<b>Wednesday, September 23</b>	<b>Thursday, September 24</b>
Holiday Inn Hotel & Suites of Allegheny Valley – RIDC Park, Pittsburgh, PA	Ramada Inn, Altoona PA
<b>Wednesday, October 21</b>	<b>Thursday, October 22</b>
Holiday Inn, Lehigh Valley, Breinigsville, PA	Tribeca, Banquet & Convention Centre, Pittston, PA
<b>Tuesday, October 27</b>	<b>Wednesday, October 28</b>
Drexelbrook Conference Center, Drexel Hill, PA	Delaware Tech Stanton Campus, Newark, DE
<b>Wednesday, November 4</b>	<b>Thursday, November 5</b>
West Virginia University Institute of Technology, Montgomery, WV	Ramada Inn and Conference Center, Morgantown, WV

Register online today at: [aessuccess.org/training](http://aessuccess.org/training) to reserve your seat at one of our ten (10) workshops to be conducted in Pennsylvania, West Virginia, and Delaware.



American Education Services

## VETERANS' EDUCATION BENEFITS

The article in the May/June 2009 issue of *Loan Notes* on the changes resulting from the Higher Education Opportunity Act (HEOA) contained a subsection on updates to the exclusions, effective July 1, 2010, of veterans' education benefits from the definition of Estimated Financial Assistance (EFA). On July 1, 2009, however, the President signed into law, i.e. Public Law (P.L.) 111-39, a bill making technical corrections to the Higher Education Act. As a result of P.L. 111-39, the effective date for the exclusions was changed from July 1, 2010 to July 1, 2009.

### IN ADDITION, THE VETERANS' EDUCATION BENEFITS TO BE EXCLUDED FROM EFA WERE UPDATED TO THE FOLLOWING:

- **Chapter 103 of Title 10**, U.S. Code (Senior Reserve Officers' Training Corps).
- **Chapter 106A of Title 10**, U.S. Code (Educational Assistance for Persons Enlisting for Active Duty).
- **Chapter 1606 of Title 10**, U.S. Code (Selected Reserve Educational Assistance Program).
- **Chapter 1607 of Title 10**, U.S. Code (Educational Assistance Program for Reserve Component Members Supporting Contingency Operations and Certain Other Operations).
- **Chapter 30 of Title 38**, U.S. Code (All-Volunteer Force Educational Assistance Program, also known as the "Montgomery GI Bill—active duty").
- **Chapter 31 of Title 38**, U.S. Code (Training and Rehabilitation for Veterans with Service-Connected Disabilities).
- **Chapter 32 of Title 38**, U.S. Code (Post-Vietnam Era Veterans' Educational Assistance Program).
- **Chapter 33 of Title 38**, U.S. Code (Post-9/11 Educational Assistance).
- **Chapter 35 of Title 38**, U.S. Code (Survivors' and Dependents' Educational Assistance Program).
- **Section 903** of the Department of Defense Authorization Act, 1981 (10 U.S.C. 2141 note) (Educational Assistance Pilot Program).
- **Section 156(b)** of the "Joint Resolution making further continuing appropriations and providing for productive employment for the fiscal year 1983, and for other purposes" (42 U.S.C. 402 note) (Restored Entitlement Program for Survivors, also known as "Quayle benefits").
- **The provisions of Chapter 3 of Title 37**, U.S. Code, related to subsistence allowances for members of the Reserve Officers Training Corps.

In an electronic announcement published on August 13, 2009, the U.S. Department of Education (ED) provided guidance through a Questions and Answers (Q&A) format on the treatment of Federal veterans' education benefits for purposes of Title IV programs. [THE Q&A FOLLOWS:](#)

**Q1:** Is the required school matching contribution under the new Veterans Affairs (VA) "Yellow Ribbon Program", considered Federal veterans' education benefits, and therefore excluded from EFA? Or is only the amount of the VA Federal funds provided to the student considered to be Federal veterans' education benefits and only that amount excluded from EFA?

**A1:** The Yellow Ribbon G.I. Education Enhancement Program (Yellow Ribbon Program) is a new program authorized by the Post-9/11 Veterans Educational

Assistance Act of 2008 (Post-9/11 GI Bill), which added a new Chapter 33 to Title 38 of the U.S. Code. Chapter 33 authorizes both a basic education benefit and the Yellow Ribbon Program. Under the Yellow Ribbon Program, an eligible school may voluntarily enter into an agreement with the VA to jointly pay all or a part of the portion of the eligible veteran's tuition and fees that exceeds the maximum amount otherwise provided under the basic Post-9/11 GI Bill benefit program. The VA matches, on a dollar-for-dollar basis, the amount contributed by the school under the Yellow Ribbon Program.

Because the Yellow Ribbon Program provides veterans' education benefits under Chapter 33 of Title 38 of the U.S. Code, all funds provided under this program, including funds provided by the school as its contribution, are considered Federal veterans' education benefits. Therefore both portions are excluded from EFA. However, only the Yellow Ribbon portion of the school award is excluded. For example, assume a school's tuition and fees for a veteran are \$10,000 but the veteran will only be receiving \$4,000 toward tuition and fees under the basic Post-9/11 GI Bill benefit program. Also assume that the VA and the school entered into an agreement under which the tuition and fees of \$6,000 (\$10,000 total tuition and fees minus \$4,000 Post-9/11 GI Bill benefit) will be covered under the Yellow Ribbon Program. Thus, both the VA and the school would each provide an additional \$3,000 toward the veteran's tuition and fees. Assume that the school was using a \$5,000 institutional scholarship to meet its Yellow Ribbon contribution for this student. Under this scenario, the full amount of the basic Post-9/11 GI Bill benefit program of \$4,000 plus the \$3,000 contribution from the VA under the Yellow Ribbon Program would be excluded from EFA, as would the required \$3,000 institutional contribution from the \$5,000 scholarship. The remaining \$2,000 of the \$5,000 institutional scholarship must be considered EFA.

---

**Q2:** Does the exclusion from EFA of Federal veterans' education benefits apply to all of the components of the assistance or to only to certain components? For example, does it apply only to amounts provided for subsistence or to only amounts provided for tuition and fees?

**A2:** The Higher Education Act includes the words "...benefits under the following provisions of law..." Therefore, the exclusions from EFA apply to all of the benefits provided under the designated program. For example, all benefits provided under the Post-9/11 GI Bill are excluded, regardless of whether the assistance was for tuition and fees, books and supplies, or as a monthly housing allowance.

---

**Q3:** Does the exclusion of Federal veterans' education benefits from EFA apply if a veteran's spouse or dependent is applying for Federal student aid and the spouse or dependent is receiving Federal veterans' education benefits because of the status of the veteran?

**A3:** Any Federal veterans' education benefits listed above that are received by an aid applicant must be excluded from EFA even if the aid applicant is receiving those benefits as a spouse or dependent of a veteran.

---

**Q4:** Are the education benefits provided under the Department of Defense's (DOD's) Reserve Officers Training Corps (ROTC) considered Federal veterans' education benefits and therefore not considered EFA even though they are not administered by the VA and are not provided to veterans?

**A4:** The above list includes, in addition to education benefit programs administered by the VA, two ROTC programs that are administered by the DOD. These are the scholarship benefits provided under the Senior Reserve

Officers Training Corps (ROTC) in Chapter 103 of Title 10 of the U.S. Code and the subsistence allowance benefits provided under the ROTC in Chapter 3 of Title 37 of the U.S. Code. Therefore, education benefits from these two ROTC programs must be excluded as EFA even though they are not VA programs and the recipients are not veterans.

---

**Q5: Are “tuition assistance” programs provided by the DOD (or the individual military services) Federal veterans’ education benefits and therefore not considered EFA?**

**A5:** The only VA or DOD benefits that are to be excluded from EFA are those listed above. Any benefits provided under any other program must be included as EFA in the calculation of the student’s eligibility for Title IV student assistance. For example, the Tuition Assistance Program of the Army Continuing Assistance System and the Army National Guard Federal Tuition Assistance Program are not benefits listed above and must, therefore, be included in EFA.

---

**Q6: Since the law now removes all Federal veterans’ education benefits from EFA, may the school exclude from a student’s cost of attendance (COA) the amount of those benefits that cover all or a portion of a specific component of the student’s COA? For example, may a school exclude from the tuition and fees component of a student’s COA the amount paid by the VA for the veteran’s tuition and fees since it is not included as EFA?**

**A6:** No. The school may not exclude from the student’s COA, either generally or under the professional judgment provisions of the HEA, the amount of Federal veterans’ education benefits that cover all or a portion of a specific component of the veteran’s COA. The statutory exclusion from the definition of EFA of Federal veterans’ education benefits was done to remove consideration of those benefits in determining the student’s financial need. If the school also excluded from the student’s COA the amount of Federal veterans’ education benefits that cover all or a portion of a specific component of his or her COA, the school would be negating the purpose of the change made in the law.

Please note that this requirement for the treatment of Federal veterans’ education benefits with regard to COA is not to be confused with the recent statutory change – effective July 1, 2010 - that COA not include a housing allowance for aid applicants who live in housing located on a military base or for which a military housing allowance as provided under section 403(b) of title 37 of the U.S. Code – Pay and Allowances of the Uniformed Services. (Please refer to the Cost of Attendance subsection in the article on the Higher Education Opportunity Act in the May/June 2009 issue of *Loan Notes*.)

---

**Q7: Since these Federal veterans’ education benefits are no longer considered EFA, may they be included as income in the calculation of a student’s expected family contribution (EFC)?**

**A7:** No. Federal veterans’ education benefits, as listed above, have been and continue to be excluded from the calculation of a student’s EFC.

---

**Q8: Do the words “including but not limited to” in section 480(c) of the HEA allow a school to exclude from EFA educational benefits received by a student from other programs not listed above?**

**A8:** No. The statutory use of the words “including but not limited to” are intended to provide ED with the flexibility needed in the event that (1) a new qualifying Federal veterans’ education benefit program is created or

(2) the name or statutory citation of one of the currently listed programs is changed. As stated earlier, only benefits received under one of the programs specifically listed above are to be excluded from EFA.

Please note that although many schools have already packaged students for the 2009-2010 award year, ED has advised – in an electronic announcement posted to [www.ifap.ed.gov](http://www.ifap.ed.gov) on July 2, 2009 - that a school must review its 2009-2010 financial aid packages for students receiving Federal veterans’ education benefits to determine if changes are needed. That review may result in an increase in a student’s eligibility for a FFELP or Direct loan.

## CHANGES TO SECTION V (CONVERSION TO REPAYMENT INFORMATION) OF THE CLAIM FORM INSTRUCTIONS

The Higher Education Act has been revised to allow, at the request of the parent borrower, for the deferment of a Parent PLUS loan, first disbursed on or after July 1, 2008, during any period in which the dependent student on whose behalf the loan was borrowed meets the conditions required for an in-school deferment and during a 6-month post-enrollment period. In addition, a Grad PLUS borrower or a Parent PLUS borrower is eligible for deferment not only during the borrower’s in-school period but also during the 6-month period beginning on the day after the date the borrower ceases to carry at least one-half of the normal academic workload as determined by the school.

To support these provisions, the Default Aversion and Claim Standardization (DACs) subcommittee determined how to provide sufficient information in the claim to enable the guarantor to monitor the lender’s/service’s conversion to repayment, as is expected by the U.S. Department of Education under the Common Claim Initiative.

### CHANGES TO THE CLAIM FORM INSTRUCTIONS:

The following instructions were agreed upon by DACS for accommodating the revisions through the claim process:

**OSD: (Out-of-School Date):** *Stafford Loans:* Provide the most recently verified date the borrower ended enrollment on at least a half-time basis that caused the loan in Section III that first reached maturity, to enter repayment. *PLUS/Graduate PLUS/SLS Loans Immediately Deferred:* Provide the date the borrower/student ceased eligibility for the initial in-school deferment **or, if applicable, (for PLUS/Grad PLUS loans only), provide the date the post-enrollment deferment period ended.** *Consolidation Loans and PLUS/Graduate PLUS/SLS Loans Not Immediately Deferred:* Provide the date of the last disbursement. *Consolidation Loans with Add-On Loans:* Determine if the due date of the first monthly installment was changed due to an add-on. If so, provide the disbursement date of the add-on loan. If not, provide the last disbursement date of the beginning loan balance.

## SPECIAL ALLOWANCE RATES FOR STAFFORD AND PLUS LOANS FOR THE QUARTER ENDING JUNE 30, 2009

**Please Note:** The applicable Special Allowance Rates for Consolidation Loans and for loans made or purchased with tax-exempt funds are available at [www.ifap.ed.gov](http://www.ifap.ed.gov)

**The Treasury Bill (T-bill) rate for the quarter ending June 30, 2009 averaged .18%.** No loans, made or purchased with taxable funds, in the categories of SA, SB, SD, SE, SG, SJ, and SK will receive Special Allowance payments.

For the quarter ending June 30, 2009, the U.S. Department of Education (ED) returned to its previous method to determine the average Commercial Paper (CP) Rate by using the previous day's CP Rate when a daily CP Rate was not available. As a result, the average rate used to compute special allowance for the subject quarter was **.41%**.

When the special allowance formula results in a negative rate on a loan first disbursed on or after April 1, 2006, the lender must remit the excess interest to ED.

Loan Interest Rate	Special Allowance Annual Rate+	Special Allowance Quarterly Rate+	LaRS (Lender Reporting System) Part III: Special Allowance Category Column E*
3.61%	0.00%	0.00%	CA
4.21%	0.00%	0.00%	CB
5.01% (PLUS)	0.00%	0.00%	CD
3.61% 6.80%	(1.46%) (4.65%)	(.3650%) (1.1625%)	CE
4.21% 6.80%	(1.46%) (4.05%)	(.3650%) (1.0125%)	CF
5.01% (PLUS) 8.50% (PLUS)	(1.96%) (5.45%)	(.4900%) (1.3625%)	CH
6.00% 6.80%	(4.40%) (5.20%)	(1.1000%) (1.3000%)	CI
6.00% 6.80%	(3.80%) (4.60%)	(.9500%) (1.1500%)	CJ
8.50% (PLUS)	(6.30%)	(1.5750%)	CM

\* For a detailed explanation of the Special Allowance codes, please visit the [Common Manual at aesSuccess.org](http://Common Manual at aesSuccess.org) and see page 627.

+ For entities approved as not-for-profit holders, Special Allowance payments will be based on another code that ED sets in the respective demographic profiles. Please see the March/April 2008 issue of *Loan Notes* for more information.

## CLAIM FILING UPDATES

The National Council of Higher Education Loan Program's (NCHELP's) Program Operations, Default Aversion and Claim Standardization (DACS) subcommittee has developed the following changes and clarifications to better support standardized claim filing and processing:

- **Claim Form Addendum – Ineligible Borrower/ Identity Theft Form** has been revised to clarify the Ineligible Borrower Classification section. The DACS subcommittee removed the responsible party (ex-spouse or PLUS student) conviction or plea of nolo contendere from the form. Therefore, a lender/servicer cannot submit an ineligible borrower claim to AES for this reason. This form must be completed for all ineligible borrower and identity theft claims submitted on or after July 1, 2009.
- **FFELP Assignment Support Supplemental Form** has been revised to expand the storage location field to include the storage address, as the information is now required by the U.S. Department of Education's Conditional Disability Discharge Unit. This form must be completed for all disability claims submitted to AES on or after July 1, 2009.

The forms are available in the [Lender Library at aesSuccess.org](http://Lender Library at aesSuccess.org). If there are questions pertaining to these forms, please contact Loan Assets Management at **800.892.7576**.

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.

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



**Be Next.**

American Education Services

1200 North Seventh Street, Harrisburg, Pa 17102-1444

## CONTACT

**BUSINESS DEVELOPMENT & OPERATION/LOAN GUARANTY**  
Mon - Fri, 7:30 am to 9:00 pm ET

**STUDENT/PARENT GRANT & LOAN INQUIRIES**  
800.692.7392  
[granthelp@aesSuccess.org](mailto:granthelp@aesSuccess.org)  
[studentloans@aesSuccess.org](mailto:studentloans@aesSuccess.org)

**SCHOOL/LENDER INQUIRIES**  
800.443.0646  
[loanhelp@aesSuccess.org](mailto:loanhelp@aesSuccess.org)

PHEAA/AES is one of many Guarantors participating in the Federal Family Education Loan Program (FFELP). A student or parent borrower may obtain a FFELP loan from a lender that uses PHEAA/AES as the Guarantor or any other participating lender. These materials have been developed and paid for by PHEAA/AES for informational purposes. The information contained herein is believed to be accurate at the time of printing. Due to the rapidly changing nature of the law and the industry, information contained in this document may become outdated and PHEAA/AES does not guarantee the accuracy of the information herein. You should verify that this information is correct.