

NEW REGS THAT AFFECT YOUR POLICIES & PROCEDURES

Mark your calendars for July 1, 2008.

The final regulations released November 1, 2007, are effective as of July 1, 2008, but some of the provisions may be implemented early. College Assist has identified a few of the provisions that could affect your school's policies and procedures.

Notification of loan disbursement and the right-to-cancel time frame changes

The new final regulations modify the time frames in which a school must notify federal student loan borrowers of amounts and dates of disbursements, and the process to cancel all or a portion of the loan(s). These time frames are based on the type of award confirmation utilized.

DID YOU KNOW...

The average tuition, room and board at the nation's four-year private colleges and universities for one academic year (2005-06) averages \$36,510—more than double the corresponding 1990 figure.

Source: Upcoming Statistical Abstract of the United States: 2008

Institutions that have an active confirmation process for the acceptance of federal loan awards are still allowed to notify borrowers of the types and amounts of loan funds disbursed no earlier than 30 days before and no later than 30 days after the disbursement of the loan funds. Active confirmation can be a signed Award Letter or acceptance via a secure Web site.

Schools that use a passive confirmation process may notify borrowers of the disbursement as early as 30 days prior to disbursement, but the allowed post-disbursement time frame

has been shortened from 30 days to 7 days. The final rules also amended the time frame within which a school must honor a borrower's request to cancel all or a portion of a loan that was certified based on passive confirmation of an award. Now, schools must allow borrowers to submit a loan cancellation request for 30 days from the date they are notified of the right to cancel. These changes can be implemented prior to July 1, 2008.

Modifications to the prior-year charges paid with current-year Federal Student Aid (FSA)

The new final regulations allow a school to use current-year FSA funds to pay up to \$200 of prior-year charges (tuition, fees, room and board), without a student's authorization. The provision has been eliminated that allowed a school to obtain the student's (or parent's) consent to pay prior-year charges of greater than \$100 as long as it did not prevent the student from paying current educational costs. These changes can be implemented prior to July 1, 2008.

Changes to loan period time frames

A loan period is the period of time that a student is enrolled in classes and intends to use the proceeds of a Stafford or PLUS loan. The loan period must coincide with a bona fide academic term established by the school during which school charges generally are assessed, such as a semester, trimester, quarter, specified length of the student's program or the school's academic year. The new regulations modify the minimum and maximum allowed loan periods.

For standard term programs, the minimum loan period remains the term. For non-standard term credit hour programs that are at least nine weeks in length and substantially equal, the term now equals the minimum loan period. This change is effective for all first disbursements made on or after July 1, 2008. For all other programs, including clock-hour and non-term credit hour programs, the minimum loan period remains the shorter of the length of the student's program at the school, the school's academic year or the student's remaining period of enrollment for the program of study at the school.

As of July 1, 2008, the 12-month maximum loan period is eliminated. Non-term and non-standard term programs must still use the academic year definition, but can certify a loan for a period that exceeds 12 months. This change potentially could cause additional issues related to overlapping loan periods and academic years. Additional guidance from the U.S. Department of Education (ED) is needed.

Treatment of FSA funds when a recipient does not begin attendance

New regulations for all FSA types covered under the general provisions give guidelines for any situation in which a student does not begin attendance. The Academic Competitiveness and SMART Grants are to follow the current rules for grant and Perkins Loan funds, which remain unchanged. A school must return all grant and Perkins funds for any student who fails to begin attendance.

Although a school is not responsible for returning loan funds disbursed directly to a student, under the new provisions a school must return all funds credited to a student's account for the payment period in which they did not begin attendance. Schools must also return the amount of payments made directly by or on behalf of the student, up to the total amount of disbursement once they determine the student did not begin attendance. If the school delivers funds to a student after learning the student would not begin attendance, the school is responsible for returning all the funds to the lender. The school must immediately notify the lender if a student receives loan funds and does not, or will not, begin attendance so the lender can issue a final demand letter. Although "immediately" is not defined, ED has stated that it should be considered to mean within 30 days of determining that the student never attended. This lender reporting requirement is in addition to the enrollment reporting requirements in 34 CFR 682.610.

These funds must be returned no later than 30 days after learning that the student did not, or will not, begin attendance. Note that this return time frame is shorter than the 45 days schools are allowed for Return of Title IV after a student withdraws.

DID YOU KNOW...

The average annual earnings of workers 18 and older with an advanced degree in 2006 is \$79,946. This compares with \$54,689 a year for those with bachelor's degrees, \$29,448 for those with a high school diploma only and \$19,915 for those without a high school diploma.

Source: U.S. Census Bureau Newsroom

Post-withdrawal disbursements

A post-withdrawal disbursement is determined by a required Return of Title IV calculation when a student withdraws from school. All post-withdrawal disbursements must meet current late disbursement conditions.

As of July 1, 2008, schools must disburse post-withdrawal grant funds no later than 45 days after the date of determination that the student withdrew. Because authorization is not required for a post-withdrawal disbursement of grant funds, a school may not delay disbursement of grant funds to determine whether the student wishes to receive them.

The institution must offer the student (or parent for PLUS loans), in writing, a post-withdrawal disbursement of loan funds and obtain authorization prior to posting those funds to the student account—even if the student owes current year charges. The school must send the notification no later than 30 calendar days after they have determined the student has withdrawn. If the student or parent accepts all or a portion of the post-withdrawal disbursement, the school must disburse the funds as soon as possible, but no later than 180 calendar days from the date they determined the student withdrew.

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Cash management—recovery of unclaimed FSA funds

FSA funds must never revert to the state or institution. All unclaimed FSA funds must be returned to the FSA programs. Under the new regulations, time frames have been added for the return of unclaimed FSA funds. A school has a maximum of 240 days to return the funds. Within this time frame, the school may make additional attempts to deliver the funds to the aid recipient. A school has 45 days from the date of the initial attempt to make a second attempt. Additional attempts can be made every 45 days until the funds are returned to the FSA programs. Funds must be returned to the FSA program within 240 days of the initial attempt to deliver. A school that chooses not to make further attempts to disburse the unclaimed funds must return the funds to the proper FSA program within 45 days of the initial failed attempt. Only the federal share of unclaimed work-study funds must be returned to ED.

DID YOU KNOW...

The projected number of students enrolled in the nation's colleges and universities this fall is 18 million. This is up from 12.8 million 20 years ago.

Source: Upcoming Statistical Abstract of the United States: 2008

New rules for GradPLUS loans

A school must determine a student's eligibility for Stafford loans prior to certifying a GradPLUS loan. If a student has not requested the maximum amount of Stafford eligibility before accepting a GradPLUS loan, the school must notify the borrower of the Stafford loan eligibility amount and provide a comparison of interest rates, interest accrual periods and loan repayment time frames for both Stafford and PLUS loans. The school also must give the student a chance to request a Stafford loan.

For all GradPLUS loans disbursed on or after July 1, 2008, the borrower is required to complete entrance loan counseling prior to the first disbursement. Counseling requirements vary depending on the student's prior Stafford borrowing.

If the new GradPLUS borrower has previously borrowed a Stafford loan, the borrower must be provided sample monthly repayment amounts based on the average indebtedness of both loan types. If the new GradPLUS borrower has not previously borrowed a Stafford loan, the loan counseling also must provide an explanation of the use of the Master Promissory Note (MPN); an emphasis on the seriousness and importance of the repayment obligation; a description of the likely consequences of default, including adverse credit reports, federal offset and litigation; and must emphasize the obligation to repay the full amount of the loan even if the student does not complete the program, is unable to obtain employment upon completion or is otherwise dissatisfied with the educational services provided by the school.

Stafford borrowers, who also have borrowed GradPLUS loans, must be provided average anticipated monthly repayment amounts based on the combination of loan types received. Lenders and guarantors are prohibited from providing in-person entrance and exit counseling, but can continue to provide print and online products to assist with loan counseling and other default prevention efforts. These changes can be implemented prior to July 1, 2008.