

WELCOME

Regulations Update

Thursday, October 9 at 2:00 p.m. EST

Moderated by

**Sharon Cameron, Audit and Compliance Specialist
Pattie Mastin, Account Manager**

AGENDA

- Review of Federal Regulations Changes published 11/1/07
- HEA Reauthorization Update – impact on Perkins
- Assignment
- What's Next?

Military Deferment (Section 674.34 amended - Effective October 1, 2007)

- Beginning July 1, 2006, a new military deferment (Type J) was added as a result of the enactment of the Higher Education Reconciliation Act (HERA) of 2005.
- Deferment could be granted to qualified borrowers who received loan funds on or after July 1, 2001.
- Effective October 1, 2007**, all borrowers, regardless of when their loans were made, may qualify for the new military deferment.
- Three-year limit was been removed** and an additional 180-day period of deferment has been added following the borrower's demobilization.

Military Deferment (Section 674.34 amended - Effective October 1, 2007), cont.

These new regulations also authorize a 13-month deferment following conclusion of their military service for certain members of the Armed Forces who were enrolled in a program of instruction at an eligible institution at the time, or within 6 months prior to the time the borrower was called to active duty.

Simplification of Deferment Process **(Section 674.38 amended)**

Schools could implement this regulation effective November 1, 2007.

- The school may grant the above military deferment based on a request from a borrower's representative, (a member of the borrower's family, or another reliable source.)
- Schools are required to notify the borrower that the military service deferment has been processed and the borrower has the right to cancel the deferment and continue making payments.
- In this case, the school may also notify the borrower's representative of the outcome of the deferment request.

Simplification of Deferment Process **(Section 674.38 amended), cont.**

This section has also been revised to allow a school to use a written or verbal request to grant certain deferments for borrowers if the school is able to confirm that the borrower has received a deferment on another Perkins loan, a FFEL loan, or a Direct loan for the same reason and for the same time period.

Simplification of Deferment Process **(Section 674.38 amended), cont.**

These deferments include:

- Graduate fellowship deferments
- Rehabilitation training program deferments
- Unemployment deferment
- Economic hardship
- The new military deferment (described above)

Schools can verify this information from another loan holder or on the NSLDS database. If the school grants a deferment as indicated here, the school must notify the borrower that the deferment has been processed and the borrower has the right to cancel the deferment and continue making payments.

Economic Hardship (Section 674.34 amended - Effective October 1, 2007)

The definition of economic hardship has been revised to read:

(e)(3)(ii) – An amount equal to 150% of the poverty line applicable to the borrower's family size, as determined in accordance with section 673(2) of the Community Service Block Grant Act.

Reasonable Collection Cost (Section 674.45 amended)

Schools could implement this regulation effective November 1, 2007.

- **For loans placed on or after July 1, 2008**, reasonable collection costs cannot exceed 30% for first collection efforts, and 40% for second and subsequent collection efforts or in case of litigation.

Discharge for Death or Disability **(Section 674.61 amended)**

Schools could implement this regulation effective November 1, 2007.

- In addition to processing a death cancellation on the basis of an original or certified copy of the death certificate, schools may also now use “an accurate and complete photocopy of the original or certified copy of the death certificate.”
- ED has restructured the regulations governing Total Permanent Disability (TPD) discharges. A large part of the changes include clarification of the entire assignment process of loans from borrowers who are totally and permanently disabled.

Discharge for Death or Disability (Section 674.61 amended), cont.

However, several significant changes are noted in bold print below:

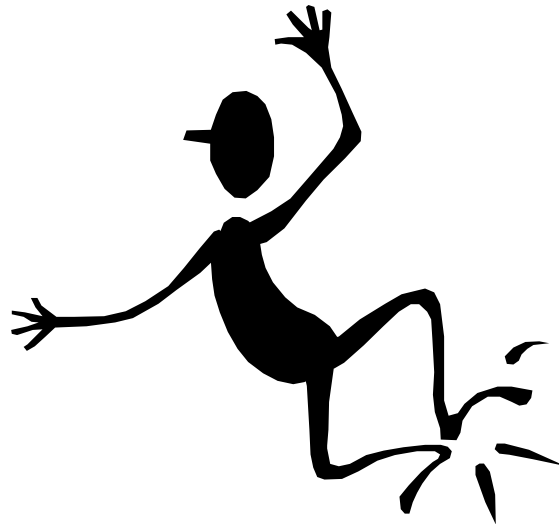
- The borrower will continue to submit a discharge application approved by ED (Loan Discharge Application form, OMB No. 1845-0065).
- The borrower must submit the application to the school/servicer within 90 days of the date the physician certifies the application.**
- If the school determines that the certification and documentation from the borrower supports his/her eligibility for TPD, the school will assign the loan to ED for conditional discharge.

Discharge for Death or Disability **(Section 674.61 amended), cont.**

- If ED determines that the borrower is totally and permanently disabled, **ED will notify the borrower that the loan will be in a conditional discharge status for a period of up to three years, beginning on the date the physician certified the form for TPD.**
- ED will monitor the loan for three years **from the date the physician certified the discharge application through the end of the three-year period.**
- If the borrower receives any amount of Title IV money after the date the physician certified the application, the borrower must return these funds to the holder within 120 days after the disbursement date.

Mandatory Assignment of Loans
(Section 674.8 amended – Effective July 1, 2008)

HAS NOW BEEN REVERSED!!!!!!



Making and Disbursing Loans
(Section 674.16 amended – Effective July 1, 2008)

Prior to the change to this section, Perkins regulations did not reflect any NSLDS reporting requirements. Section 674.16 has been amended and a new paragraph has been added:

- (j) The institution must report enrollment and loan status information, or any Title IV loan-related information required by the Secretary, to the Secretary by the date established by the Secretary.*

Certification of Electronic Signatures on Perkins Master Promissory Notes (Sections 674.19 and 674.50 amended – Effective July 1, 2008)

- Section 674.19 has been amended that requires a school to maintain the original electronic promissory note, plus certification and other supporting information regarding the **creation and maintenance** of any electronically-signed Master Promissory Notes.
- This information is needed to ensure that the school and ED have the evidence to enforce an assigned loan if the borrower challenges the validity of the electronic signature. Schools will also need this information if a legal challenge should arise in the course of litigating a loan. Schools will be required to provide this certification to ED, upon request, to enforce a loan that has been assigned (Section 674.50). The details describing the certification in Section 674.50 are very specific.

- Customers using our *iPROMise* service should contact their Customer Service Representative for supporting documentation of electronically signed MPNs.
- Schools are also required to retain school-based disbursement records since the school is the lender. This process is not a new requirement. With the implementation of the Federal Perkins Master Promissory Note in 2003, ED provided guidance that required schools to maintain disbursement records or student account records showing a Perkins loan credit. When asked if third-party servicer records would be sufficient to satisfy this requirement, ED said that unless the servicer was performing the loan origination and disbursement functions, our history would not be sufficient.
- The new regulations require schools to maintain these **disbursement records for at least three years** after all loans made under that MPN are satisfied.

Child/Family Service (Section 674.56 amended – Effective July 1, 2008)

- Clarifies the eligibility requirements for borrowers filing for Child/Family service cancellation benefits. (Has been expanded to specify the requirements of a borrower who is working full time in a non-supervisory capacity of a child or family service agency.)

*“To qualify for a child or family service cancellation, a non-supervisory employee of a child or family service agency must be providing services **only** to high-risk children from low-income communities and the families of these children. The employee must work directly with the high-risk children from low-income communities, and the services provided to the children’s families must be secondary to the services provided to the children.”*

Higher Education Opportunity Act – H.R. 4137

- July 29 – The House and Senate approve H.R. 4137
- President Bush signed H.R. 4137 into law on August 14, 2008
- H.R. 4137 takes effect immediately
- Dear Colleague Letter in development

Higher Education Act Reauthorization and Perkins

- Reauthorizes Perkins Program through 2015
- Increase the authorized Federal Capital Contribution from \$250 million to \$300 million for FY 2009-2014
- Permits the transfer of 25% of annual appropriation of College Work Study funds to the Perkins Loan fund, at the campus' discretion
- Increase annual Perkins loan limits to \$5500 for undergraduates, \$8000 for graduates, with commensurate increases in aggregate levels (\$27500 for undergraduates and \$60000 for graduates.)
- Expands consolidation disclosures

Higher Education Act Reauthorization and Perkins

- Deletes requirement that forbearance requirements be written
- Loan Rehabilitation – 12 on time monthly payments moved to 9
- Increase book allowance from \$450 to \$600 per year in cost of attendance
- Death or disability discharge of Perkins loans made consistent with how a loan is discharged in FFELP and Direct Loans

Higher Education Act Reauthorization and Perkins

- Loan Cancellation expanded to include, for all Perkins loans:
 - Full-time staff member in a Pre-K or child care program that is licensed or regulated by the state;
 - Full-time public defenders;
 - Full-time faculty members at a tribally controlled university;
 - Librarians with a master's degree in library science who are employed in a school served under Title I of the ESEA, or a public library serving a Title I school;
 - Full-time speech language therapists with a master's degree working exclusively in Title I schools;
 - Full-time firefighters;
 - Member of the armed forces who served in an area of hostility, at the rate of 15% of the 1st and 2nd years of service; 20% for the 3rd and 4th years of service; and 30% of the 5th year of service.

Higher Education Act Reauthorization and Assignment

Regulations - Mandatory Assignment (Section 674.8 amended - effective July 1, 2008)

- Assignment of a Perkins Loan required if:
 - The outstanding principal balance of the loan was \$100 or more,
 - The loan had been in default for seven years or more, and
 - A payment had not been received in the preceding 12 months.
- Voluntary assignment was still permitted, but ED kept all the money.
- ED was planning the gradual phase-in of assignments, going first to those schools with large amounts of defaulted loans.

Higher Education Act Reauthorization and Assignment

- As of August 14, 2008, mandatory assignment of a loan to ED ONLY required if a school knowingly fails to maintain acceptable collection record on defaulted loan, or
- School leaves the Perkins Program.
- Voluntary assignment of loans – collected funds MUST BE returned to the institution that assigned them every six month, less 30% collection cost (treated as additional capital contribution.)

What's next?

- Appropriations
- Dear Colleague Letters
- Negotiated Rule Making
- NSLDS field updates

RESOURCES

- Campus Partners' Federal Regulations Manual -
<http://www.campuspartners.com/documentation>
- Department of Education website -
<http://ifap.ed.gov>
- COHEAO – <http://www.coheao.org>
***Teleconference: Higher Education Opportunity Act (TBA)*

QUESTIONS?

Thank you for joining us!

**Should you have questions or want additional training,
Please contact Pattie Mastin at
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