

# WELCOME

## ***SAFRA: What it Means to Your Students and Institution***

**Wednesday, September 30, 2009, at 2:00 EST**

**Moderated by**

**Sharon Cameron, Audit and Compliance  
Specialist**

# What is SAFRA?

- Student Aid and Fiscal Responsibility Act (aka H. R. 3221)
- Implements the President's FY 2010 budget proposals
- Legislation introduced on July 21, 2009 by the House Education and Labor Committee
- Passed the full House vote on September 17 with a vote of 253 to 171

## What does SAFRA include?

- Increased spending on Pell Grants – maximum Pell equals \$5500 in 2010
- Ends the origination of FFELP loans as of July 1, 2010
- Expands the current Federal Perkins program by authorizing \$6 billion annually for Federal Direct Perkins loans

## SAFRA legislation proposes to:

- **ELIMINATE** the in-school deferred interest benefit

*Could increase student loan debt facing each borrower by thousands of dollars*

- **REDUCE** the grace period from nine to six months

*Borrowers would have less time to find a job before student loan billing starts*

- **RESTRICT available cancellation benefits**

*Reduces opportunity to decrease student loan debt while serving the community.*

- **ABOLISH prorated loan forgiveness benefits**

*It's all or nothing, and most borrowers will not qualify for loan cancellation in the future.*

- **REQUIRE** students to maximize borrowing under more costly loan programs

*Federal Stafford Subsidized and Unsubsidized Loan programs carry higher interest rates than Perkins, but must be used first.*

- **END** school interaction with their borrowers during repayment

*Many student loan administrators believe that it is in the best interest of the borrower to work with their school rather than having the federal government immediately involved in loan collection.*

# Status of SAFRA

- Passed the full House vote on September 17 with a vote of 253 to 171
- Several amendments were adopted, but none that affected the Perkins provisions
- Debate now turns to the Senate – Senate Committee action by October 15 with full Senate to follow

# What You Can Do

**Get involved. Take action. Contact your elected officials to let them know your opinion regarding these changes.**

The COHEAO Web site provides many resources to help with grassroots advocacy. It is available at

**<http://www.coheao.org>**

# What You Can Do

**It is imperative to act now!**

**A sample letter to write your representative** is available for download from the COHEAO web site at

<http://www.coheao.org/legis/data/School.doc>

**A sample letter to distribute to your students so they may write their representative** is available at

<http://www.coheao.org/legis/data/student.doc>

**For instructions on contacting your representative, go to the link below.**

<http://www.coheao.com/grassroots/ContactingCongress09.doc>

## Old Perkins (loans made prior to 7/1/2010)

- Schools may assign all loans to ED – ED will return ICC to school
- School may continue to service existing uncollected loans – school will receive an administrative expense of .50% of the outstanding principal and interest balance
- Schools will have to begin returning the FCC to ED on a quarterly basis

## New Federal Direct Perkins – loans made on or after 7/1/2010

- Schools must operate the program consistent with agreements under section 454 of Part D of the HEA (Direct Loan program)
- Schools must pay “matching funds” to an escrow account for purpose of providing loan benefits to borrowers
- Schools subject to FFEL/Direct loan cohort default rate provisions

# New Federal Direct Perkins – loans made on or after 7/1/2010

- Loan benefits for borrowers consistent with the benefits available under the Direct Loan Program
- Interest rate will remain at 5%
- Loan maximums currently in place still apply



***QUESTIONS?***