

**Analysis of the  
Higher Education Reconciliation Act of 2005 (HERA)  
Title VIII of the Deficit Reduction Act  
Parts B, D, and G only**

**Status:** The Higher Education Reconciliation Act of 2005 (HERA), which is Title VIII of the Deficit Reduction Act of 2005 (Public Act 109-171), was approved by Congress on February 1, 2006. The date of enactment is February 8, 2006.

**Special Note:** This matrix also includes the changes in loan consolidation that were made via HR4939 (supplemental appropriations legislation) that was signed into law on June 15, 2006. In addition, it includes reference to the applicable Department of Education guidance.

**Purpose:** The HERA reauthorizes portions of the Higher Education Act (HEA) of 1965. This summary lists only those changes made by the HERA to Parts B, D, and G of Title IV of the HEA.

**Effective Date:** Unless otherwise noted, the effective date of the provisions included in this summary is July 1, 2006.

**Prepared by the NCHELP Program Regulations Committee**

**Last updated July 19, 2006**

This document provides a summary of HERA. Readers should refer to the statute itself to resolve any questions about what the law provides.

Topic	Bill Section	HEA Section	Summary	Effective Date/ Trigger Event	Comments	Industry Form/ System Impact	Subject Matter Expert(s)
<b>Student Eligibility Issues</b>							
Academic Year Definition	8020(a) and (b)	481(a)(2) – (4)	<p>Clarifies that the definition of academic year for a course of study that measures its program length in credit hours must contain a minimum of 30 weeks of instructional time, and an academic year for a course of study that measures its program length in clock hours must contain a minimum of 26 weeks of instructional time.</p> <p>Continues to allow the Secretary to grant exceptions to the 30-week rule for schools that provide a 2-year or 4-year program for which the institution awards an associate or baccalaureate degree.</p> <p>Also expands the definition of “eligible program” to include a program that is offered in whole or in part through telecommunications for institutions (other than foreign institutions) that have been evaluated and determined (before or after the date of enactment of the Higher Education Reconciliation Act of 2005) to have the capability to effectively deliver distance education programs by an accrediting agency or association that is recognized by the Secretary and has evaluation of distance education</p>	Loan periods beginning on/after 7/1/06	GEN-06-05		

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			<p>programs within the scope of its recognition.</p> <p>Also, allows a program that utilizes direct assessment of student learning, in lieu of credit or clock hours as a measure of student learning, to be an eligible program if the direct assessment is consistent with the accreditation of the institution or program utilizing the results of the assessment. This provision also states that the Secretary will determine a program's eligibility if such a program is being evaluated for the first time.</p>				
Correspondence Courses	8020(b) and (c)	481(b)(3) and (4); New paragraphs 484(l)(1)(A) and (B)	<p>Student eligibility for Title IV aid is revised, specifically with regard to a student's enrollment in courses offered via telecommunication. The law currently places limitations on such courses, requiring that they (among other things) be part of a program of study that is at least one year in length. This limitation is eliminated.</p> <p>Eliminates the provision that categorizes courses offered via telecommunications as correspondence courses if the total amount of telecommunications and correspondence courses at the school equals or exceeds 50% of the total amount of all courses at the school. Under current law,</p>	Loan periods beginning on/after 7/1/06	<p>GEN-06-05</p> <p>May increase the number of eligible schools.</p>	<p><b>Form:</b> Stafford MPN, PLUS MPN</p> <p><b>System:</b> Anticipate procedural change only</p>	<p>NCHELP Financial Aid Professionals</p> <p>Stafford/PLUS MPN Workgroup</p>

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			<p>schools that enroll more than 50% of their students in telecommunication courses or provide more than 50% of courses via telecommunications are ineligible to participate in FSA programs. Under this provision, those schools would be eligible to participate as long as their programs lead to recognized certificates or recognized associate, bachelor's or graduate degrees.</p> <p>The revised general requirement for schools under this section does not apply to schools that fall under a particular section of the Carl D. Perkins Vocational and Technical Education Act of 1998.</p>				
Drug-Related Offenses – Student Eligibility	8021(c)	484(r)(1)	Increases access to students who are convicted of drug-related offenses by limiting their ineligibility for new aid to only those convictions occurring during the period of enrollment for which such students are receiving aid under this Part (plus an additional period of time as dictated by the number of offenses). Current provisions restrict students who have been convicted of drug-related offenses from receiving aid for a specified period regardless of when the offense occurred.	Loan periods beginning on/after 7/1/06	GEN-06-05		NCHELP Financial Aid Professionals
Institutional Refunds (R2T4)	8022(4)	484B(a)(4)(A)	Amends language requiring the institution to contact the borrower in cases where the borrower is	Withdrawals that occur on/after 7/1/06	GEN-06-05		NCHELP Financial Aid Professionals

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			eligible for a late disbursement or post-withdrawal disbursement to confirm whether the loan funds are still needed. In making such contact, the institution must explain the borrower's obligation to repay the funds following such disbursement. The institution must also document in the borrower's file the decision of the borrower and final determination concerning the disbursement.				
Institutional Refunds (R2T4)	8022(5)	484B(b)(1)	Requires an institution to return Title IV program funds not earned by the student not later than 45 days from the determination of withdrawal.	Withdrawals that occur on/after 7/1/06	GEN-06-05  Although HEA does not currently specify a timeframe during which the school must return Title IV funds, federal regulations (§668.22) stipulate that a school must return Title IV program funds not earned by the student no later than 30 days after the school's determination that the student withdrew. Therefore, this change provides schools with an additional 15 days (beyond the 30 days currently stipulated in regulations) to return funds to Title IV programs under the aforementioned circumstance.		NCHELP Financial Aid Professionals
Institutional Refunds (R2T4)	8022(6)	484B(b)(2)(C)	Clarifies that for grant overpayments, a student is only required to return the amount that exceeds 50% of the total grant assistance received by the student when the amount is greater than	Withdrawals that occur on/after 7/1/06	GEN-06-05		NCHELP Financial Aid Professionals

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			\$50. Under current federal regulations, the student is not required to return an amount that is \$25 or less.				
Institutional Refunds (R2T4)	8022(2) and (7)	484B(a) & 484B(d)	<p>Subsection (a)(3)(B)(ii) now refers to subsection (d) in determining whether a student has completed 60% of the payment period or period of enrollment, and has, therefore, earned 100% of the grant or loan assistance received.</p> <p>The language in subsection (d) is amended to state that for a program measured in clock hours, the percentage of the payment period or period of enrollment completed is equal to the total number of clock hours divided into the number of clock hours scheduled to be completed by the student in that period as of the day the student withdrew. The formula used for programs measured in credit hours did not change.</p>	Withdrawals that occur on/after 7/1/06	GEN-06-05		NCHELP Financial Aid Professionals
Leaves of Absence	8022(1)	484B(a)(2)(A)	Allows a student to take “one or more leaves of absence” from an institution for not more than 180 days in a 12-month period without being considered as withdrawn. Previous language only allowed for “a leave of absence.”	Loan periods beginning on/after 7/1/2006	GEN-06-05		NCHELP Financial Aid Professionals
<b>Borrower Eligibility</b>							
Loan Programs – Duration	8004(b)(1) 8004(b)(2)	424 (a) 428(a)(5)	Extends the federal loan insurance program to 2012. Extends insurance for prior borrowers to 2016.				

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			Extends subsidized loan program to 2012. Extends insurance for prior borrowers to 2016.				
Annual Undergraduate Stafford Loan Limits	8005(a) and (b)	425(a)(1)(A) and 428(b)(1)(A)	Increases annual Stafford loan limits for first year students from \$2,625 to \$3,500, and for second-year students from \$3,500 to \$4,500.	Loans certified on/after 7/1/2007	GEN-06-02/FP-06-01	<b>Form:</b> Stafford MPN  <b>System:</b> System edits	Stafford/PLUS MPN Workgroups
Unsubsidized Stafford Loan Limits for Graduate and Professional Students/Students with a baccalaureate and enrolled in degree-granting program, or program necessary for professional certification	8005(d)	428H(d)(2)(C) and (D)	Increases the annual unsubsidized loan limits for graduate/professional students from \$10,000 to \$12,000. So instead of a maximum \$18,500, graduate/professional students would be eligible for up to \$20,500 in Stafford loan funds, where no more than \$8,500 is subsidized.  Increases the amount of unsubsidized Stafford loan funds available to students with an undergraduate degree who are enrolled in courses needed for enrollment in a degree-granting program, and for students enrolled in a program necessary for professional certification as required for employment as a teacher. The additional unsubsidized Stafford eligibility for this population is \$7,000 (up from \$5,000).	Loans certified on/after 7/1/2007	GEN-06-02/FP-06-01  Existing aggregate loan limits are retained with the following exception.  The language currently in Section 428H(d)(3) states that if the annual loan limits in 428H(d)(2) increase, the aggregate maximums for the borrowers listed in 428H(d)(2) will be adjusted accordingly. Since the Deficit Reduction Act increased the annual limits for these borrowers, their aggregate maximums will be adjusted, as provided for in Section 428H(d)(3). The amount of the increase has not been addressed by ED.	<b>Form:</b> Stafford MPN  <b>System:</b> System changes and edit revisions	Stafford/PLUS MPN Workgroup
PLUS Interest Rates	8006(a)	427A(l)(2)	Effective for loans disbursed on or after July 1, 2006, PLUS interest rates will be fixed at 8.5%. HERA has increased the "to-be" PLUS	Loans first disbursed on/after 7/1/2006	GEN-06-02/FP-06-01 and GEN-06-05  The HERA did not change the	<b>Form:</b> PLUS MPN  <b>System:</b>	Stafford/PLUS MPN Workgroup

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			fixed interest rate from 7.9% to 8.5%.		<p>provision in 427A(1) that changes the FFELP and DL Stafford loan interest rate to a fixed 6.8% rate for loans first disbursed on/after July 1, 2006. This provision was put in place through Public Law 107-139.</p> <p>Corresponding change <b>not</b> made to Direct Loan PLUS interest rate in 455(b)(7)(B), and the cap is above the consolidation cap of 8.25%. A legislative solution is being sought to correct the legislative drafting error.</p>	System changes and edit revisions	
PLUS Loans – Program Expansion	8005(c)	428B	Expands PLUS loan eligibility to include graduate and professional students.	Loans certified in FFELP (or originated in DL) on/after 7/1/2006	<p>GEN-06-02/FP-06-01 and GEN-06-05</p> <p>NSLDS Technical Update (GA-2006-02) -- new GB code for reporting of Grad PLUS loans</p> <p>Current PLUS requirements (e.g., determination of adverse credit and repayment starting the day funds are fully disbursed) still apply. Lenders may continue to develop their own policies on the utilization of endorsers for PLUS loans made to graduate/professional students, as they have done for parent borrowers.</p>	<p><b>Form:</b> Stafford and PLUS MPNs, Consol Forms, Defer Forms, Discharge Forms</p> <p><b>System:</b> System and edits changes – CommonLine, CAM, NSLDS, DAAR, Claim</p>	<p>Stafford/PLUS MPN Workgroup</p> <p>Consolidation Forms Workgroup</p> <p>Deferment Forms Workgroup</p> <p>Discharge Forms Workgroup</p> <p>CommonLine</p>

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					<p>Loans disbursed by check must be made co-payable to the school, and the graduate student or professional student (as applicable).</p> <p>PLUS graduate/professional student borrowers can automatically receive an in-school deferment based on the schools' certifications based on the existing language in Sec. 428(b)(1)(Y).</p> <p>Graduate/professional students must complete a FAFSA.</p> <p>Graduate/professional students must first apply for their annual loan maximum eligibility under the Stafford loan program before applying for a Graduate/Professional PLUS loan.</p> <p>Regulations do not currently require entrance and exit counseling for PLUS loans made to students.</p> <p>Loans made to graduate/professional students are not included in the school's cohort default rate calculation According to §668.183(b), the calculation only includes subsidized and</p>		

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					<p>unsubsidized Stafford loans. (Industry Best Practices document, Q/A #10)</p> <p>The FFELP community has included information related to coordinated repayment periods for a student's Stafford and Graduate/Professional PLUS loans in the draft Plain Language Disclosure.</p>		
Student Eligibility – Fraud	8021(a)	484(a)(6)	Adds a new provision that requires students who have been convicted of, or who have pled “no contest” or guilty to, a crime of fraud involving Title IV funds to repay such funds in order to be eligible to receive any Title IV grant, loan, or work assistance.	Loan periods beginning on/after 7/1/2006	<p>GEN-06-05</p> <p>Similar provision was added for PLUS borrowers.</p> <p>New code will be needed. How will we be notified? Will there be a status on NSLDS to tell the school on the SAR?</p> <p>The school may need to collect this information from the borrower (and the student in the case of a parent PLUS loan) until such time as the PLUS MPN borrower certification section can be updated to collect the borrower's certification.</p>	<p><b>Form:</b> Stafford MPN, PLUS MPN, Consol Forms, FAFSA</p> <p><b>System:</b> System changes and edit revisions</p>	<p>NCHERP Financial Aid Professionals</p> <p>Stafford/PLUS MPN Workgroup</p> <p>Consolidation Forms Workgroup</p>
Parent (and graduate/ professional student)	8014(g)	428B(a)(1)	Adds a new provision that requires graduate and professional students (per the expanded eligibility of such students under the existing	Loan periods beginning on/after 7/1/2006	<p>GEN-06-05</p> <p>New code will be needed. How will we be notified?</p>	<p><b>Form:</b> Stafford MPN, PLUS MPN, Consol Forms</p>	<p>Stafford/PLUS MPN Workgroup</p>

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Eligibility - Fraud			PLUS program) or parents who have been convicted of, or have pled “nolo contendere” (no contest) or guilty to, a crime of fraud involving Title IV funds to repay such funds in order to receive a PLUS loan.		<p>Will there be a status on NSLDS to tell the school on the SAR?</p> <p>The school may need to collect this information from the borrower (and the student in the case of a parent PLUS loan) until such time as the PLUS MPN borrower certification section can be updated to collect the borrower’s certification.</p> <p>Note: Because a similar change has been made to Student Eligibility under 484(a)(6), the parent may be ineligible for a PLUS loan if the student for whom the PLUS loan is being obtained has been convicted of, or pled “no contest” or guilty to, a crime of fraud involving student loan funds - unless the student has repaid those funds prior to the parent receiving a PLUS loan.</p>	<b>System:</b> System changes and edit revisions	Consolidation Forms Workgroup
School as Lender	8011	435(d)(2)	<p>Requires that a school can only make subsidized and unsubsidized Stafford loans to graduate or professional students enrolled at the school. Previously, a school could make PLUS loans or loans to undergraduates under very limited circumstances.</p> <p>Deletes provisions that allow</p>	<p>School met the previous eligibility criteria as of 2/7/2006 AND made loans on/before 4/1/2006</p> <p>For schools who qualify, the new</p>	<p>GEN-06-02/FP-06-01</p> <p>Through this program, schools cannot make PLUS loans, thus they cannot make loans to graduate/professional students through the new expanded PLUS program.</p> <p>The exception to the audit</p>		

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			<p>schools to lend to up to 50% of their undergraduates if another lender turns the student down for a loan.</p> <p>Requires school to offer loans that have interest rates and/or origination fees lower than what is permitted in Title IV for any loan first disbursed on/after July 1, 2006. Currently, this is not regulated. Also requires the cohort default rate of the school to be no more than 10%. Currently, schools are required to have a cohort default rate of less than 15%.</p> <p>Stipulates that the school must award any financing, servicing, or administration contract on a competitive basis.</p> <p>Requires the school to do an annual compliance review of the portfolio and to provide the audit report to ED.</p> <p>Clarifies that all earnings – including the proceeds from special allowance payments, interest payments and any proceeds from the sale or other disposition of loans – except for reasonable reimbursement of direct administrative expenses, must be used for need-based grant programs. Also clarifies that the earnings are to be used to</p>	<p>SAL rules are effective 7/1/2006</p>	<p>requirement provided for in §682.305(c) for other eligible FFELP lenders is <b>not</b> applicable to schools acting as lenders in this program.</p>		

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			supplement – not supplant – non-federal funds that would be used for need-based grants.				
Military Deferment	8007(a)	428(b)(1)(M)(iii)	Adds a new deferment type allowing up to three years of deferment for eligible borrowers on active duty during a war, national emergency, or military operation. Includes National Guard duty under same circumstances.	Deferment requests received on/after 7/1/2006 for loans with a first disbursement on/after 7/1/2001 and for qualifying deferment periods beginning on or after 7/1/2001	<p>GEN-06-02/FP-06-01 and GEN-06-05</p> <p>NSLDS Technical Update (GA-2006-02) – new MO code for reporting military deferment</p> <p>Provision includes a rule that states no refunding of any repayment of a loan eligible for this deferment is authorized (see Sec. 8007(e) of S.1932). This rule is included due to the retroactive effective date of the deferment provision, i.e., borrowers who now qualify for the deferment may have already made payments during now-eligible periods of deferment.</p> <p>This deferment is also applicable to PLUS borrowers.</p> <p>Documentation establishing eligible active duty service includes a copy of the borrower’s military orders, or a written statement from the borrower’s commanding</p>	<p><b>Form:</b> Deferments, Stafford MPN, PLUS MPN, Consolidation forms</p> <p><b>System:</b> System changes – DAAR, Claim, NSLDS, CAM</p>	<p>Deferment Forms Workgroup</p> <p>Stafford/PLUS MPN Workgroup</p> <p>Consolidation Forms Workgroup</p>

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					<p>officer or personnel officer that the borrower is serving on active duty as established in the provision.</p> <p>Historically, eligibility for a deferment in the FFEL Program has been applied at a borrower level. This deferment is loan-based.</p> <p>There are very specific eligibility requirements included that could lead to ED having to issue letters for each situation (similar to how natural disaster letters were disseminated in the past).</p>		
Military Deferment	8007(a)	455(f)(2)(C)	Creates a deferment, not to exceed three years in length, for military or National Guard personnel to utilize when they have been called to serve in a war, military operation, or national emergency.	Deferment requests received on/after 7/1/2006 for loans with a first disbursement on/after 7/1/2001	<p>GEN-06-02/FP-06-01 and GEN-06-05</p> <p>Provision includes a rule that states no refunding of any repayment of a loan eligible for this deferment is authorized (see Sec. 8007(e) of S.1932). This rule is included due to the retroactive effective date of the deferment provision, i.e., borrowers who now qualify for the deferment may have already made payments during now-eligible periods of deferment.</p> <p>This deferment is also applicable to PLUS</p>		

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					borrowers.		
Military Deferments – Definitions	8007(d)	481(d)	<p>Adds new subsection that provides definitions for the following Military Deferments:</p> <ul style="list-style-type: none"> <li>Active Duty – the term ‘active duty’ has the meaning given such term in section 101(d)(1) of title 10, United States Code, except that such term does not include active duty for training or attendance at a service school.</li> <li>Military Operation – The term ‘military operation’ means a contingency operation as such term is defined in section 101(a)(13) of title 10, United States Code.</li> <li>National Emergency – The term ‘national emergency’ means the national emergency by reason of certain terrorist attacks declared by the President on September 14, 2001, or subsequent national emergencies declared by the President by reason of terrorist attacks.</li> <li>Serving on Active Duty – The term ‘serving on active duty during a war or other military operation or national emergency’ means service by an individual who is – <ul style="list-style-type: none"> <li>o a Reserve of an Armed Force ordered to active</li> </ul> </li> </ul>	Deferment requests received on/after 7/1/2006 for loans first disbursed on or after 7/1/2001 and for qualifying deferment periods beginning on/after 7/1/2001	<p>GEN-06-02/FP-06-05 and GEN-06-05</p> <p>There are very specific eligibility requirements included that could lead to ED having to issue letters for each situation (similar to how natural disaster letters were disseminated in the past).</p>	<p><b>Form:</b> Deferment Forms</p> <p><b>System:</b> System changes – DAAR, Claim, NSLDS, CAM</p>	<p>Deferment Forms Workgroup</p> <p>NSLDS Workgroup</p> <p>Program Ops Committee</p>

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			<p>duty under section 12301(a), 12301(g), 12302, 12304, or 12306 of title 10, United States Code, or any retired member of an Armed Force ordered to active duty under section 688 of such title, for service in connection with a war or other military operation or national emergency, regardless of the location at which such active duty service is performed; and</p> <ul style="list-style-type: none"> <li>○ any other member of an Armed Force on active duty in connection with such emergency or subsequent actions or conditions who has been assigned to a duty station at a location other than the location at which such member is normally assigned.</li> <li>• Qualifying National Guard Duty.—The term ‘qualifying National Guard duty during a war or other military operation or national emergency’ means service as a member of the National Guard on full-time National Guard duty (as defined in section 101(d)(5) of title 10, United States Code) under a</li> </ul>				

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			call to active service authorized by the President or the Secretary of Defense for a period of more than 30 consecutive days under section 502(f) of title 32, United States Code, in connection with a war, other military operation, or a national emergency declared by the President and supported by Federal funds.				
Forbearance	8014(e)(1)	428(c)(3)(A)(i) and 428(c)(10)	<p>Deletes the requirement that the agreement to terms for any mandatory forbearance (e.g. medical or dental internship or residency; income to debt ratio; national service) be “in writing”.</p> <p>Adds a new provision requiring that a notice be sent to the borrower confirming the terms that were agreed to by the lender and the borrower. The mandatory forbearance terms must be recorded in the borrower’s file.</p>	Forbearance agreements entered into or renegotiated on/after 7/1/06	GEN-06-02/FP-06-01	<p><b>Form:</b> Stafford and PLUS MPNs</p> <p><b>System:</b> Procedural changes only</p>	Stafford/PLUS MPN Workgroup
Consolidation Loans – Program Authorization	8004(b)(3)	428C(e)	Extends authorization for Consolidation program to 2012.				
Cross-Consolidation Between Programs	8009(a)(1) and (2)	428C(a)(3)(B)(i) and 428C(b)(5)	Terminates borrower eligibility for a new Consolidation loan if borrower already obtained a FFELP or Direct Consolidation loan that includes all of the borrower’s eligible underlying loans (eliminates reconsolidation into other program).	Consolidation applications received on/after 7/1/2006	<p>GEN-06-02/FP-06-01, FP-06-03, FP-06-12, and GEN-06-12</p> <p>The changes made by HERA do not impact the ability of a borrower to add loans to his/her Consolidation loan within 180 days of receiving the Consolidation loan, or the</p>	<p><b>Form:</b> Consol Forms, Stafford MPN, PLUS MPN</p> <p><b>System:</b> Anticipate procedural changes only</p>	<p>Stafford/PLUS MPN Workgroup</p> <p>Consolidation Forms Workgroup</p>

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			<p>Adds an exception to existing limitations on subsequent Consolidation loans to permit borrowers who currently have a Consolidation loan that includes all of the borrower's eligible underlying loans to obtain a subsequent Direct Consolidation loan under the following circumstance:</p> <ul style="list-style-type: none"> <li>• Borrower seeks to obtain an income-contingent repayment plan, AND</li> <li>• The initial Consolidation loan has been submitted to the guarantor for default aversion assistance.</li> </ul> <p><b>Both</b> of the above conditions must be in place for the borrower to obtain a subsequent Consolidation loan under this exception.</p> <p><i>The following two changes were repealed in HR4939, signed into law on 6/15/06.</i></p>		<p>ability of a borrower to receive a new Consolidation loan if he/she receives a subsequent eligible loan.</p> <p>FP-06-03, published March 17, 2006, eliminates a lender's ability to consolidate a non-FFELP (i.e., Direct or Perkins) loan without including, at the time of consolidation, a loan held by that lender (known as the two-step consolidation process). This consolidation process is no longer permissible effective March 31, 2006.</p> <p>The letter also eliminates a FFELP lender's ability to consolidate a single Direct Consolidation loan, a process referred to as the super two-step. This prohibition is effective March 31, 2006 unless the application for the Direct Consolidation Loan is received by the Department on or before March 31, 2006 <u>and</u> the lender's LVC for consolidation of the Direct Consolidation loan is received by the Department on or before June 30, 2006.</p>		
Elimination of Request for Early	8009(b)(1) and (2)	428(b)(7)(A) 428C(a)(3)(A) (ii)(I)	Eliminates the borrower's option to enter repayment early.	Borrower requests received	GEN-06-02/FP-06-01 and FP-06-09	<b>System:</b> Anticipate	Forms Workgroup

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Repayment			Clarifies that repayment shall begin the day after 6-months after the date the student ceases to carry at least one-half the normal full-time academic workload.  A conforming change is made in the eligibility requirements for a Consolidation loan, section 428C(a)(3)(A)(ii)(I).	on/after 7/1/06	This change will affect a small population of borrowers who would apply for a Parental Leave/Working Mother (PLWM) deferment since a borrower who is in grace must agree to waive the last month of grace to receive the deferment.	procedural changes only	
Spousal Consolidation	8009(c)	428C(a)(3)(C)	Eliminates “spousal consolidation” loans.	Consolidation applications received on/after 7/1/2006	GEN-06-02/FP-06-01	<b>Form:</b> Consol forms, Stafford MPN, PLUS MPN  <b>System:</b> Anticipate procedural changes only	Stafford/PLUS MPN Workgroup  Consolidation Forms Workgroup
<i>Consolidation Loans – Single Holder Rule</i>	<i>HR4939 Sect. 7015(a)</i>	<i>428C(b)(1)(A)</i>	<i>Single Holder Rule repealed; consolidation loan borrowers are now allowed to consolidate with any eligible lender.</i>	<i>Consolidation applications received on/after June 15, 2006</i>	<i>GEN-06-12 and FP-06-12</i>	<b>Form:</b> <i>Consol forms</i>	<i>Consolidation Forms Workgroup</i>
Teacher Loan Forgiveness	8013(c)	N/A	Eliminates the effective date limitation included in the Taxpayer-Teacher Protection Act of 2004 [Sect. 3(b)(3)] that provides the increased forgiveness amounts for math, science, and special education teachers if the borrower is a new borrower between October 1, 1998 and October 1, 2005.	Effective retroactive to 10/1/2005, as if the amendments made to subsections (b) and (c) of Sec. 2 of the Second Higher Education Extension Act of 2005 had not been enacted.	GEN-06-02/FP-06-01  The Taxpayer-Teacher Protection Act of 2004 included additional forgiveness amounts of up to \$17,500 for highly qualified teachers who were new borrowers from 10/1/98 through 9/30/05. This change eliminates the 9/30/05 expiration date, which means that borrowers who meet certain criteria will continue	<b>Form:</b> Teacher Loan Forgiveness Forms  <b>System:</b> ED would like to explore options for collecting unpaid refunds, teacher loan forgiveness dollars, and	Teacher Loan Forgiveness Form Workgroup

Topic	Bill Section	HEA Section	Summary	Effective Date/ Trigger Event	Comments	Industry Form/ System Impact	Subject Matter Expert(s)
					to be eligible for forgiveness of up to \$17,500.	disaster relief. May or may not have a systems impact – NSLDS, GAFR	
Teacher Loan Forgiveness— FFELP	8013(e)(1)	428J(g)	Some individuals who are employed as teachers in non-profit private schools are exempt from state certification requirements. This change allows these teachers to take and pass a competency test of subject knowledge and skills and be considered “highly qualified.” The competency test must be recognized by five or more States for determining highly qualified teacher requirements under NCLB, and the score achieved by such teacher must be equal to or greater than the average passing score of teachers in those five States.	Loan forgiveness applications received on/after 7/1/2006	GEN-06-02/FP-06-01  The effect of the law for teachers other than private school teachers is to allow for uninterrupted eligibility with no termination date. Therefore, there is no triggering event associated with the implementation date of these provisions, except for private school teachers.	<b>Form:</b> Teacher Loan Forgiveness Forms  <b>System:</b> ED would like to explore options for collecting unpaid refunds, teacher loan forgiveness dollars, and disaster relief. May or may not have a systems impact – NSLDS, GAFR	Teacher Loan Forgiveness Form Workgroup
<b>Loan Origination – Lender and Guarantor</b>							
Origination Fees (Loan Fees) – FFELP Stafford Loans	8008(c)(1)	438(c)(2)(B)	Ultimately eliminates the 3% Stafford (subsidized and unsubsidized) origination fees over a period of five years: <ul style="list-style-type: none"> <li>Loans with a first disbursement made on or after 7/1/2006 will have a fee of 2%;</li> <li>Loans with a first disbursement made on or after 7/1/2007 will have a fee of 1.5%;</li> <li>Loans with a first</li> </ul>	Loans with first disbursement made on/after 7/1/2006, 7/1/2007, 7/1/2008, 7/1/2009, and 7/1/2010, respectively	GEN-06-02/FP-06-01  Reductions are not applicable to PLUS loans made to parents or to graduate/professional students. As such, a 3% origination fee must be removed from the PLUS loan amount upon disbursement.  Section 438(c)(2)(A) makes the amount of origination fees	<b>Form:</b> Stafford MPN and LaRS  <b>System:</b> System and edit revisions	Stafford/PLUS MPN Workgroup  LaRS Workgroup

Topic	Bill Section	HEA Section	Summary	Effective Date/ Trigger Event	Comments	Industry Form/ System Impact	Subject Matter Expert(s)
			<p>disbursement made on or after 7/1/2008 will have a fee of 1%;</p> <ul style="list-style-type: none"> <li>Loans with a first disbursement made on or after 7/1/2009 will have a fee of 0.5%; and</li> <li>Loans with a first disbursement made on or after 7/1/2010 will have a fee of 0%.</li> </ul>		<p>“subject to paragraph (6).” Section 438(c)(6) specifies the mandatory 3% origination fee for PLUS loans. The Higher Education Reconciliation Act did not change the provisions of paragraph (6), nor did it remove the reference to paragraph (6) in the new section 438(c)(2)(A). Therefore, the 3% origination fee under 438(c)(6) remains intact.</p> <p><b>Consolidation loans are not subject to an origination fee.</b></p>		
Federal Default Fees – Stafford (subsidized and unsubsidized) and PLUS loans	8014(b)(1) and (2)	428(b)(1)(H)(i) and (ii); 428H(h)	<p>Limits existing guidance on collection of the insurance premium to loans for which the date of guarantee is before 7/1/2006.</p> <p>Adds, for Stafford loans (subsidized and unsubsidized) for which the date of guarantee is on/after July 1, 2006, a Federal default fee equal to 1 percent of principal. The default fee must be collected by deduction (proportionally) from the loan proceeds or by payment from non-Federal sources. The fee must be deposited into the Federal Student Loan Reserve Fund and the proceeds must not be used for incentive payments to lenders.</p>	<p>Loans guaranteed prior to 7/1/2006</p> <p>Loans guaranteed on/after 7/1/2006</p>	<p>GEN-06-02/FP-06-01 and GEN-06-05</p> <p>PLUS loans are also subject to the new Federal default fee, though a specific change was not made by S.1932 to the provisions of HEA 428B. The Federal Default fee does not apply to Consolidation loans.</p> <p>Non-discrimination rules such as those applicable to the discounting of origination fees do not apply to the federal default fee, specifically in cases where the lender and/or guarantor elect to pay the default fee on behalf of a borrower or pool of borrowers.</p>	<p><b>Form:</b> Stafford and PLUS MPN</p> <p><b>System:</b> System changes</p>	Stafford/PLUS MPN Workgroup

Topic	Bill Section	HEA Section	Summary	Effective Date/ Trigger Event	Comments	Industry Form/ System Impact	Subject Matter Expert(s)
					Section 428B(a)(2) states that the same terms and conditions for other loans under Part B (i.e., subsidized and unsubsidized Stafford loans) also apply to PLUS loans (with a few exceptions). As a result, the changes made to the insurance fee to Stafford loans also apply to PLUS loans.		
Interest Subsidy – Escrow Agents	8014(j)(1)	428(a)(3)(A)(v)	Extends current restriction on interest subsidy to include disbursements made through an escrow agent. A lender cannot bill for interest benefits on loans disbursed through an escrow agent more than three days before the first disbursement date.	All proceeds paid by a lender to an escrow agent on/after 7/1/2006	GEN-06-02/FP-06-01	<b>System:</b> System changes and edit revisions	
Escrow Agent – Transfer of Funds	8014(j)(3)	428(i)(1)	Reduces the number of days a lender may disburse funds in advance, to an escrow agent, of disbursement from 21 days to 10 days.	All proceeds paid by a lender to an escrow agent on/after 7/1/2006	GEN-06-02/FP-06-01	<b>System:</b> System changes and edit revisions	
Disbursements to Foreign Schools and to Students Studying Abroad	8008(a)(1) and (2)	428(b)(1)(N)	Revises the provisions dealing with disbursements to students enrolled in study abroad programs and foreign schools.  Disbursements to a student in a study abroad program may be, at the student’s request, disbursed by check or other means directly to the student only after the student’s enrollment is verified by the	Loans first disbursed on/after 7/1/2006	GEN-06-02/FP-06-01 and GEN-06-11  Without a request from the foreign school, lenders must disburse loans directly to an office of the foreign school that has been designated by the school to receive disbursements.	<b>Form:</b> Stafford and PLUS MPNs  <b>System:</b> System changes	Stafford/PLUS MPN Workgroup

Topic	Bill Section	HEA Section	Summary	Effective Date/ Trigger Event	Comments	Industry Form/ System Impact	Subject Matter Expert(s)
			<p>lender or guarantor. The home institution does not have to request the direct disbursement.</p> <p>Currently, students who are studying abroad need only request direct disbursement. The HEA does not currently require the lender or guarantor to verify enrollment prior to disbursement.</p> <p>Adds that disbursements to a student in a program of study at an eligible foreign institution may be, at the request of the foreign institution, disbursed by check or other means directly to the student only after the student's enrollment is verified by the lender or guarantor. Current provisions permit a student attending a foreign institution to request that funds be disbursed directly to the student. HEA currently does not stipulate that the foreign institution itself can request funds be disbursed directly to the student. Although the HEA does not require the lender or guarantor to verify enrollment prior to disbursement to a foreign school, this requirement has been in effect since August 2003, per DCL G-03-348.</p>				
Disbursement Rules – Multiple Disbursement Exemption	8010(1)	428G(a)(3)	Reinstates the provision, previously in law, for low-cohort default rate schools (less than 10% for the three most recent fiscal	Any disbursement made on/after 2/8/2006	GEN-06-02/FP-06-01	<b>System:</b> System and edit changes	

Topic	Bill Section	HEA Section	Summary	Effective Date/ Trigger Event	Comments	Industry Form/ System Impact	Subject Matter Expert(s)
			years) that allows for the disbursement of any loan funds (Stafford and PLUS) in a single installment for a single period of enrollment that is not longer than one semester, one trimester, one quarter, or a period of four months. This provision is applicable to all eligible schools, including foreign schools, and was previously in law and allowed to expire on September 30, 2002.				
Disbursement Rules – Delayed Delivery Exemption	8010(2)	428G(b)(1)	Reinstates the provision, previously in law, for low-cohort default rate schools (less than 10% for the three most recent fiscal years) that allows such schools to waive the 30-day delayed delivery of any Stafford loan funds to first-time borrowers who are first-year students. This provision is applicable to all eligible schools, including foreign schools, and was previously in law and allowed to expire on September 30, 2002.	Any disbursement made on/after 2/8/2006	GEN-06-02/FP-06-01	<b>System:</b> System and edit changes	
Disbursement Rules – Foreign Schools	8010(3)	428G(e)	Foreign schools are no longer exempt from the disbursement requirements contained in 428G, including the requirements to multiply disburse loans and to schedule delayed delivery for first-year, first-time borrowers unless the foreign school is a low-cohort default school with a rate of less than 10% for the three most recent fiscal years.	Loans periods beginning on/after 7/1/2006	GEN-06-02/FP-06-01 and GEN-06-11	<b>Form:</b> Stafford MPN, PLUS MPN  <b>System:</b> System and edit changes	Stafford/PLUS MPN Workgroup
<b>Lender Issues</b>							
Standardized	8014(j)	432(l)(1)(H)	Requires the Department to		The goal of the	<b>Form:</b>	Stafford/PLUS

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Forms and Procedures			consult with the FFELP community in developing standardized procedures for reporting anticipated graduation dates.		standardization proposal is to achieve a common method to report the AGD in a standard format. So for example, for a student at a 2-year school, the AGD should be 2 years out, not 4 years.	Stafford MPN, PLUS MPN, Defer Forms  <b>System:</b> Informational only	MPN Workgroup  Deferment Forms Workgroup
Special Allowance (applicable to tax-exempt funds used to make or purchase loans)	8013(a)	438(b)(2)(B)(iv) and (v)	<p>Makes permanent the temporary special allowance floor income provisions of the Taxpayer-Teacher Protection Act of 2004 (TTPA).</p> <p>Specifically, special allowance for loans financed with funds obtained from the issuance of tax-exempt obligations originally issued prior to October 1, 1993 would have been paid at the usual rates paid on other loans if certain activities occurred between September 30, 2004 and December 31, 2005. HERA removes the TTPA December 31<sup>st</sup> deadline such that special allowance for loans made with tax-exempt obligations is calculated based on the usual rates if such loans are:</p> <ol style="list-style-type: none"> <li>1. Financed by a tax-exempt obligation that, after September 30, 2004, has matured or been refunded, retired, or defeased;</li> <li>2. Refinanced after September 30, 2004, with funds obtained from a</li> </ol>	Effective as if the amendments made to subsections (b) and (c) of section 2 of the Second Higher Education Extension Act of 2005 had not been enacted.	GEN-06-02/FP-06-01	<b>System:</b> LaRS	

Topic	Bill Section	HEA Section	Summary	Effective Date/ Trigger Event	Comments	Industry Form/ System Impact	Subject Matter Expert(s)
			<p>source other than funds described by a tax-exempt obligation;</p> <p>3. Sold or transferred to any other holder after September 30, 2004.</p>				
Special Allowance (applicable to loans made or purchased with tax-exempt funds)	8013(b)	438(b)(2)(B)(vi) & (vii)	<p>Eliminates “recycling,” an activity which permits certain loans to be eligible for a 9.5% minimum special allowance rates. Specifically, restrictions apply to loans which are made or purchased on or after 2/8/06 and loans which are not receiving the minimum yield for eligible tax-exempt obligations as of 2/8/06. Loans in either of these categories are prohibited from receiving 9.5% floor income.</p> <p>An exception permits loan holders with loans, which would otherwise be eligible for 9.5% special allowance, to receive the floor income until 12/31/10. For such loan holders, 9.5% and minimum special allowance rates will apply until 12/31/10 if the loan holder:</p> <ul style="list-style-type: none"> <li>• Was, as of 2/8/06, and during the quarter for which special allowance is paid, a unit of state or local government or a non-profit private entity;</li> <li>• Was, as of February 8, 2006, and during such quarter, not owned or controlled by, or under</li> </ul>	2/8/06	<p>GEN-06-02/FP-06-01</p> <p>FP-06-04: Effective April 1, 2006, there are new LaRS reporting codes for loans disbursed on or after April 1, 2006 by loan holders eligible to receive the 9.5% minimum special allowance rate:</p> <ul style="list-style-type: none"> <li>• XM – Stafford loans during in-school, grace, or deferment</li> <li>• XN – Stafford loans in repayment</li> <li>• XO – Consolidation loans</li> <li>• XP – PLUS loans, including those made to graduate/ professional students</li> </ul>	<b>System:</b> LaRS	

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			<p>the common ownership or control with, a for-profit entity;</p> <ul style="list-style-type: none"> <li>Held, directly or through any subsidiary, affiliate, or trustee, a total unpaid balance of principal equal to or less than \$100,000,000 on loans for which special allowances were paid under subparagraph 438(b)(2)(B) (i.e., 9.5%) in the most recent quarterly payment prior to September 30, 2005.</li> </ul>				
Special Allowance: PLUS and Consolidation Loans	8006(b)(1) (A) & (B)	438(b)(2)(I)(iii) & (iv)	Removes the clauses that place limits on special allowance payments for PLUS loans made on or after January 1, 2000 (and for consolidation loans, though this limitation has no real impact).	HERA: Special Allowance payments made on/ after 4/1/2006	<p>FP-06-10: This letter corrects the conflict in the trigger event that ED included in FP-06-04 and allows lenders to receive special allowance on PLUS loans first disbursed on/after January 1, 2000 and prior to July 1, 2006, for periods beginning April 1, 2006. The first special allowance payments for these loans will be for the second quarter of calendar year 2006 (4/1/2006 – 6/30/2006). Lenders may submit billings for these payments on or after July 1, 2006.</p> <p>FP-06-04: This letter provides for a trigger which conflicts with the trigger provided by HERA (see</p>	<p><b>Form:</b> LaRS</p> <p><b>System:</b> LaRS</p>	LaRS Workgroup (may need new group to work on these changes)

Topic	Bill Section	HEA Section	Summary	Effective Date/ Trigger Event	Comments	Industry Form/ System Impact	Subject Matter Expert(s)
					Effective Date/Trigger Event column). DCL states that beginning with the quarter ending September 30, 2006, PLUS loans first disbursed on or after July 1, 2006 will be eligible for special allowance. On April 19, 2006, the Department indicated – via letter to lenders – that it is finalizing guidance on the billing/payment of special allowance on PLUS loans made on or after January 1, 2000 and prior to July 1, 2006.		
Recapture of Excess Interest	8006(b)(1) (C)	438(b)(2)(I)(v) (I)	Adds a new clause that requires lenders to remit excess interest back to the Department (at least annually) when the special allowance calculation for a given quarter is at a rate that is less than the applicable interest rate.	Special Allowance payments made on or after 4/1/2006 for loans made on or after 4/1/2006	GEN-06-02/FP-06-01	<b>Form:</b> LaRS  <b>System:</b> LaRS	LaRS Workgroup (may need new group to work on these changes)
Excess Interest Calculation	8006(b)(1) (C)	438(b)(2)(I)(v) (II)	The excess interest calculation is equal to the applicable interest rate minus (-) the special allowance support level multiplied (x) by the average daily principal balance during a given quarter divided (/) by four.  The term “special allowance support level” is defined as a number expressed as a percentage equal to the sum of: <ul style="list-style-type: none"> <li>the average of the bond equivalent rates of the quotes of the 3-month commercial</li> </ul>	For loans first disbursed on or after 4/1/2006	GEN-06-02/FP-06-01	<b>Form:</b> LaRS  <b>System:</b> LaRS	LaRS Workgroup (may need new group to work on these changes)

Topic	Bill Section	HEA Section	Summary	Effective Date/ Trigger Event	Comments	Industry Form/ System Impact	Subject Matter Expert(s)
			<p>paper (financial) rates in effect for each of the days in such quarter as reported by the Federal Reserve in Publication H-15 (or its successor) for such 3-month period, plus</p> <ul style="list-style-type: none"> <li>• 2.34% for Stafford loans in repayment, or 1.74% during the in-school, grace, and deferment periods; or</li> <li>• 2.64% for PLUS and Consolidation loans.</li> </ul>				
Reduction of Insurance	8014(a)(1)	428(b)(1)(G)	Reduces insurance on defaulted loans from 98 percent to 97 percent. Adds exempt claims, as defined in 428(c)(1)(G), to the list of claims insured at 100 percent.	Loans first disbursed on/after 7/1/2006	GEN-06-02/FP-06-01	<p><b>Form:</b> LaRS</p> <p><b>System:</b> LaRS</p>	
Insurance Rate on Ineligible Borrower Claims	8014(c)(1)	428(c)(1)(G)	Provides that “exempt claims” qualify for reinsurance at 100%. Defines “exempt claims” as claims for loans on which it is determined that the borrower (or the student on whose behalf a parent has borrowed), without the lender’s or the institution’s knowledge at the time the loan was made, provided false or erroneous information or took actions that caused the borrower or the student to be ineligible for all or a portion of the loan or for interest benefits.	Loans first disbursed on/after 7/1/2006	GEN-06-02/FP-06-01	<p><b>Form:</b> CCI and Form 2000</p> <p><b>System:</b> System changes – GAFR</p>	<p>Form 2000 Workgroup</p> <p>CFO Caucus</p> <p>CCI Workgroup</p>
Exceptional Performer – Insurance	8014(i)	428I(b)(1)	Decreases the insurance paid by the guarantor to the eligible lender or servicer designated as exceptional performer from 100% to 99%.	Default claims submitted on/after 7/1/2006	GEN-06-02/FP-06-01	<p><b>Form:</b> CCI</p> <p><b>System:</b> Systems changes</p>	CCI Workgroup

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False Certification and Identity Theft	8012	437(c)(1)	Loans made on or after January 1, 1986, are eligible for discharge if the loan was falsely certified as a result of a crime of identity theft.	Discharge requests received on/after 7/1/2006	GEN-06-02/FP-06-01 and GEN-06-05	<p><b>Form:</b> Stafford MPN, PLUS MPN, Consol Forms, Discharge Forms</p> <p><b>System:</b> May have systems impact based on results of further discussions with ED</p>	Stafford/PLUS MPN Workgroup  Consolidation Forms Workgroup  Discharge Forms Workgroup
<b>Guarantor Issues</b>							
Administrative Cost Allowance	8004(a)	421(b)(5)	Changes “administrative cost allowance” that is paid to guaranty agencies to “loan processing and issuance fee” to conform to language used in 428(f).		Terminology correction within the HEA.		CFO Caucus
Account Maintenance Fee	8015	458	<p>This section is rewritten and contains the following provisions:</p> <ul style="list-style-type: none"> <li>Preserves mandatory appropriations for administering the loan programs and for paying guarantors the account maintenance fee for FY2006, but caps the amounts at \$820 million.</li> <li>Beginning in FY2007, provides that administrative funds other than the AMF are subject to the annual appropriations process.</li> <li>AMF payments from FY2007-2011 continue to be mandatory.</li> </ul>		<p>GEN-06-02/FP-06-01</p> <p>These changes were made to section 458 of HEA, which falls under Dept. of Education versus FFELP guarantor issues. However, due to the applicability of these changes to FFELP, the information is repeated in this section of the matrix for reference purposes.</p> <p>Effective July 1, 2006, eliminates authority of guaranty agencies to make up any shortfalls in Federal AMF payments by transferring funds from their Federal</p>		CFO Caucus

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			<ul style="list-style-type: none"> <li>Eliminates the cap on AMF funds and sets the AMF payment at an amount “not to exceed the basis of 0.10% of the original principal amount of outstanding loans.”</li> </ul> <p>This AMF must still be paid quarterly and deposited in the guarantor’s Operating Fund.</p>		Funds.		
Voluntary Flexible Agreement (VFA)	8014(f)(1)	428A(a)(1)(B)	<p>Deletes the option for the Secretary to waive inducement prohibitions as part of a VFA agreement.</p> <p>Also removes the requirement that the Secretary report to Congress no later than September 20, 2001, regarding the impact of VFA’s.</p>				
Federal Default Fee – VFAs	8014(b)(3)	428A(a)(1)(C)	<p>New provision stipulates that the Secretary may not waive the required Federal default fee. This provision adds to current provisions that cannot be waived under a VFA agreement.</p> <p>Corresponding change made to the insurance premium language for VFAs for subsidized and unsubsidized Federal Stafford loans [428(b)(1)(H) and 428H(h)].</p>		GEN-06-02/FP-06-01	<p><b>Form:</b> MPNs and GAFR (Form 2000)</p> <p><b>System:</b> System changes</p>	<p>MPN Workgroups</p> <p>Form 2000 Workgroup</p> <p>CAM Workgroup</p> <p>CommonLine</p>
Collection Charges on Consolidation of Defaulted Loans	8014(d)(1) – (3)	428(c)(2)(A), (c)(2)(D) and (c)(6)	<p>Guaranty agreement between the guarantor and the Secretary must include requirements establishing procedures to preclude consolidation lending from being an excessive proportion of guaranty agency recoveries on</p>	7/1/2006	<p>GEN-06-02/FP-06-01</p> <p>This provision cuts guarantor retention of collection fees on consolidation loans to 10%. Starting with fiscal years beginning 10/1/2009, the</p>	<p><b>Form:</b> GAFR (Form 2000)</p> <p><b>System:</b> System changes</p>	Form 2000 Workgroup

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			<p>defaulted loans.</p> <p>Limits the amount of collection costs charged by the guaranty agency on or after 10/1/2006 to 18.5% of the outstanding principal and interest on a defaulted loan paid off through consolidation. In addition, requires guaranty agencies to remit to the Secretary 8.5% of the 18.5% collection charge on defaulted loans that are consolidated (net 10% guarantor retention).</p> <p>On or after October 1, 2009, guaranty agencies are required to remit the entire collection charge to the Secretary on defaulted loans that are paid off with "excess consolidation proceeds," which are defined as the proceeds of consolidation of defaulted loans that exceed 45 percent of the agency's total collections on defaulted loans in a Federal fiscal year.</p>	<p>Payoffs on/after 10/1/2006</p> <p>Payoffs received on/after 10/1/2009</p>	<p>entire collection fee will be lost if a guarantor has an excessive amount of defaulted loans paid via consolidation.</p>		
Default Claims	8014(j)(2)	428(c)(1)(A)	<p>Reduces the number of days a guarantor has to file a claim for reinsurance on default claims from 45 days to 30 days of paying an insurance claim.</p>	<p>Reinsurance requests filed on/after 7/1/2006</p>	<p>GEN-06-02/FP-06-01</p> <p>Currently guarantors have 45 days from claim payment date to file for reinsurance. Guarantors file for reinsurance using the GAFR, which requires the report be submitted by the 15<sup>th</sup> day of the following month. For claim purchases occurring</p>	<p><b>System:</b> System changes for individual agencies may be needed -- GAFR</p>	<p>CFO Caucus</p> <p>Form 2000 Workgroup</p>

Topic	Bill Section	HEA Section	Summary	Effective Date/ Trigger Event	Comments	Industry Form/ System Impact	Subject Matter Expert(s)
					early in the month, it will be impossible or impracticable to file for reinsurance within 30 days from claim purchase date.		
Default Reduction Program/ Rehabilitation	8014(h)(1)	428F(a)(1)(A)	Provision would change the number of payments required for loan rehabilitation from the current requirement of 12 consecutive monthly payments to a new requirement of nine payments during 10 consecutive months. In addition, the proposal requires that each of the nine payments be made within 20 days of the due date.	All loan rehabilitation agreements beginning on/after 7/1/2006	<p>GEN-06-02/FP-06-01</p> <p>This change would make rehabilitation easier to accomplish which could result in a larger volume of rehabilitation accounts for lenders and guarantors.</p> <p>Guarantors have the option to count agreements prior to 7/1/2006 as meeting the new standard if at least one of the monthly payments is made on/after 7/1/2006.</p> <p>We believe that ED will clarify that the new statutory language requiring “9 payments made within 20 days of the due date during 10 consecutive months” means that a defaulted borrower has 10 consecutive months to make 9 voluntary, reasonable and affordable monthly payments, essentially allowing one skipped monthly payment without the need to restart the 9-month rehabilitation process. Each of the 9 qualifying monthly payments must be made</p>	<b>System:</b> System changes	Default Mgmt. Committee

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					<p>within 20 days of the scheduled due date.</p> <p>Guarantors cannot maintain stricter policies regarding rehabilitation than those provided for by HERA.</p> <p>For ease of administration, the regulation on renewal of Title IV eligibility should be revised to reflect the 20-day grace period contained in the statutory amendment on rehabilitated loans.</p>		
Default Reduction Program/ Rehabilitation	8014(h)(2) and (h)(3)	428F(a)(1)(C), as re-designated	Adds a new provision that a rehabilitated loan may carry a charge by a guaranty agency to the borrower of not more than 18.5% of the outstanding principal and interest at the time the rehabilitated loan is sold to an eligible lender.		<p>GEN-06-02/FP-06-01</p> <p>This is a new provision that codifies current regulation limiting allowable collection costs on rehabilitation loans.</p>	<b>System:</b> System changes	Default Mgmt. Committee
Wage Garnishment Requirement	8024	488A(a)(1)	The maximum amount deducted from any pay period has been changed from 10 percent to 15 percent of disposable pay.	Applicable to all defaulted borrowers beginning 7/1/2006	<p>GEN-06-02/FP-06-01</p> <p>If guarantors will increase the percentage for existing AWG borrowers (i.e., a garnishment proceeding pre-dating 7/1/2006), re-disclosure will be required, giving opportunity to borrower to appeal.</p>	<b>System:</b> System changes	Debt Mgmt. Committee
College Access Initiative	8023	New Section 485D	This new section allows the Secretary to direct each guaranty agency to provide information to the Secretary and the public regarding postsecondary	Not later than 270 days after date of enactment (i.e., 11/5/2006)	<p>GEN-06-02/FP-06-01</p> <p>The 270-day timeline referred to is for the availability of the information to the public, with</p>		NCHELP Financial Aid Professionals

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			<p>educational opportunities, programs, publications, Web sites, and other available services. Guaranty agencies are required to undertake activities to promote access to post-secondary education and may fund these activities from their Operating Fund. Guaranty agencies are not expected to duplicate any existing services or efforts that meet the requirements of providing information to the public.</p>		<p>special emphasis on ensuring that populations traditionally underrepresented in postsecondary education are made aware of the availability of such information.</p>		
<b>Department of Education</b>							
Origination Fees (Loan Fees) – Direct Stafford Loans	8008(c)(2)	455(c)	<p>Reduces the origination fee for Direct Stafford loans (only Stafford) from 4% to 1% over time.</p> <ul style="list-style-type: none"> <li>• Loans with a first disbursement made on or after 7/1/2006 will have a fee of 3%;</li> <li>• Loans with a first disbursement made on or after 7/1/2007 will have a fee of 2.5%;</li> <li>• Loans with a first disbursement made on or after 7/1/2008 will have a fee of 2%;</li> <li>• Loans with a first disbursement made on or after 7/1/2009 will have a fee of 1.5%; and</li> <li>• Loans with a first disbursement made on or after 7/1/2010 will have a fee of 1%.</li> </ul>	Loans with a first disbursement made on/after 2/8/2006, 7/1/2007, 7/1/2008, 7/1/2009, and 7/1/2010, respectively	GEN-06-02/FP-06-01		

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			Reductions are not applicable to Direct PLUS and Consolidation loans.				
Account Maintenance Fee	8015	458	<p>This section is rewritten and contains the following provisions:</p> <ul style="list-style-type: none"> <li>• Preserves mandatory appropriations for administering the loan programs and for paying guarantors the account maintenance fee for FY2006, but caps the amounts at \$820 million.</li> <li>• Beginning in FY2007, provides that administrative funds other than the AMF are subject to the annual appropriations process.</li> <li>• AMF payments from FY2007-2011 continue to be mandatory.</li> <li>• Eliminates the cap on AMF funds and sets the AMF payment at an amount “not to exceed the basis of 0.10% of the original principal amount of outstanding loans.”</li> </ul>				CFO Caucus
Repayment Incentives/ Reduction of Orig. Fee – Direct Loans	8008(c)(2)	455(b)(8)(A)	Authorizes the Secretary to reduce origination fees paid by DL borrowers in order to encourage on-time repayment. Currently, the Secretary is prohibited from waiving origination fees for borrowers.		<p>GEN-06-02/FP-06-01</p> <p>Any reductions must be cost-neutral.</p>		
Parallel Terms, Conditions, Benefits, and	8009(d)(1)–(3)	455(a)(1) and (2); 455(g)	Requires DL Consolidation loan borrowers to meet the same eligibility criteria as FFELP	Consolidation loan applications received by the	GEN-06-02/FP-06-01		

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Amounts			<p>Consolidation loan borrowers. Also, requires generally that Direct Consolidation loans have the same terms and conditions as FFELP Consolidation loans unless otherwise specifically provided.</p> <p>Because of these provisions, ED has announced the following changes regarding Direct Consolidation loans:</p> <ul style="list-style-type: none"> <li>• A graduated repayment plan must be paid over a fixed period, not to exceed 10 years, regardless of the loan amount, and</li> <li>• An extended repayment plan is available only to a borrower with a total outstanding balance being consolidated of more than \$30,000, who borrowed for the first time on or after 10/7/1998, and may not exceed 25 years of fixed annual or graduated repayment amounts.</li> </ul>	DL program on/after 7/1/2006			
Repayment Plans	8008(b)	455(d)(1)(A) – (C)	Specifies that repayment plans offered under the Direct Loan Program (other than ICR and alternative repayment plans provided on a case-by-case basis) must be consistent with the plans offered under FFELP (other than income-sensitive repayment).	Direct Loan borrowers who enter repayment on/after 7/1/06	GEN-06-02/FP-06-01		
Teacher Loan Forgiveness— Direct Loans	8013(e)(2)	460(g)(3)	Individuals who are employed as teachers in private schools do not have a “highly qualified”	Loan forgiveness applications received on/after	GEN-06-02/FP-06-01		

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			<p>designation. This change allows these teachers to take and pass a competency test of subject knowledge and skills and be considered “highly qualified.” The competency test must be recognized by five or more States for determining highly qualified teacher requirements under NCLB, and the score achieved by such teacher must be equal to or greater than the average passing score of teachers in those five States.</p>	7/1/2006			
Verification of IRS Data	8021(b)	484(q)	<p>Authorizes the Secretary to verify financial information, as reported on the FAFSA, with IRS data. The bill revises the comparison data from AGI, taxes paid, filing status, and exemptions to simply refer to the information reported in section 6103(l)(13) of the Internal Revenue Code of 1986, which is AGI, taxpayer ID information, and filing status.</p>		<p>GEN-06-05</p> <p>Minor change to the details of the data that the Secretary is allowed to confirm with the Treasury Department. The authorization to do a match was provided for previously.</p>		