



Federal & Industry Update

May 7, 2008



Subtitled:

What a colossal mess...

What We'll Cover

- July 1, 2008 *CCRAA* and regulatory reminders
- Loan access concerns
- H.R. 5715
- *HEA* reauthorization
- Negotiated rulemaking, including TEACH Grants



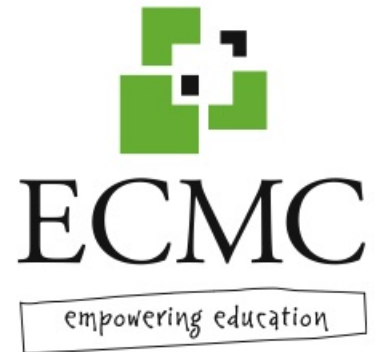
July 1, 2008 Reminders

July 1, 2008 Reminders

- CCRAA lowers selected interest rates for a 4-year period.
- Rate reductions apply to both FFELP and DL
- Rate reduction applies only to recipients of undergraduate subsidized Stafford loans.
- Rate drops to 6.00% for loans with a first disbursement on/after July 1, 2008

July 1, 2008 Reminders

- Grad PLUS loan counseling must be conducted
- Late late disbursement deadline moved to 180 days with no appeal to ED
- Prior year charges threshold raised to \$200
- Return of loan funds if student does not attend
- Time to notify borrower of crediting account varies depending upon whether or not school uses affirmative confirmation
- Preferred lender list and prohibited inducement regulations
- Visit www.ecmc.org > School > Training > Webinars for more complete information



Loan Access

Loan Access



February 11, 2008

CREDIT MARKETS

Student-Loan Issues Under Stress

washingtonpost.com

Credit Crisis May Make College Loans More Costly

Some Firms Stop Lending to Students

THE CHRONICLE OF HIGHER EDUCATION

News Blog

Higher-education news from around the Web

February 13, 2008

Michigan Is Pulling Out of the Private-Loan Market

chicagotribune.com

Mortgage ills start to infect college loans

Gail MarksJarvis

February 16, 2008

DesMoinesRegister.com

February 17, 2008

Credit crisis squeezes Iowa Student Loan

THE CHRONICLE OF HIGHER EDUCATION

News Blog

Higher-education news from around the Web

February 26, 2008

Pheaa Temporarily Suspends Federal Student Loans

Loan Access

- Headlines fall into three categories
 - Lenders leaving student loan business, or a segment of it
 - Lenders tightening credit criteria
 - Lenders not being able to secure funds to lend, or at a price that allows the lender to be profitable
- Why are you seeing headlines like this?
- What does this mean for access to student loans – both FFELP and alternative?

Loan Access

- Since October, lenders have decided to leave FFELP in whole or in part or “suspend” participation. These include:
 - College Board
 - National Education
 - College Loan Corporation
 - Student Loan Xpress
 - Nelnet and Sallie Mae (Consolidation)
 - PHEAA
- In the past month, several additional “Top 50” participants announced they were leaving FFELP.
- NASFAA is keeping a scorecard of lenders dropping out and jobs lost

Loan Access

- Alternative loan access is also tightening
- Many reports of lenders increasing minimum credit score to qualify
- Sallie Mae announcement – will limit lending to students at schools with low graduation rates

Loan Access

- Career College Association December 2007 survey of members
 - Almost 25% have been informed their lenders will no longer make FFELP loans
 - 25% indicate increased costs for school and/or students
 - 40% have been informed that their lenders will no longer make alternative loans to their students

Loan Access

- Why is all this happening?
- Two main factors:
 - Lender revenue cuts from *HERA* and *CCRAA* – approximately \$40 billion over 6 years
 - Credit market turmoil
- *HERA* and *CCRAA* contained significant lender revenue cuts
 - Increased lender-paid origination fees
 - Reduced special allowance payments
 - Elimination of “exceptional performer” status
 - Increased risk sharing

Loan Access

- Newest factor creating access concerns – credit market turmoil
- Simple concept – must have money to lend money
- Typical student loan funding sources:
 - Bank deposits
 - Lines of credit – usually temporary
 - Securitizations – Selling securities to investors that are collateralized by student loans

Loan Access

- Securitizations are annually \$80-90 billion business – FFELP and alternative
- Securities fall into two main categories:
 - Long-term fixed rate securities
 - Auction-rate securities
- Auction-rate securities most heavily used by FFELP lenders and secondary markets
 - Typically cheapest cost of financing loans in securities market
 - Investors like them – Considered highly liquid and low-risk

Loan Access

- Auction-rate security is long-term debt with an adjustable interest rate
- Rate is set by an auction – typically every 4 weeks
- 150,000 auctions over 15 years – No problems
- Credit markets in turmoil due to sub-prime mortgage lending crisis created spillover into student loan issues
- Results
 - Initially, higher costs for both new issues and existing bonds
 - Beginning in February, auction failures
 - Investors unwilling to buy, banks not willing to buy as a backstop

Loan Access

- Results
 - Inability to raise new funds to lend, or at a rate that still makes student loans profitable
 - Several states have suspended their private loan programs
 - Other states have announced potential difficulties in funding next AY loans
 - Lenders needing to draw on credit lines, other higher-cost sources of funds, increasing cost of funds
 - Growing concern over access to FFELP and alternative loans

Loan Access

Wall Street Journal, March 24, 2008

“In July of last year, the average FFEL loan provided the lender a 1.28% return on its investment. Making one now puts a lender at an immediate loss of 0.6%, according to one investment bank that recently did a study on student lender funding costs.”

Loan Access

- So what's being done to address these issues?
- Four approaches being taken
 - Planning for ramp up of Lender of Last Resort program
 - Evaluation of DL capacity
 - Injecting liquidity into securities market
 - Legislation

Loan Access

- More discussion of lender of last resort option
- LLR could take three forms:
 - Using existing lenders that agree to make LLR loans
 - Guarantors would act as lenders using their own capital
 - Guarantors would act as lenders using capital provided by ED and Treasury
- On May 5, ED issued Dear Colleague Letter FP-08-05 to guarantors with instructions (15 pages)
- ED says will be ready by June 1

Loan Access

- ED says DL can double capacity
- Could cover 40% of overall need
- Has no effect of availability of private loans
- Consolidation loans
 - 1998 example
 - Mini-boom of Consolidation possible

Loan Access

- On May 2, Federal Reserve took action to inject liquidity into student loan market
- Term Securities Lending Facility now will accept AAA-rated student loan securities as collateral
- Coincidental? First successful student loan securities auction in months took place on the same day

Loan Access

- Spawned four new Congressional bills
 - H.R. 5715 – Rep. Miller
 - S. 2815 – Sen. Kennedy
 - H.R. 5723 – Rep. Kanjorski
 - S. 2847 – Sen. Kerry
- Approach access issue differently
 - Kennedy and Miller bills raise loan limits, allow ED to purchase FFELP loans
 - Kanjorski and Kerry bills authorize lenders to borrow from Federal Home Loan Bank using student loans as collateral
- H.R. 5715 has passed both House and Senate and awaits President Bush's signature

Loan Access

- Currently, no serious belief that FFELP and alternative loans will be generally unavailable
- Some potential pockets where there will be a problem
- Credit market turmoil is expected to ease, but the “when” is unknown
- Will still likely see:
 - Less choice in number of providers
 - Higher lender costs reducing borrower benefits further
 - Limitations on alternative loan options



H.R 5715

H.R. 5715

- H.R. 5715 addresses the loan access issue in several ways:
 - Increases certain loan limits
 - Creates a PLUS grace period
 - Adds new PLUS credit “extenuating circumstances”
 - Modifies Lender of Last Resort rules
 - Gives ED the authority to purchase student loans
- Just for good measure, this bill also makes some significant changes to ACG-SMART Grants

H.R. 5715

- Increased loan limits
 - Unsubsidized Stafford only
 - Undergraduate students only
 - Loans first disbursed on/after July 1, 2008
 - Dependent student annual loan limit raised by \$2,000 at each grade level – Aggregate limit raised to \$31,000
 - Independent student annual loan limits raised:
 - \$6,000 grade levels 01 and 02
 - \$7,000 grade levels 03, 04
 - Aggregate limit raised to \$57,500
- Will you have to repackage? Think about Box 11 on the MPN

H.R. 5715

- PLUS grace period
 - Applies to Parent PLUS only
 - Loans with a first disbursement on/after July 1, 2008
 - Would allow for a 6-month grace period following the date the dependent student is no longer enrolled at least half-time
 - Available “...if agreed upon by a parent borrower”
- Repayment implication – Parents with PLUS loans, some with grace periods and others without

H.R. 5715

- New PLUS credit “extenuating circumstances”
 - Allows, but does not require, lenders to consider additional factors in evaluating adverse credit
 - Lenders can make PLUS loans if borrower is:
 - 180 days or less delinquent on mortgage (primary residence only) or medical bills
 - Delinquency occurred between January 1, 2007 and December 31, 2009
 - Borrower is no more than 89 days delinquent on other bills
 - Some outstanding questions remain
 - Applies to Grad PLUS? Law is not clear
 - How will lender determine if delinquent mortgage is on primary residence?
 - Applies to 2nd, 3rd, 4th mortgages?

H.R. 5715

- New Lender of Last Resort provisions
 - Originally applied only to subsidized Stafford – now includes sub and unsub Stafford and PLUS
 - LLR-designated schools
 - ED can require schools to demonstrate difficulty in securing lenders
 - Secretary will designate school as an LLR school
 - Authority to do so expires June 30, 2009
 - Appears that all loans at such schools will be LLR, even if some students and parents can secure non-LLR loans
 - All LLR loans must be made at maximum interest rate and fees (origination and default fees)

H.R. 5715

- ED authority to purchase student loans
 - Applies to sub and unsub Stafford and PLUS
 - Loans must be made between 10/1/2003 and 07/1/2009
 - Secretary must determine “...there is an inadequate availability of loan capital to meet the demand”
 - Purchase must result in no net cost to the Federal Government, including servicing costs
 - Proceeds of purchases must be used:
 - To ensure continued participation of lender in FFELP
 - To originate new loans
 - ED can contract with selling lender to continue servicing the loans

H.R. 5715

- ACG-SMART Grant Changes
 - Effective date not 100% clear
 - Deleted all references to “academic year”
 - Added eligibility for a fifth year for undergraduate programs that are designed to be that length
 - Deleted full-time enrollment requirement – Now can receive if enrolled at least half-time
 - Deleted requirement that recipient be a U.S. citizen
 - Adds eligibility for students enrolled in 1-2 year certificate programs
 - Adds eligibility for certain schools where students are not allowed to declare majors
 - Allows State officials to designate certain high school programs as rigorous without ED’s approval



Higher Education Act Reauthorization

HEA Reauthorization

- Should have been done in 2003
- Since then, eleven extensions authorizing the *HEA* through April 30, 2008
- Senate passed a twelfth extension through May 31, but House did not
- Technically, *HEA* has expired
- Could reauthorization finally happen?

HEA Reauthorization

- Looks like reauthorization will probably happen
 - S. 1642 passed (95 – 0) on July 24, 2007
 - H.R. 4137 passed (354 – 58) on February 7, 2008
- Reauthorization now on back burner due to access issue
- Committee staff continue to meet to iron out differences in House and Senate versions

HEA Reauthorization

- Major differences between the two bills
 - Different treatments of the same issues
 - Some issues addressed in one bill, but not the other
- Major stumbling block according to Kennedy – House provision on State “maintenance of effort”
- Appear to be more stumbling blocks behind the scenes
- Once committee staff have resolved major differences, Conference committee will be appointed
- Conference committee will:
 - Resolve remaining issues
 - Produce a single revised bill

HEA Reauthorization

- Reconciled bill will have to go back to House and Senate for another vote
- Once passed, to President to sign
- Best guess – sometime in May
- Typically, reauthorization is for a 4-6 year period

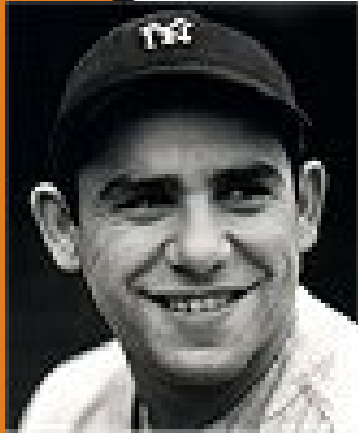
HEA Reauthorization

- Need to consider interaction of law and regulations
- Many new regulations effective July 1, 2008
- Reauthorization could make some moot, with inducement rules most obvious example
- Will highlight some of these potential changes in the next few slides

HEA Reauthorization

- Two excellent sources of information
- NASFAA – www.nasfaa.org
 - Look under “Legislative News”
 - Comparison of bills with NASFAA recommendations
- NCHELP – www.nchelp.org
 - Look under “HEA Reauthorization – Bills Introduced”
 - Comparison of loan program provisions

HEA Reauthorization



- Keep in mind what Yogi Berra said:

“It ain’t over till it’s over.”

- Until a final bill is passed, we can only speculate about what it will contain.
- Goal today – highlight some potential changes in loan programs

HEA Reauthorization

- Preferred lender lists
 - House and Senate bills effectively identical
 - No apparent conflict with regulations, but add one additional requirement
 - Schools would have to disclose affiliated relationships among lenders on list

HEA Reauthorization

- Prohibited inducements
 - House and Senate bills not identical by a long shot
 - House bill covers FFELP and alternative loans; Senate bill is FFELP-only
 - Both bills require schools to establish a code of conduct, but requirements differ
 - Both bills have elements that differ from regulations effective July 1

HEA Reauthorization

- Prohibited inducements
 - Advisory Councils/Boards
 - House bill prohibits schools from serving on lender boards, silent on guarantor boards
 - Senate bill OK with school participation, but limits compensation to reasonable expenses

HEA Reauthorization

- Prohibited inducements
 - Gift Ban
 - House bill contains a more restrictive definition of “gift” than Senate bill
 - Senate bill carves out professional development from an absolute ban on gifts beyond those of a nominal value

HEA Reauthorization

- Prohibited inducements
 - Counseling by lenders, guarantors
 - House bill allows lender and guarantor involvement – Must be under school control and no sale of products
 - Senate bill is silent on this issue
 - House bill clearly in conflict with July 1 regs

HEA Reauthorization

- Cohort Default Rates
 - In House bill only
 - Would change cohort from 2 years to 3 years
 - Current cohort – number of borrowers who enter repayment in a FYY, and who default by the end of the following FFY
 - Proposal – number of borrowers who enter repayment in a FYY, and who default by the end of the second FFY after the FFY they enter repayment

HEA Reauthorization

- Cohort Default Rates
 - Current example
 - Borrower enters repayment in FFY 2003 (October 1, 2002 through September 30, 2003)
 - Must default by September 30, 2004 to be included in cohort default rate
 - Proposal in House bill
 - Use same date borrower enters repayment
 - Must default by September 30, 2005 to be included in cohort default rate

HEA Reauthorization

- Cohort Default Rates
 - Would take effect with 2008 CDR to be published in 2011
 - Sanctions
 - Would apply if CDR is 30% or higher for 3 consecutive years versus current 25%
 - Sanctions would not be enforced until 2014 when 3 years of rates under this calculation are available

HEA Reauthorization

- Cohort Default Rates
 - Would change some disbursement rules that are based on cohort default rates
 - Would allow exemption from 30-day delayed disbursement rule to schools with CDRs less than 15% - Currently 10%
 - Would allow schools to make one disbursement in a single term if CDR is less than 15% - 10% now
 - Does not change study abroad rule

HEA Reauthorization

- Cohort Default Rates
 - CDRs will certainly rise
 - Some concern this change will limit access, particularly in some sectors
 - Private career schools
 - Community colleges
 - HBCUs

HEA Reauthorization

- Loan Disclosures and Reporting
 - Both House and Senate bills contain significant new disclosure requirements
 - House bill covers both FFELP and alternative loans – Senate bill is FFELP-only
 - Most apply to lenders, but some to schools
 - Additional provisions
 - More “life of loan” requirements
 - Use of model forms
 - Additional reporting to ED

HEA Reauthorization

- Financial Literacy
 - Both House and Senate bills require guarantors to develop and provide students with financial management information
 - House bill requires guarantors to provide this information for students attending DL schools

HEA Reauthorization

- Loan Counseling
 - House bill would modify counseling requirements
 - No comparable Senate provision
 - Two additions
 - Explanation of interest accrual and capitalization
 - Information regarding salaries of graduates

HEA Reauthorization

- School as Lender
 - Senate bill eliminates loans made under SAL after June 30, 2012
 - House bill is silent on this issue

HEA Reauthorization

- Forgiveness Programs
 - House bill only would add several new loan forgiveness programs
 - Adds new categories
 - Volunteer mentors – Community college students only – Forgives \$10 for each hour served
 - Civil legal assistance attorneys
 - School superintendents and principals
 - Audiologists
 - First come, first forgiven and subject to appropriations

HEA Reauthorization

- Forgiveness Programs
 - House bill has another interesting twist
 - Forgives interest for active duty military for up to 60 months
 - DL borrowers only
 - Can consolidate into DL to obtain benefit

HEA Reauthorization

- Grad PLUS Loans
 - House bill only
 - Would add a six-month grace period for Grad PLUS loans issued on/after July 1, 2008

HEA Reauthorization

- Parent PLUS Loan Auction
 - Addressed in both House and Senate bills
 - Auction, mandated by CCRAA, was rather open-ended
 - No end date
 - No evaluation of process
 - Both House and Senate bills would:
 - Require evaluation of PLUS auction
 - Require assessment of feasibility of using auctions for all FFELP loans

HEA Reauthorization

- Private Loan Certification
 - Provision in House bill only
 - Would amend both the HEA and the Truth in Lending Act
 - Requirements:
 - School must provide lender, upon request, student enrollment status, COA, and difference between COA and EFA
 - Lender must notify school of issuance of credit before issuing funds

HEA Reauthorization



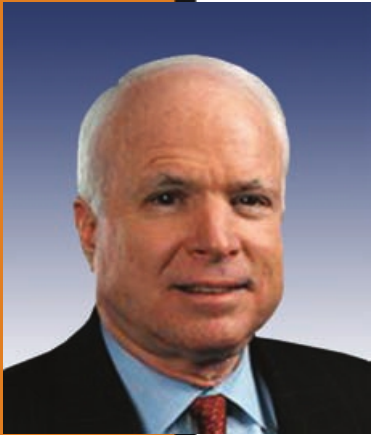
- Senator Barack Obama (D-IL)
 - Create “American Opportunity Tax Credit”
 - Eliminate FAFSA – Check off box on tax form
 - Put more emphasis on community colleges
 - Supports elimination of FFELP

HEA Reauthorization



- Senator Hillary Clinton (D-NY)
 - New tuition tax credit
 - Eliminate FAFSA – Check off box on tax form
 - Put more emphasis on community colleges
 - Protect families against “predatory lenders”
 - Supports elimination of FFELP

HEA Reauthorization



- Senator John McCain (R-AZ)
 - Campaign website has no higher education proposals
 - Wants more disclosure of academic earmarks
 - Expand education benefits for military veterans

HEA Reauthorization

- Much speculation over another HEA reauthorization in 2009
- More likely if a Democrat wins the presidential election
- Precedence for this scenario
 - HEA reauthorized in 1992
 - 1993 – *Student Loan Reform Act of 1993*



Negotiated Rulemaking

Negotiated Rulemaking

- In October 2007, ED announced intent to enter into new round of neg reg
- January 8, 2008 ED announced formation of two neg reg teams:
 - Loan issues arising from *CCRAA*
 - TEACH Grants

Negotiated Rulemaking

- Both teams began meeting in January
 - TEACH Grant team
 - 3 meetings in space of one month
 - Need to have regs in place for July 1, 2008
 - Loan issues team
 - Scheduled for 3 meetings to end March 6
 - Additional meeting added for April 14-15

Negotiated Rulemaking

- Loan team was restricted to issues arising from CCRAA
- Issues addressed:
 - Income based repayment plan
 - Economic hardship deferment
 - DL public service loan forgiveness
 - HEROES waivers and benefits for active duty military
 - Definition of not-for-profit lender
- Discussions regarding loan access and federal preemption were held, but are not a part of neg reg
- Loan Team reached consensus on April 14 – NPRM is being prepared

Negotiated Rulemaking

- Limited value in discussing these loan issues in any detail
 - Tentative agreement on some issues, but far from being final
 - All issues have a more direct operational impact on lenders, servicers and ED than schools
 - Final regs expected to be issued by November 1 with a July 1, 2009 effective date

Negotiated Rulemaking

- ED announced a significant change to the economic hardship deferment during neg reg
- Issue – the 20/220 qualifying standard
 - Federal education loan debt burden equals or exceeds 20% of monthly income
 - Income after subtracting loan payments is less than 220% of poverty line for a family of two
- This standard will not be available after June 30, 2009
 - *CCRAA* eliminated this standard from *HEA*
 - Secretary used her discretion to keep it in regs
 - Continuing this qualifier would have a budget cost of \$1.1 billion over 10 years

Negotiated Rulemaking

- TEACH Grant team reached a consensus on regulatory language
- Notice of Proposed Rulemaking is out for comment, so details could change after public comment period
- Consensus language provides a good outline of how program will work

Negotiated Rulemaking

- New TEACH Grants program a result of CCRAA
- Only funded through 2011
- Basics
 - Teacher candidates must apply for grants and meet certain academic criteria
 - \$4,000 annually (full-time)
 - \$16,000 maximum for undergrads
 - \$8,000 maximum for grad students

Negotiated Rulemaking

- After completing program of study, candidates must serve in 4 of next 8 years in a:
 - Low-income school, and
 - High-need field – math, science, foreign language, bilingual education, special education, reading specialist or other designated high-need field
- Teacher must be “highly-qualified”
- Neg reg language does not provide a specific date that 8-year period begins – After “*completing program of study*”
- Grant converts to DL unsub Stafford under certain conditions

Negotiated Rulemaking

- TEACH Grants – School Participation
 - Schools would not have to participate
 - Schools eligible to participate:
 - Must meet financial responsibility standards, and
 - Offer a “*high-quality teacher preparation program*” at either the undergraduate or graduate level, or
 - Offer a 2-year program “*acceptable for full credit*” to a school that has either a teacher prep program or programs in high-need fields, or
 - Offer a bachelor’s degree in a high-need field that can be combined with “*other training and experience*” to prepare students for a career in teaching – Requires agreement with another school, or
 - Offer a “*post-baccalaureate program of study*”

Negotiated Rulemaking

- TEACH Grants – Eligible Programs
 - *“...a program of study that prepares an individual to teach in a high-need field and leads to a baccalaureate or master’s degree...”*
 - Post-baccalaureate program of study
 - Two-year programs that are acceptable for full credit toward a bachelor’s degree

Negotiated Rulemaking

- TEACH Grants – Student Eligibility
 - Students indicate interest by answering “Yes” to FAFSA question regarding TEACH Grants – SAR comment code 281
 - Neg reg consensus language would require schools to determine student’s academic qualifications
 - Students must be academically qualified by either:
 - Grade point average – Minimum of 3.25 on 4.0 scale
 - Performance on a standardized admissions test, e.g. SAT, ACT, GRE – Above the 75th percentile “*on at least one of the batteries*”
 - Which GPA to use depends upon several factors, thus creating some operational issues

Negotiated Rulemaking

- TEACH Grants – Student Eligibility Based on GPA
 - First year undergrads, school can use either:
 - High school GPA, or
 - GPA at school based on courses taken through the most-recently completed payment period
 - Beyond first year, cumulative undergraduate GPA *“through the most-recently completed payment period”*
 - Grad student in first payment period – cumulative undergraduate GPA
 - Grad student beyond the first payment period - cumulative graduate GPA *“through the most-recently completed payment period”*

Negotiated Rulemaking

- TEACH Grants – Award Amounts
 - Annual awards based on enrollment status:
 - Full-time = \$4,000
 - Three-quarter-time = \$3,000
 - Half-time = \$2,000
 - Less-than-half-time = \$1,000
 - Combined with other EFA, cannot exceed COA, but
 - Can replace EFC – Amount of TEACH Grant exceeding EFC is considered EFA
 - *“In each payment period, an institution may pay a student at such times and in such installments as it determines will best meet the student’s needs.”*

Negotiated Rulemaking

- TEACH Grants – Applications and Service Agreements
 - Neg reg consensus language references two forms the student must sign and complete
 - Application
 - Service agreement
 - Application
 - Must be submitted annually by deadline established by ED
 - Original – no copies allowed
 - Submitted to either:
 - ED
 - School, for transmission to ED electronically – References being signed by “family members”

Negotiated Rulemaking

- TEACH Grants – Applications and Service Agreements
 - Student must sign Service Agreement that sets forth:
 - Terms and conditions for receiving grant
 - What happens if service is not performed
 - Contains a promise to pay if converted to a loan
 - ED web site says Service Agreement will be available electronically on an ED web site
 - Negotiated regs anticipate that a student may have multiple Service Agreements

Negotiated Rulemaking

- Schools will have to ensure that TEACH Grant recipients receive counseling
 - Initial counseling
 - Subsequent counseling
 - Exit counseling
- Subsequent counseling is required *“prior to the first disbursement of each subsequent TEACH Grant award.”*
- Procedural issue
 - How will you ensure subsequent counseling is conducted?
 - How will you document this?

Negotiated Rulemaking

- TEACH Grant initial counseling must include the following information:
 - The service agreement terms and conditions
 - How to identify low-income schools and high-need fields
 - That the high-need field must be one of six identified in the regulations, or a field listed on the Nationwide List for the State where the recipient teaches
 - That the recipient can request a suspension of the 8-year period and the conditions for doing so
 - Conditions, such as a felony, could prevent the recipient from completing the service obligation

Negotiated Rulemaking

- Initial counseling must also include this information:
 - If the student does not complete the service obligation
 - Grant is converted to a DL unsub Stafford
 - Interest accrues from each disbursement date
 - Explanation of when grant is converted to a loan
 - Once converted, cannot be reconverted to a grant
 - Availability of ED Ombudsman
 - Consequences of loan default
 - Sample monthly payments based on a range of indebtedness

Negotiated Rulemaking

- TEACH Grant subsequent counseling must cover:
 - The service agreement terms and conditions
 - If the student does not complete the service obligation
 - Grant is converted to a DL unsub Stafford
 - Interest accrues from each disbursement date
 - Explanation of when grant is converted to a loan
 - Once converted, cannot be reconverted to a grant
 - Availability of ED Ombudsman
- All of these items are covered in initial counseling

Negotiated Rulemaking

- TEACH Grant exit counseling is effectively a hybrid of grant and loan counseling.
- Must include:
 - Reminder of 4-year service obligation
 - That the recipient can request a suspension of the 8-year period and the conditions for doing so
 - How to identify low-income schools and high-need fields
 - That the high-need field must be one of six identified in the regulations, or a field listed on the Nationwide List for the State where the recipient teaches
 - Explanation that recipient must annually document qualifying service or intent to perform that service

Negotiated Rulemaking

- Exit counseling must also include:
 - Explanation of when grant is converted to a loan
 - Once converted, cannot be reconverted to a grant
 - Average anticipated monthly payment if grant converts to a loan
 - Available loan repayment options
 - Debt management strategies
 - How to contact the Secretary of Education
 - Likely consequences of default
 - Conditions under which a loan may be deferred, forbore, discharged or forgiven

Negotiated Rulemaking

- Mapping Your Future is evaluating whether to add TEACH Grant counseling options
- Has to be approved by MYF Steering Committee first

Negotiated Rulemaking

- Conversion of TEACH Grants to Loans
 - Student request – decided not to teach
 - Ceasing enrollment before completing program unless notify ED within 120 days of intention to fulfill obligation
 - Within one year of ceasing enrollment before completing program, recipient has not:
 - Re-enrolled in an eligible program, or
 - Been deemed eligible for a suspension of the 8-year service period, or
 - Begun eligible teaching service
 - Completed program, but fails to notify ED annually of intent to complete service
 - Begins service too late to complete within 8-year period

Negotiated Rulemaking

- Conversion of TEACH Grants to Loans
 - Converts to DL unsub Stafford
 - Does not count against annual, aggregate loan limits
 - Immediately enters repayment – no grace period
 - Interest accrues from date of each TEACH Grant disbursement

Negotiated Rulemaking

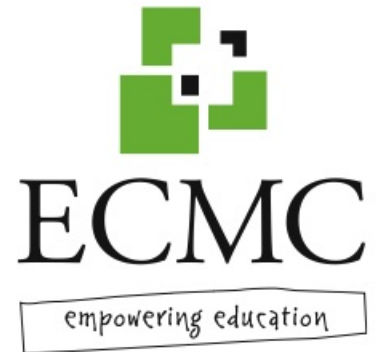
- TEACH Grant Service Period
 - Can be extended up to 3 additional years in 1-year increments due to:
 - Enrollment in a TEACH Grant-eligible program
 - Certain conditions covered by *Family and Medical Leave Act*
 - Call to active duty military status
 - Service obligation can be discharged due to:
 - Death
 - Permanent and total disability, subject to 3-year conditional discharge period

Negotiated Rulemaking

- Very limited information is available on ED web site
- <http://www.studentaid.ed.gov/PORTALSWebApp/students/english/TEACH.jsp>

Negotiated Rulemaking

- Want more change?
- Likely to have more negotiated rulemaking in 2008
 - Reauthorization issues
 - ACG-SMART Grant issues from H.R. 5715



Questions?