

The Latest Word from ISAC on...

FFY08 Budget Reconciliation

Congress returned from its summer recess on September 4th to a full plate of unfinished issues, including budget reconciliation, several FFY08 appropriation bills, and reauthorization. The full House met on September 4th and disagreed with the amended reconciliation bill that was passed by the full Senate on July 20th, and agreed to go to conference committee. The House appointed all members of the House Committee on Education and Labor as its conference committee members. Prior to adjourning for the summer recess, the Senate appointed the members of the Senate Health, Education, Labor and Pensions (HELP) Committee as its conference committee members.

Conference committee negotiations were held on September 5th. Late that evening, Senator Edward Kennedy, Chairman of the HELP Committee, and Rep. George Miller, Chairman of the House Education Committee, released a conference report that contained final budget reconciliation legislation. This bill combines provisions that were contained in the House and Senate reconciliation bills that were passed back in July. The bill – now titled *the College Cost Reduction and Access Act* – would increase college aid by nearly \$20 billion over the next five years, which will be funded by cuts to the student loan programs. This bill also includes the \$750 million in budget deficit reduction required by the reconciliation instruction that was passed earlier this year. The overall effective date of this bill is October 1, 2007, unless otherwise noted.

This bill increases funding for the Pell Grant program over the next five years, and raises the maximum grant award to \$4,800 in academic years 2008-2009 and 2009-2010, to \$5,000 in academic years 2010-2011 and 2011-2012, and to \$5,400 in academic year 2012-2013. The additional funding is intended to supplement, not supplant, any current or future discretionary funding for the Pell Grant program.

The bill makes several changes to student loan benefits and terms and conditions, including reducing the interest rate on subsidized Stafford loans for undergraduate students. The bill also increases the Income Protection Allowance for dependent and independent students, to be phased-in over five years, and makes changes to the eligibility requirements for the Simplified Needs Test and Auto Zero EFC determinations.

The FFEL Program changes include: reducing the guarantor collection retention percentage and the Account Maintenance Fee (AMF) percentage; reducing the lender insurance percentage and eliminating the Exceptional Performer (EP) Program; reducing lender special allowance payments (SAP); and increasing the lender-paid origination fee on all loans. The bill also establishes a new pilot loan auction program in which lenders will compete to originate and disburse parent PLUS loans in each State.

The bill also creates several new programs, including the TEACH Grant Program and the College Access Challenge Grant Program, and establishes new investments that will be made in Historically Black Colleges and Universities (HBCUs) and Minority Servicing Institutions.

The full Senate took up this bill in the early morning of September 7th and passed it in its current form by a vote of 79-12, and the full House passed the bill by a vote of 292-97. The bill will now be sent to President Bush for his signature. According to a statement from Rep. George Miller, Secretary Margaret Spellings has indicated that the President will sign this bill.

See the chart below for a more detailed summary of the provisions included in the final bill. Also, below is a chart that shows the provisions from the original House and Senate reconciliation bills that were not included in the final bill.

Provisions Contained in the College Cost Reduction and Access Act

| Topic | Summary of Provision | Effective Date |
|---|--|---|
| Borrower/Student Eligibility | | |
| Loan Deferment Following Active Military Deferment | <p>Extends the deferment period to include the 13 months after completing military service for borrowers who are members of the National Guard or other Armed Forces reserve (current or retired members) that are called to active duty while enrolled (or enrolled within 6 months of the call to active duty) at an eligible institution. The deferment expires when the borrower returns to enrolled status.</p> <p>For purposes of this section, “active duty” is defined as full-time duty in the active military service of the U.S., including State duty for members of the National Guard. This does not include active duty for training or attendance at a service school.</p> | 10/1/2007 |
| Economic Hardship – Definition | <p>Redefines economic hardship as income in the amount of 150% of the poverty level for a family of two (currently it is 100% of the poverty level for a family of two).</p> <p>Removes the requirement that the borrower be working full time and have a federal education debt that equals or exceeds 20% of the borrower’s adjusted gross income.</p> | 10/1/2007 |
| Income-Based Repayment | <p>Applies to both FFELP and Direct loans (not applicable to parent PLUS loans or consolidation loans used to pay a parent PLUS loan).</p> <p>A borrower who has a partial financial hardship (regardless of whether or not the borrower’s loan has been submitted to a guarantor for default aversion, or is already in default) can have their aggregate monthly payment limited to 15% of the amount by which the borrower’s (and borrower’s spouse, if applicable) adjusted gross income exceeds 150% of the poverty level applicable to the borrower’s family size, divided by 12.</p> <p>Payments will be applied to interest first, then to any fees, and then toward principal. Interest due on subsidized loans shall be paid by the Secretary for up to 3 years, except during periods in which the borrower is in an economic hardship deferment on those loans.</p> <p>If a borrower no longer has a partial financial hardship or no longer wishes to make payments under an income-based repayment plan, then the maximum monthly payment for all loans shall not exceed the monthly payment calculated under a standard 10-year repayment plan. Interest on subsidized and unsubsidized loans will be capitalized when the borrower ends the income-based repayment plan or begins making full monthly payments. Principal due and not paid will be deferred. The amount of time the borrower makes payments may exceed 10 years.</p> <p>The Secretary will also forgive the outstanding loan balance and interest for borrowers after a period of time “not to exceed 25 years,” including periods of deferment and forbearance.</p> <p>A borrower repaying a FFELP or Direct loan under income-</p> | <p>7/1/2009, except for provision noted below</p> <p>7/1/2008</p> |

Federal Update – Budget Reconciliation – 090707

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| | <p>based repayment may change to a standard repayment plan at any time.</p> <p>Special Allowance is calculated on the principal balance on the loan and any accrued interest unpaid by the borrower.</p> | |
| Interest Rates – FFELP and Direct Loan | <p>Reduces the current subsidized Stafford loan interest rate (a fixed 6.8%) for undergraduate Stafford borrowers as follows:</p> <ul style="list-style-type: none"> • 6.00% for loans first disbursed on or after 7/1/08 and before 7/1/09 • 5.60% for loans first disbursed on or after 7/1/09 and before 7/1/2010 • 4.50% for loans first disbursed on or after 7/1/2010 and before 7/1/2011 • 3.40% for loans first disbursed on or after 7/1/2011 and before 7/1/2012 | Loans first disbursed on/after July 1 of each year. |
| Military Deferment | <p>Repeals the three-year limitation on a Military Deferment, and extends the deferment period through the 180-day period following the borrower’s demobilization date.</p> <p>Repeals the restriction on the deferment only being provided for loans made on or after July 1, 2001 and replaces it with language that states, “all loans under Title IV of the Higher Education Act of 1965.”</p> | 10/1/2007 |
| Needs Analysis – Definition of Assets | <p>Revises the definition of Asset to state specifically that a qualified education benefit is to be considered an asset of</p> <ul style="list-style-type: none"> • The parent for purposes of determining the EFC for a dependent student, regardless of whether the owner of the account is the parent or student; or • The student for purposes of determining the EFC for an independent student. <p>Revises the definition of Asset to state that special combat pay shall not be treated as estimated financial assistance in determining the amount of need. Special combat pay is defined as pay received by a member of the Armed Forces because of exposure to a hazardous situation.</p> | 7/1/2009 |
| Needs Analysis – Definition of Excludable Income | Expands the definition to include special combat pay. | 7/1/2009 |
| Needs Analysis – Definition of Independent Student | <p>Expands the definition of Independent student to include an individual who is:</p> <ul style="list-style-type: none"> • An orphan, in foster care, or a ward of the court at any time when the individual is 13 or older; • An emancipated minor or those in legal guardianships as determined by an appropriate court in the student’s State of legal residence; and • An “unaccompanied youth” who is a homeless child or youth. <p>Also simplifies the dependency override process by allowing an aid administrator to grant a dependency override based on determination of another aid administrator in the same award</p> | 7/1/2009 |

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| | year (i.e., transfer students may have their dependency overrides continued at their new school rather than completing the appeal process again). | |
| Needs Analysis – Definition of Total Income | Revises the definition of Total Income to exclude distributions from a qualified education benefit (529 plans, prepaid tuition plans, Coverdell education savings accounts) from counting as income or assets in need analysis. | 7//2009 |
| Needs Analysis – Definition of Untaxed Income and Benefits | Eliminates from the list of excludable items under Untaxed Income and Benefits: <ul style="list-style-type: none"> • Welfare benefits, • The amount of earned income credit claimed for Federal taxes • Credit for Federal tax on special fuels, • The amount of foreign income excluded for purposes of Federal income taxes, and • Untaxed social security benefits. <p>Adds the amount of additional child tax credit claimed for Federal income tax purposes as an excludable item.</p> | 7/1/2009 |
| Needs Analysis – Income Protection Allowance | Increases the income protection allowance for dependent and independent students each academic year from 2009-2010 through 2012-2013, as follows: <p>Dependent students</p> <ul style="list-style-type: none"> • to \$3,750 for AY 2009-2010 • to \$4,500 for SY 2010-2011 • to \$5,250 for AY 2011-2012 • to \$6,000 for AY 2012-2013 <p>Independent students w/out dependents other than a spouse <i>(single or separated students, or married students where both are enrolled)</i></p> <ul style="list-style-type: none"> • to \$7,000 for AY 2009-2010 • to \$7,780 for SY 2010-2011 • to \$8,550 for AY 2011-2012 • to \$9,330 for AY 2012-2013 <p>Independent students w/out dependents other than a spouse <i>(married students where one is enrolled)</i></p> <ul style="list-style-type: none"> • to \$11,220 for AY 2009-2010 • to \$12,460 for SY 2010-2011 • to \$13,710 for AY 2011-2012 • to \$14,960 for AY 2012-2013 | 7/1/2009 |
| Needs Analysis – Income Protection Allowance | Provides for increases in the income protection allowance amount for independent students with dependents other than a spouse. Allowance amounts vary based on family size; total increase will be 50% from AY 2009-2010 through AY 2012-2013. | 7/1/2009 |
| Needs Analysis – Income Protection Allowance Tables | Provides for increase in the income protection allowance amounts for the 2009-2010 academic year through the 2012-2013 academic year, except for independent students with dependents other than a spouse. For each academic year after 2012-2013, the income protection allowance for those students | 7/1/2009 |

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| | <p>will be adjusted based on the percentage increase in the Consumer Price Index (CPI) between 12/2011 and the December next preceding the beginning of such academic year, rounded to the nearest \$10.</p> <p>Also provides for adjustments to the parent income protection allowance table for each academic year after academic year 2008-2009, based on the percentage increase in the CPI between 12/1992 and the December next preceding the beginning of such academic year, rounded to the nearest \$10.</p> <p>The Secretary shall publish in the <i>Federal Register</i> a revised table each academic year.</p> | |
| Needs Analysis – Professional Judgment | Expands the use of professional judgment for financial aid officers to include consideration of an independent student’s loss of employment, a family member that is a dislocated worker, or a student’s change in housing status resulting in the student becoming homeless (as defined section 103 of the McKinney-Vento Homeless Assistance Act) when calculating cost of attendance or student/parent contribution. | 7/1/2009 |
| Needs Analysis – Simplified Needs Test and Auto Zero Determination | <p>Expands the timeframe that a parent or student who received benefits under a means-tested Federal program to some time during the previous 24 months (currently 12 months).</p> <p>Increases the family income level for eligibility for the auto-zero determination for Pell grant maximum awards from \$20,000 to \$30,000.</p> <p>Expands the eligibility for dependent and independent students to file a simplified form or to have a zero expected family contribution (EFC) to include if one parent (or the applicant or applicant’s spouse in the case of an independent student) is a dislocated worker.</p> | 7/1/2009 |
| Reconsolidation | Allows a borrower the ability to obtain a subsequent Direct consolidation loan for the purpose of obtaining an income contingent repayment plan (if the loan(s) the borrower is wanting to consolidate has been submitted to a guarantor for default aversion), or for the purpose of obtaining using the new public service Direct loan forgiveness program. | 7/1/2009 |
| Department of Education | | |
| Loan Forgiveness for Public Sector Employees | <p>Creates a new loan forgiveness program for public sector employees. This is available for Direct loans only (subsidized and unsubsidized Stafford, PLUS, and Consolidation loans).</p> <p>The Secretary shall forgive the balance of interest and principal due on eligible direct loans not in default for borrowers who:</p> <ul style="list-style-type: none"> • made 120 monthly payments after October 1, 2007 under an income-based repayment plan, a standard 10-year repayment plan, a graduated repayment plan, extended repayment plan, or combination of any of these repayment plans; and • is employed in a public service job at the time of such forgiveness and has been employed in a public service job | 10/1/2007 |

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| | <p>during the 120 month period in which payments were made.</p> <p>The borrower will be granted the loan forgiveness at the completion of the 10 years of employment.</p> <p>Public sector jobs include a full time job in:</p> <ul style="list-style-type: none"> • public emergency management; • government; • military service; • public safety; • law enforcement; • public health; • public education, including public early childhood education; • social work in a public child or family service agency; • public interest law services (including prosecution or public defense or legal advocacy in low-income communities at a nonprofit organization); • public child care; • public service for the elderly; • public library sciences; • public school-based library sciences and other school-based services; • at an organization described in section 501(c)(3) of the IRS Code; or • teaching as a full-time faculty member at a Tribal College or University and other faculty teaching in high-needs areas as determined by the Secretary. | |
| PLUS Loan Auction Pilot Program | <p>Creates a pilot program for the auctioning of the Parent PLUS program within FFELP. From the date of enactment of the legislation through June 30, 2009, the Secretary is charged with planning and implementing this pilot auction.</p> <p>Beginning on July 1, 2009, the Secretary will arrange for the origination and disbursement of all Parent PLUS loans (made on behalf of a dependent student who is a new borrower on or after 7/1/2009) within FFELP for each State. The Secretary will establish a prequalification process that will require a specific set of borrower benefits and servicing requirements for each competing lender and an assessment of each lender's capacity to participate effectively, including capital capacity.</p> <p>Each State auction will occur every two years and the lenders with the winning bids for each State will be the only ones eligible to originate Parent PLUS loans for the cohort of students attending institutions in that State until the student on whose behalf the parent is borrowing graduates or leaves the institution.</p> <p>Each bid must contain the amount of special allowance (including the recapture of excess interest) the lender proposes to accept. The maximum bid allowable cannot exceed the amount of the special allowance payment made to for-profit</p> | 7/1/2009, with an auction to take place every two years |

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| | <p>entities for loans not included in the auction pilot program.</p> <p>The winning bids for each State will be the two bids containing the lowest and second lowest proposed special allowance payments.</p> <p>Lenders must agree to enter into an agreement with the Secretary to make loans to each eligible borrower who seeks a PLUS loan for a dependent student and elects to borrow from the lender and to accept the special allowance payment in the amount proposed in the second lowest winning bid for the State auction. All bids will be sealed and remain confidential even following the announcement of the winning bids.</p> <p>Should there be no winning bid, the students attending institutions in that State will be served by a lender of last resort determined and identified by the Secretary. Lenders, prior to the start of an auction, considering acting as a lender of last resort, will submit an application to the Secretary. The Secretary will not announce the lender of last resort until after the announcement of all winning bids for a given year. The Secretary will guaranty loans made by lenders of last resort at 99% of the unpaid principal and interest due on the loan.</p> <p>ED will not collect a loan fee on PLUS loans originated through the auction pilot program.</p> <p>An eligible lender permitted to originate PLUS loans will have the option to consolidate those loans. If a borrower chooses to consolidate, they must notify the eligible lender who originated the loans. However, if a borrower can verify better terms and conditions being offered by another consolidating lender, and the originator of the loans, within 10 days of notification, does not agree to match those terms and conditions, or provide more favorable terms, the borrower can consolidate with another lender.</p> <p>If a borrower has a Direct or FFEL PLUS Loan(s) and wants to consolidate with a loan made under auction, the originating lender within the auction may include the loan in the consolidation only in the case of a Direct PLUS loan the lender agrees, not later than 10 days after the borrower requests the consolidation loan, to match the terms provided under the Direct Loan program or in the case of an FFEL PLUS the eligible lender agrees, not later than 10 days after the borrower requests a consolidation loan, to match the terms of another FFEL lender.</p> <p>Special Allowance on consolidation loans made within the Parent PLUS auction will be the lesser of the weighted average of the special allowance payment on the loans being consolidated, excluding the special allowance payment for any Federal Direct PLUS loans included, or CP + 1.59%.</p> | |
| Guarantor Issues | | |
| Account Maintenance | Reduces Account Maintenance Fee (AMF) payments to | 10/1/2007 |

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| Fee (AMF) | guarantors from 0.10% to 0.06%. | |
| Guarantor Collection Retention | Reduces the guarantor collection retention percentage from 23% to 16%. | Payments received on or after 10/1/2007. |
| Lender Issues | | |
| Exceptional Performer (EP) | Eliminates the Exceptional Performer program. | 10/1/07, except that EP designations in effect on the day before enactment of this legislation shall remain in effect for the remainder of the year for which the EP designation was made. |
| Lender Insurance Percentage | Reduces lender insurance percentage paid on defaulted loans is reduced to from 97% to 95%. Insurance paid on lender-of-last-resort loans and on exempt claims would remain at 100%. | Loans made on or after 10/1/2007. |
| Lender Paid Origination Fee | Increases the lender paid origination fee from 0.50% to 1% on all loans from all lenders. | Loans first disbursed on or after 10/1/2007. |
| Special Allowance Payment Reduction | <p>Reduces special allowance payments to lenders, as follows:</p> <p>For loans held by an entity other than a non-profit holder:</p> <ul style="list-style-type: none"> • Stafford (In-School and Grace Period): 3-month Commercial Paper (CP) Rate + 1.19% / 4 [55 basis point cut] • Stafford (In Repayment): CP + 1.79% /4 [55 basis point cut] • Consolidation: CP + 2.09% /4 [55 basis point cut] • PLUS: CP + 1.79% /4 [85 basis point cut] <p>For loans held by a non-profit holder:</p> <ul style="list-style-type: none"> • Stafford (In-School and Grace Period): CP + 1.34% / 4 [40 basis point cut] • Stafford (In Repayment): CP + 1.94% / 4 [40 basis point cut] • Consolidation: CP + 2.24% / 4 [40 basis point cut] • PLUS: CP + 1.94% / 4 [70 basis point cut] <p>The term ‘eligible not-for-profit holder’ is defined as an eligible lender under section 435(d) (except for an eligible lender described in subsection 435(d)(1)(E)) that requests a special allowance payment under section 438(b)(2)(I)(vi) (II) and that is –</p> <ul style="list-style-type: none"> • a State of the United States or a political subdivision, an authority agency or other instrumentality thereof, (including such entities that are eligible to issue bonds described in section 1.103-1 of title 26 of the Code of Federal Regulations, or section 144(b) of the Internal Revenue Code of 1986); • an entity described in Section 150(d)(2) of such Code that has not made election described in Section 150(d)(3) of such Code; • an entity described in Section 501(c)(3) of such Code; or • a trustee acting as an eligible lender on behalf of such an entity. <p>An eligible lender shall not be an eligible not-for-profit holder</p> | Loans first disbursed on or after 10/1/2007 |

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| | <p>unless the lender was a State, a political subdivision, authority agency, instrumentality, or other entity as described above, or that was an eligible lender trustee on the date of enactment.</p> <p>No eligible lender shall be owned in whole or controlled in whole or in part by a for-profit entity. A not-for-profit lender is considered not to be owned or controlled by a for-profit entity if an eligible lender trustee only holds the loan and does not receive any benefits beyond reasonable and customary fees. The not-for-profit on whose behalf the trustee is acting will not be deemed owned or controlled by a for profit s a result of granting security interest in, or otherwise pledging as collateral, loans or the income form a loan to secure a debt obligation in the operation of the trustee relationship.</p> <p>An eligible not-for-profit must have been in operation and serving as an eligible lender on the date of enactment. In order for a trustee to be an eligible not-for-profit lender, must be acting on behalf of such an eligible lender. A State may waive this requirement for a new eligible not-for-profit holder that the State determines is necessary to fill a public purpose. A State may not waive any of the requirements related to trustees.</p> <p>If the loan is sold to a for-profit entity or an ineligible not-for-profit, beginning on the date of the sale such a loan will no longer be eligible for the higher SAP payments.</p> | |
| New Programs/Initiatives | | |
| College Access Challenge Grant Program | <p>Creates a new grant program for the purpose of making payments to States to assist in providing services including:</p> <ul style="list-style-type: none"> • outreach activities; • information to students and families on the benefits of a postsecondary education, opportunities and planning; • information on financing options and financial literacy; • assistance in completing the FAFSA; • need based grant aid; • professional development for guidance counselors at middle schools and secondary schools and college admission counselors at institutions of higher education; • student loan cancellation or repayment or interest rate reductions for borrower employed in high-need professions in the State, however funds provided in this program may not be used to promote a lender's loan programs. <p>Grants will be made to States having applications approved to enable States to pay the Federal share of the costs of carrying out the activities described above. The Federal share for a fiscal year shall be equal to 2/3 of the costs of the activities and services, and the non-federal share will be equal to 1/3 of the cost of the activities and services and can be in cash or in-kind and be provided from a combination of State resources and contributions from private organizations in the State. The legislation provides for a formula for allotment of funds and provisions to reduce such allotment if a State fails to meet its</p> | Provides \$66,000,000 in funding for each of the fiscal years 2008 and 2009. The program authority expires on September 30, 2009. |

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| | <p>share or to meet other requirements.</p> <p>The State’s application for this program must include:</p> <ul style="list-style-type: none"> • a description of its capacity to administer the program and report to the Secretary annually; • the plan for using the funds and how it will make special efforts to provide benefits to students in the State who are underrepresented in postsecondary education; • how the State will provide or coordinate the non-federal and private funds; and • a description of existing structures the State has in place to administer the program. <p>The State may not use more than 2% of the total amount of the Federal and non-Federal share for administrative purposes relating to the grant.</p> <p>States are prohibited from using funds to promote any lender’s loans.</p> <p>A State receiving a grant under this program shall:</p> <ul style="list-style-type: none"> • make available the activities and services to all qualifying students and families in the State; • allow participation regardless of the postsecondary institution in which the student enrolls; • the type of student loan received; • the servicer of the loan or the student’s academic performance; • not charge any fees to participate and in the providing of grant aid, not require a student to meet any other requirements other than those for eligibility for Federal financial assistance under title IV, except as provided for in the cancellation or repayment or interest rate reductions provided for in the program. <p>A State receiving payments under this program may elect to make a payment to one or more eligible not for profit organizations, as defined in the Special Allowance section of the legislation for purposes of receiving a higher SAP payment; or a partnership of not for profits in the State to carry out these activities if the not for profit was in existence as of the date of enactment of the legislation and as of the time of such payment is participating in activities and services related to increasing access to higher education.</p> <p>States receiving funds under this program shall give priority to activities that prioritizing students and families living below the poverty line. States receiving payments must submit an annual report to the Secretary.</p> <p>A philanthropic organization may apply to the Secretary for a grant in cases where a State does not meet the requirements or chooses not to apply for a grant.</p> | |

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| <p>Grants to Strengthen HBCUs and Other Minority Schools</p> | <p>Creates a new grant program to increase the number of minorities enrolled in various fields (includes science, technology, engineering, math, teaching, health education). Minority serving institutions include:</p> <ul style="list-style-type: none"> • Historically Black Colleges and Universities (HBCUs) and Predominantly Black Institutions (would receive 40% of overall funding); • Hispanic Serving Institutions (HSIs) (would receive 40% of overall funding); • Other Minority Serving Institutions (would receive 20% of overall funding), including: <ol style="list-style-type: none"> 1. Tribal Colleges and Universities (would receive 60%); 2. Alaska Native Serving and Native Hawaiian Serving Institutions (would receive 30%); and 3. Predominantly Black Institutions; and Asian and Pacific Islander Serving Institutions (would receive 10%). | <p>Provides \$100,000,000 in funding for each of the fiscal years 2008 through 2012. The authority to carry out this section expires at the end of FY2012.</p> |
| <p>Teacher Education Assistance for College and Higher Education (TEACH) Grants</p> | <p>Establishes new grant program for eligible current or prospective teachers that provides TEACH Grant of up to \$4,000/year for science, technology, English, and math teachers.</p> <p>Available, on a prorated basis, to students enrolled less than full-time and less than half-time.</p> <p>Grants plus other student assistance may not exceed student's cost of attendance (COA).</p> <p>Available to undergrads or post-baccalaureate students completing first bachelors or post-baccalaureate course of study and grads completing master's degree. Noncredit and remedial courses that the school determines are necessary to help the student are also eligible. In addition, eligible study-abroad programs are eligible.</p> <p>The cumulative undergraduate or post-baccalaureate limit is \$16,000. The cumulative graduate limit is \$8,000.</p> <p>To be eligible for a TEACH Grant, an applicant:</p> <ul style="list-style-type: none"> • For enrolled students: <ul style="list-style-type: none"> ○ Must have a minimum GPA of 3.25 on a 4.0 scale (if the student is a first-year student, the GPA will be based on the student's cumulative high school GPA) or have received a score above the 75th percentile on an undergraduate, post-baccalaureate, or graduate admissions test, and ○ Must be completing, or planning to complete prior to graduating, the coursework and other requirements necessary to begin a career in teaching • For current or prospective teachers pursuing graduate degree: <ul style="list-style-type: none"> ○ Must be a teacher or retiree from another occupation with experience in a field in which there is a shortage of teachers such as math, science, special education, English language acquisition, or other high-need | <p>7/1/2008</p> |

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| | <p>subject), or</p> <ul style="list-style-type: none"> ○ Must be, or have been, a teacher who is using “high-quality alternative certification routes” to get certified (e.g. Teach for America). <p>Applicants must agree to:</p> <ul style="list-style-type: none"> • Serve as a full-time teacher at a public or other non-profit private elementary or secondary school (as determined by Title I of the Elementary and Secondary Education Act) for at least 4 of the 8 years following graduation; • For TEACH Grants, teach in any of the following fields: math; science; foreign language; bilingual education; special education; reading specialist; or other field documented as high-need by Federal or State government or a local education agency and approved by the Secretary • Submit evidence of such employment in the form of a certification by the chief administrative officer of the school upon completion of each year of service; and • Comply with the requirements for being a “highly qualified” teacher, as defined in the Elementary and Secondary Education Act. <p>If the applicant does not fulfill the 4-year teaching requirement, the total amounts of any grants received plus accrued interest will be treated as a Direct Loan.</p> | |
| Pell Grants | | |
| Pell Grants – Additional Funds | <p>Provides additional funding for the Pell Grant program (in addition to other amounts appropriated), as follows:</p> <ul style="list-style-type: none"> • \$2,030,000,000 for FFY2008 • \$2,090,000,000 for FFY2009 • \$3,030,000,000 for FFY2010 • \$3,090,000,000 for FFY2011 • \$5,050,000,000 for FFY2012 • \$ 105,000,000 for FFY2013 • \$4,305,000,000 for FFY2014 • \$4,400,000,000 for FFY2015 • \$4,600,000,000 for FFY2016 • \$4,900,000,000 for FFY2017 | 10/1/2007 |
| Pell Grants – Mandatory Increases | <p>Provides for increases to the maximum Pell Grant over the next 5 years, as follows:</p> <ul style="list-style-type: none"> • \$4,800 for the 2008-2009 and 2009-2010 academic years • \$5,000 for the 2010-2011 and 2011-2012 academic years; and • \$5,400 for the 2012-2013 academic year | 7/1/2008 |
| Pell Grants – Tuition Sensitivity | <p>Repeals, upon date of enactment, the tuition sensitivity language currently in the HEA.</p> <p>The bill allocates \$11 million for FY08 to pay the estimated increase in costs of the Pell grant program due to this change.</p> | Determinations of Pell Grant amounts for award years beginning on or after 7/1/2007. |

Federal Update – Budget Reconciliation – 090707

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Provisions Contained in the College Cost Reduction and Access Act

| Topic | Summary of Provision | Effective Date |
|---|--|---|
| Perkins Loan Program | | |
| Perkins – Distribution of Late Collections | Adds six more months to the deadline by which institutions must distribute late collections under the Perkins program (changes date from March 31, 2012 to September 30, 2012). | 10/1/2007 |
| Upward Bound | | |
| Upward Bound | Provides funding for all Upward Bound projects that received assistance in FY 2006 but did not receive assistance in FY 2007 (other than new applicants) with a grant score above 70. Assistance will be in the form of 4-year grants. | Funding of \$57,000,000 per year for FY 2008 through 2011 is subject to appropriation. Authority will expire at the end of FFY2011. |

**Provisions from the Original House and Senate Budget Reconciliation Bills
Not Included in the *College Cost Reduction and Access Act***

| Borrower/Student Eligibility | |
|---|--|
| Economic Hardship Deferment | Removes the three-year limit on the economic hardship deferment. This applies to the FFEL, DL, and Perkins loan programs. |
| Loan Forgiveness in Areas of National Need | <p>Creates new loan forgiveness programs for borrowers who have been employed for five consecutive, complete years (school, academic or calendar) in an area of National Need, and who are not in default on any loan for which forgiveness is being sought.</p> <p>Those areas include:</p> <ul style="list-style-type: none"> • Early Childhood Educators (works directly with children in an eligible preschool or early childhood education program, and has completed a baccalaureate or advanced degree in early childhood development, early childhood education, or field related to early childhood education) • Nurses and Nurse Faculty • Foreign Language Specialists who have received a degree in a critical foreign language (Arabic, Korean, Japanese, Chinese, Pashto, Persian-Farsi, Serbian-Croatian, Russian, Portuguese, and any other language deemed by the Secretary as critical) and are employed in an elementary or secondary school, or in a U.S. Government agency • Librarians • Bilingual Teachers • Child Welfare Workers • Speech Language Pathologists (must have earned graduate degree) • National Service – participants in projects under the National and Community Service Act of 1990 • Public Sector Employees (first responder: fire fighter: police officer, or other law enforcement or public safety officer; emergency management (including emergency medical technician); public health, or public interest legal services (including prosecution or public defense). <p>These programs will provide for not more than \$5,000 in loan forgiveness upon completion of the service requirements. If a borrower qualifies for Teach Loan Forgiveness or Teacher Loan Cancellation benefits, they would not qualify for forgiveness under these programs.</p> |
| Loan Limits – Annual and Aggregate | <p>The annual maximum loan limits for third and subsequent year students would increase from \$5,500 to \$7,500.</p> <p>The aggregate loan limits would also increase from \$23,000 to \$30,500 for undergraduate borrowers, and from \$65,500 to \$73,000 for graduate borrowers.</p> |
| Needs Analysis – Allocation | The legislation allocates \$10 million for FY08 for the Department of Education to pay the estimated increase in costs of the Pell grant program due to needs analysis changes for award year 2007-08. |
| Department of Education | |
| Consumer Information and Public Accountability – COOL Website Redesign | <p>Commissioner of Education Statistics shall:</p> <ul style="list-style-type: none"> • identify data elements related to college costs that most important to students & families, particularly for low-income, non-traditional, and first generation college students • determine the relevance of the data elements and make recommendations on specific data elements and the most effective/least burdensome method of collecting and reporting data from schools • ensure the Website includes: data elements currently provided by schools to ED; uniform & comparable information; and customizable search/sorting functions. <p>The Commissioner will continue to redesign the Integrated Postsecondary Education</p> |

Federal Update – Budget Reconciliation – 090707

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| | <p>Data System (IPEDS) to include additional data required by these changes, and continue to provide information that is useful and timely for students and parents.</p> |
| <p>Consumer Information and Public Accountability – College Consumer Profile</p> | <p>On the COOL website, ED shall publish for each academic year from all schools participating in Title IV:</p> <ul style="list-style-type: none"> • Tuition & fees charges for 1st year undergrad • Room & board charges for 1st year undergrad • Cost of attendance for 1st year undergrad • Average amount of financial assistance (including grant assistance) for 1st year undergrad including a list of each type of assistance & the number and percentage of 1st year undergrad receiving financial assistance in each program. • Student enrollment information: number and percentage of full time and part time students, resident & non-resident. • Faculty-to-student ratios • Faculty information: number and percentage of full time and part time faculty. • Graduation rates of undergrads, including by gender, by each major racial and ethnic group, and income status (as measured by receipt of Pell Grants or subsidized loans). • Link to school’s website with information on mission, accreditation, student services, transfer of credits, articulation agreements, placement rates • College affordability Information Elements <ul style="list-style-type: none"> ○ The sticker price for the school for the most recent five academic years ○ The net tuition of the school for the most recent academic year for which data is available <p>Net tuition is defined as the average tuition and fees charged by a school to a full-time undergraduate student for any academic year, minus the average grant amount received by that student for the same academic year.</p> <p>Sticker price is defined as the average published tuition and fees charged by a school to a first-time, full-time undergraduate student for any academic year.</p> |
| <p>Consumer Information and Public Accountability – Reporting of Tuition and Fee Increases</p> | <p>A school that increases its sticker price at 2 times the rate of change in the Higher Education Price Index (HEPI) for any 3-year period after the effective date shall issue a report to ED (to be published on COOL website) that includes:</p> <ul style="list-style-type: none"> • A description of factors contributing to the increase in the school’s costs and in tuition and fees charged to students • If another agency, entity, or unit of State government controls setting tuition & fees, the school must provide a description of such relationship. If a state agency was involved in setting tuition or fees, the school must send their report to that state agency for review/comment prior to sending the report to ED. <p>If ED determines that a school failed to reduce the sticker price to equal to or below two times the HEPI for 2 consecutive years, ED will place the school on Affordability Alert Status. Exemption: The school will not be placed on the Affordability Alert Status if its school’s sticker price is in the lowest quartile of schools its class (public, non-profit private or for profit-private, or a 4-year, 2-year or less-than 2-year program of study) during the last year of the 3-year interval or the percentage change is 2 times HEPI but is less than \$500.</p> <p>ED will not be allowed to reject the data submitted by a school.</p> <p>Higher Education Price Index (HEPI) is defined as a statistical measure of change over time in the prices of a fixed market basket of goods and services purchased by schools through current fund educational and general expenditures (excluding research) as developed by the Bureau of Labor Statistics.</p> |

**Provisions from the Original House and Senate Budget Reconciliation Bills
Not Included in the *College Cost Reduction and Access Act***

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| Consumer Information and Public Accountability – Fines | The Secretary may fine a school up to \$25,000 for failing to provide the information required by this section in a timely and accurate manner, or for failing to cooperate with the National Center for Education Statistics (NCES) in its efforts to provide information to the public. |
| Consumer Information and Public Accountability – Information to the Public | The Secretary will work with public and private groups to promote public awareness of information available under this section, including distributing information to students who receive benefits from means-tested federally funded education programs. |
| Joint Planning Study on Feasibility of Loan Auctions | <p>The Secretaries of the Departments of Education and Treasury, along with the Office of Management and Budget (OMB), the Congressional Budget Office (CBO), the General Accounting Office (GAO), and other entities the Secretaries determine appropriate, will conduct a study to determine:</p> <ul style="list-style-type: none"> • which market-based mechanisms for lender returns on loans made, insured, or guaranteed under the FFELP shall be tested under the pilot program, including taking into account which mechanism will: <ul style="list-style-type: none"> ○ ensure loan availability under the FFELP to all eligible students at all participating schools ○ minimize administrative complexity for borrowers, schools, lenders, and the Federal Government, and ○ reduce costs if used on a program-wide basis • what changes will be required to ensure high-quality services are provided under a successful implementation of market-based determinations <p>The study will examine:</p> <ul style="list-style-type: none"> • whether it is most appropriate to auction existing FFELP loans; to auction the rights to originate FFELP loans; or whether the sale of securities backed by FFELP loans would provide the most efficient market-based alternative • financial organization, including how loans and origination rights are bundled, the capital structure of any securitization plan, and issues related to servicing, and • how to ensure statutory, regulatory, and administrative requirements do not impede separate management and ownership of loan or assets backed by FFELP loans |
| Guarantor Issues | |
| Default Information to Schools and Servicers | A lender, secondary market, holder, or guaranty agency shall provide to schools and third party servicers (free of charge) any requested student loan information for default prevention purposes. These entities shall provide safeguards that information to prevent abuses, including identity theft. |
| Delinquency Prevention Fee | <p>ED shall pay each guaranty agency a monthly delinquency prevention fee equal to 0.0055 percent of the original principal amount of loans insured by the agency that are not in delinquency status. This excludes loans that are in in-school or grace period status.</p> <p>“Not in delinquency status” means the borrower is less than 60 days delinquent in making a required payment.</p> <p>This payment will be deposited into the guarantor’s Operating Fund.</p> |
| Loan Issuance and Processing Fee (LPIF) | LPIF payments made to a guarantor will equal at least \$1,500,000 in any fiscal year. |
| Lender Issues | |
| Default Information to Schools and Servicers | A lender, secondary market, holder, or guaranty agency shall provide to schools and third party servicers (free of charge) any requested student loan information for default prevention purposes. These entities shall provide safeguards that information to prevent abuses, including identity theft. |

**Provisions from the Original House and Senate Budget Reconciliation Bills
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| New Programs/Initiatives | |
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| Centers of Excellence Grants | <p>Creates a new competitive grant program to assist schools in establishing centers for excellence that ensure current and future teachers are highly qualified by:</p> <ul style="list-style-type: none"> • Implementing reforms within teacher preparation programs; • Providing clinical experience, including mentoring by exemplary teachers; • Developing and implementing initiatives that promote the retention of highly-qualified teachers; • Awarding need-based scholarships to help students complete a teacher preparation program; and • Disseminating information on effective practices and preparation strategies. <p>Eligible institutions will receive a minimum grant amount of \$500,000, with not more than 2% of the grant funds permitted to use for administering the grant.</p> |
| Cooperative Education Rewards for Schools that Restrain Tuition Increases and Incentives and Rewards for Low Tuition | <p>Cooperative Education Rewards for Schools that Restrain Tuition Increases Cooperative education is defined as alternating or parallel periods of academic study and public or private employment that provides students work experience related to their academic or occupational objectives, and the opportunity to earn funds to continue/complete their education.</p> <p>Schools can apply for grants to help pay the federal share of the cost of planning, establishing or running cooperative education program.</p> <ul style="list-style-type: none"> • Schools who have not previously received a grant may be awarded a grant not to exceed \$500,000 in any fiscal year. • Schools who are currently operating an existing cooperative education program may be awarded grants between \$1,000 and \$75,000. <p>Grants cannot be used to compensate students for employment.</p> <p>Incentives and Rewards for Low Tuition A school whose net tuition price increase for academic year 2008-09, or any succeeding academic year, is equal to or less than the percentage change in the higher education price index for that academic year shall receive a 25% increase for each Pell recipient attending that school during the next award year.</p> <p>A 4-year institution that provides guaranteed tuition beginning on July 1, 2008, and for four continuous academic years, will receive a 10% increase in their Pell funding for each recipient that attends that school during the next award year if:</p> <p>(A) the net tuition charged to an undergraduate does not exceed amount a student was charged when he/she first enrolled, plus</p> <p>(B) the percentage increase in the higher education price index for the prior academic year multiplied by (A).</p> <p>A less-than 4-year institution that provides guaranteed tuition for any academic year (or the equivalent) beginning on 7/1/08 and for 1.5 continuous academic years, will receive a 10% increase in their Pell funding for each recipient that attends that school during the next award year if:</p> <p>(A) the net tuition charged to an undergraduate does not exceed amount a student was charged when he/she first enrolled, plus</p> <p>(B) the percentage increase in the higher education price index for the prior academic year multiplied by (A).</p> <p>If a school's annual net tuition price increase is greater than the percentage increase in the higher education price index for an academic year, the school will be required to submit a report to the Secretary within six months that provides:</p> <ul style="list-style-type: none"> • a detailed report on the exact causes of the tuition increase, outlining revenue and |

Federal Update – Budget Reconciliation – 090707

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**Provisions from the Original House and Senate Budget Reconciliation Bills
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| | <p>expenditures, and</p> <ul style="list-style-type: none"> • strategies for lowering net tuition prices. |
| Financial Literacy Program | <p>Creates a new program to award grants to eligible entities for increasing financial literacy of students who are enrolled (or will enroll) in college. This includes providing students assistance in:</p> <ul style="list-style-type: none"> • understanding loan terms and conditions; • calculating interest rates; • refinancing debt; • debt management; • saving for future education, health care, and long-term care and retirement. <p>Grants will be for one 5-year period and may not be renewed.</p> <p>Each eligible entity must match the federal funds from non-federal sources.</p> <p>The term eligible entity is defined as a organization (non-profit or for-profit) or group of organizations with a demonstrated record of effectiveness in providing financial literacy services to high school and college students.</p> |
| Promise Grants | <p>Creates a new a mandatory spending program to provide grants to low-income students similar to the Pell Grant Program beginning 7/1/08.</p> <p>The Secretary is to establish a minimum and maximum award level based on available funds, and students must be Pell-eligible to be eligible for Promise Grants.</p> <p>Awards may not exceed a student’s cost of attendance less their expected family contribution and any Pell Grant award received. These funds are intended to supplement not supplant other Federal, State or institutional grant aid.</p> <p>The legislation allocates, for the purposes of this program:</p> <ul style="list-style-type: none"> • \$2,620,000,000 for fiscal year 2008; • \$3,040,000,000 for fiscal year 2009; • \$3,460,000,000 for fiscal year 2010; • \$3,900,000,000 for fiscal year 2011; • \$4,020,000,000 for fiscal year 2012; • \$10,000,000 for fiscal year 2013; and • \$3,200,000,000 for each of the fiscal years 2014-2017 |
| Secondary School Graduation and College Enrollment Program | <p>Creates a new grant program that provides funds to eligible entities to assist them in:</p> <ul style="list-style-type: none"> • creating models of excellence for academically rigorous high schools, including early college secondary schools; • increasing high school graduation rates; • raising the rate of students who enroll in college; • improving instruction and access to supports for struggling high school students; • creating, implementing, and utilizing early warning systems that identifies students at risk of dropping out of high school; and • improving communication between parents, students, and schools regarding high school graduation, college enrollment, and financial aid. <p>Entities can use these funds to implement:</p> <ul style="list-style-type: none"> • a college-prep curriculum in high schools served by a local educational agency that is aligned (at a minimum) with a rigorous program of study; • accelerated catch-up programs to ensure students who enter high school at lower than standard levels can graduate on time with a regular diploma; • an early warning system that identifies students at risk of dropping out of high school, including tracking absenteeism; and |

Federal Update – Budget Reconciliation – 090707

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| | <ul style="list-style-type: none"> • a high school guidance program that ensures students are notified periodically of the graduation requirements, as well as college entrance requirements, and provides assistance in applying to college and for financial aid. <p>Each eligible entity must match the federal funds from non-federal sources.</p> <p>The term Eligible local education agency is defined as a local educational agency that has a high school graduation rate of 70 percent or less either as a whole or applicable to 2 or more subgroups of high school student served by the local educational agency.</p> <p>The term Subgroups is defined as economically disadvantaged students or students from a major racial or ethnic group.</p> <p>The term eligible entity is defined as a group of non-profit organizations and a college or university with a demonstrated record of effectiveness in raising high school graduation rates and college enrollment rates.</p> |
| State Commitment to Affordable College Education | <p>A new section is added to Title I that states a State shall not reduce the total amount it provides to public colleges and universities to less than the average amount the State provided to those schools during the five most recent preceding academic years (for which data is available).</p> <p>Violations of this commitment will result in the Secretary withholding LEAP funds from that State until the violation is corrected.</p> |
| Pell Grants and ACG and SMART Grants | |
| Pell Grants – Year Round Pell Grants | Allows for students enrolled in a baccalaureate or associate’s degree program to receive two Pell Grants per award year if they are enrolled in an academic program for 12 months (versus the standard 9 months). |
| Academic Competitiveness Grants and National SMART Grants | Allows a student to qualify to an ACG even if the student has previously been enrolled in a program of undergraduate education, but only as part of a secondary school program of study. Allows the school to determine eligibility for ACG and National SMART Grants based on the student’s class standing, as determined by the school at which the student is enrolled or accepted for enrollment. |
| Academic Competitiveness Grants and National SMART Grants | Removes reference to “full time”; an eligible student is defined as enrolled or accepted in a degree, certificate or other eligible program. Less than full time student (but at least half time) is still eligible, but grant is pro-rated as in Pell program. |
| Perkins Loan Program | |
| Perkins – additional funds | Additional funds of \$100,000,000 not otherwise appropriated will be available to the Perkins program for each FY 2008-2012. |