

Educational Loan Notes

Monthly Newsletter



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October 2009

2009 FALL SCHOOL WORKSHOPS

MGA is offering its 2009 Fall School Workshops, as always, at no cost to your institution. The workshops will be held at the following locations:

Tuesday, November 17, 2009
Grand Rapids Community College - Downtown
Grand Rapids, Michigan

Wednesday, November 18, 2009
VisTaTech Center
Schoolcraft College
Livonia, Michigan

Tentative agenda topics include:

- ◆ **Federal Update**
- ◆ **Current Legislation**

The financial aid landscape has been reshaped by new legislation and regulations over the past several years, with the promise of more transformation still to come. Learn about the latest changes in Title IV aid administration resulting from recent activity:

- Technical corrections to the Higher Education Act, including clarification of the rules for awarding federal grants to surviving relatives of those who died while performing military duty in the wars in Iraq and Afghanistan, changes in veterans education benefits, modified rules related to rehabilitation of defaulted loans, and the delayed implementation of the "EZ FAFSA."
- Budget reconciliation proposals to expand the Federal Pell Grant program and restructure the Federal Perkins and Federal Family Education Loan programs.
- Negotiated rulemaking for loans, accreditation, discretionary grants, and general issues, as well as the latest round of negotiations related to maintaining and improving Title IV aid program integrity.

- ◆ **Previous Legislation**

Hear a summary of past legislation, regulations, and updates. Together, we will glance back at where we've been, review where we are now, and look ahead to where we're going.

- ◆ **Significant Increases in Veterans Benefits**

As thousands of troops return home, they likely will be taking advantage of the significant resources available to them and their families. Join us as we explore the aid-related provisions of the Post-9/11 GI Bill, the new grant for qualifying non-Pell Grant eligible students, a comparison to other educational benefit programs for military service, the latest guidance on the transferability of benefits, and the treatment of veterans benefits for Title IV purposes.

- ◆ **Federal Delivery System Update**

As ED implements changes to the Higher Education Act, the evolution of the delivery system continues. What are the new FAFSA filing options and how do they work? What questions have been added, deleted, changed, or moved? What about IRS data sharing? We'll discuss all this and more, as well as share key dates and processing tips.

Attendees will also receive a resource that outlines how bills become law, how regulations are finalized, and how the budget and appropriations processes can change laws or how they are implemented.

◆ **Professional Judgment in Today's Economy**

Foreclosures, pink slips, factories closing, and the self-employed losing their businesses are realities families currently are facing. Congress gives aid administrators the authority to make changes that more accurately reflect a student's unique circumstances. Through case studies and discussion, examine the types of adjustments schools may make and review ED's latest guidance related to exercising professional judgment.

◆ **Life Cycle of a Stafford Loan**

Federal Stafford loans have become a staple of financial aid packages for students across the country. Stafford loan borrowers will deal with their education loan debt not only during their time of enrollment, but also for years, and in some cases, decades afterwards. Follow one student's Stafford loan cycle from determining eligibility to repayment, including annual and aggregate loan limits and cash management provisions.

The meeting sites are handicapped accessible, including parking. Individuals with disabilities who need mobility, visual, hearing, and/or other assistance for effective participation should indicate such needs when registering. All such requests should be directed to Jim Swisk at 1-800-642-5626, extension 37121, at least ten days before the workshop. Requests received after that time cannot be guaranteed.

Workshop announcements were recently sent electronically with a complete agenda and registration form. If you have questions or suggestions to include in the workshops, please feel free to contact Jim Swisk at extension 37121 or via email at swisk@michigan.gov. You may [register online](#) by going to our Web site at mgaloan.com. On our homepage listed under "MGA Highlights" is a link to the online registration form. All reservations will be acknowledged with a confirmation email, including directions to the workshop site. Questions concerning registration should be directed to Stacy Cardwell at cardwells@michigan.gov.

COHORT DEFAULT RATES: NATIONAL AND MICHIGAN SCHOOLS

In September, the U.S. Department of Education (ED) released the 2007 Cohort Default Rates (CDR). The national CDR is 6.7 percent, an increase of 1.5 percent. The CDR for all the schools in the state of Michigan is 5.8 percent. A comparison of the national cohort default rates for the past three fiscal years broken down by school sector and a comparison of Michigan schools' cohort default rates for the past three years is available [here](#).

MGA will issue Certificates of Achievement to those schools that have had a CDR of less than ten percent for the last three consecutive years. Award of Excellence certificates will be sent to schools that have had a CDR below five percent for the last three consecutive years.

SPECIAL ALLOWANCE RATES ANNOUNCED

The U.S. Department of Education has published special allowance rates for the quarter ending September 30, 2009.

- The average of the bond equivalent rates of the 91-day Treasury bills auctioned during the quarter ending September 30, 2009, is **0.16 percent**.
- The average of the bond equivalent rates of the quotes of the three-month commercial paper (financial) rates in effect for each of the days in the quarter ending September 30, 2009, is **0.29 percent**.

The [electronic announcement](#) containing the special allowance rates is available at www.ifap.ed.gov.

ED ISSUES REMINDER REGARDING OVERSIGHT RESPONSIBILITIES OF ELIGIBLE LENDER TRUSTEES

The U.S. Department of Education (ED) recently issued Dear Colleague Letter [FP-09-07](#) to remind lenders that are serving as eligible lender trustees of their oversight responsibilities. The letter reminds eligible lender trustees that they must evaluate the loan program capabilities of the entities for which they serve as trustee lender, and they must ensure that those entities are in compliance with applicable statutes and regulations. The letter also outlines expectations for documented policies and procedures regarding eligible lender trustee agreements.

NSLDS REPORTING REMINDER

Federal law requires lenders and lender servicers to report to their guarantors all status changes throughout the life of a loan. MGA encourages its lenders to report status changes on a monthly basis. It is crucial that loan information is updated and reported in a timely manner so MGA loan data will match the information on the lender's system. This will ensure that the information sent to the National Student Loan Data System (NSLDS) is accurate.

Status changes to report include, but are not limited to:

- Enrollment status changes
- Cancellation of all or a portion of the loan
- Loan sales or transfers
- Disbursement date changes
- Date loans enter repayment
- Loans that have been paid-in-full or consolidated
- Outstanding principal and effective dates
- Accrued interest and effective dates

Lenders must report to MGA via the Lender Manifest. They must also report information via Common Account Maintenance (CAM), Account Update File for Lenders (AUFL), Lender Transfer file, or by paper using the following forms available on MGA's Web site:

- Loan Maintenance form
- Borrower/Student Personal Information form
- Sub/Unsub Reallocation form
- Disbursement Change form
- Loan Change form
- Loan Transfer form
- Social Security Number Change form

These forms may be ordered through MGA's Web site at mgaloan.com by choosing "Order Supplies" from the Forms/Documents drop-down menu in the MGA Quick List and selecting the [MGA Forms and Supplies Distributed by Sallie Mae](#) link.

BORROWER OPTIONS FOR ELIGIBILITY AFTER DEFAULT

After a borrower has defaulted on a student loan there are several options available for them to regain eligibility for additional Title IV financial aid when returning to school. Those options include:

Good Standing Letter: A borrower may contact MGA with a written request for a good standing letter for financial aid which is mailed to the student's current address. A borrower may also request to have MGA forward a copy of the letter directly to the school's financial aid office. A good standing letter for additional financial aid must specifically address the status of the loan or loans in question and must state the borrower is eligible for additional Title IV funds. The borrower must obtain this good standing letter to cover any and all defaulted loans that they have. To qualify for the good standing letter, six consecutive, timely, voluntary, full monthly payments must be received. No lump sum payments may be counted in lieu of six consecutive payments.

A borrower may reestablish eligibility one time only by bringing their defaulted loan(s) into good standing. To maintain eligibility, the borrower must continue to make timely monthly payments until the loan is paid in full, even if they return to school.

It is possible that previously defaulted borrowers now under the protection of a bankruptcy filing may be issued a good standing letter for financial aid. This would be based on MGA's review of a current bankruptcy trustee report showing that the borrower is making payments and in compliance with the bankruptcy plan for at least six months. After the completion of the bankruptcy a borrower must establish arrangements and continue making payments to the holder of the loan. If the loans were discharged in bankruptcy, a borrower regains eligibility.

Loan Rehabilitation: A great option for borrowers seeking to reestablish financial aid eligibility is to have their loan(s) rehabilitated. A borrower wishing to rehabilitate their defaulted loan(s) must complete and return to the guarantor a request to rehabilitate and must make nine monthly qualifying, voluntary, on-time payments. After the sixth qualifying monthly payment is made, the borrower is eligible to receive a good standing letter for financial aid as detailed above if they have not already received one. Then if the borrower has requested rehabilitation, the guarantor will sell the loan back to a lender after receiving nine months of qualifying payments. The process of transferring the rehabilitated loan(s) from the guarantor to a lender takes approximately 60 days. At that point the loan(s) will be put back into repayment and the borrower will no longer need to request a good standing letter in the future if applying for additional Title IV aid. Added benefits include that the default will be removed from the borrower's credit report and they may regain eligibility for deferments.

Loan Consolidation: A borrower may consolidate their federal student loans with a lender which would remove their defaulted loan(s) from default status. This does not require six to nine months of timely payments as does a good standing letter or rehabilitation, but it may take approximately 60 days to complete the Consolidation loan process. Although the Consolidation will allow borrowers to regain eligibility for further student loans, consolidating a defaulted student loan will not result in the prior default being removed from a borrower's credit report. The credit report will reflect a zero balance and that the defaulted loan has been paid in full. The default will remain on the credit report for seven years from the date of default.

Payoff or Settlement: A borrower may regain Title IV eligibility if they pay off their defaulted loans in full or the loan is compromised or "settled in full" for an amount agreed upon by the loan holder. If a borrower had a defaulted loan written off by a guarantor, meaning that they have declared the loan

uncollectible and ceased collection activity, the borrower is ineligible for additional aid unless they reaffirm the written-off loan and meet the requirements of satisfactory repayment arrangements.

Loan Discharge for School Closure or False Certification: A defaulted borrower may be determined eligible for additional aid if their loan(s) have been discharged due to the student's inability to complete their program of study due to a school's closure, or because the school falsely certified the student's eligibility.

Defaulted borrowers may contact the MGA Collections Unit at 1-800-642-5626, extension 60600, to make arrangements and discuss their options to regain loan eligibility.

COMMON MANUAL UPDATES

In its September 17, 2009, meeting the *Common Manual* Governing Board approved the seven policy proposals in Batch 160 (proposal numbers 1135-1141). The approved policies may now be implemented based on their individual effective dates.

These changes will be incorporated into the Integrated *Common Manual*. The Integrated *Common Manual* is available on the *Common Manual* Web site at commonmanual.org or may be accessed through a link on MGA's Web site at mgaloan.com.

Following are the seven policy proposals:

- Reduced Interest Rate Documentation for Claims
- Ineligible Borrower and Identity Theft Claims
- Permitted Activities for Lenders
- Federal Veterans' Educational Benefits and Estimated Financial Assistance
- Increased Unsubsidized Stafford Loan Limits for Health Profession Students
- Reporting Social Security Number Changes or Corrections
- Completing Loan Verification Certificates

If you have any questions about this or past mailings of *Common Manual* changes or updates, please contact Susie Gibson at 1-800-642-5626, extension 56769, or by email at gibsons@michigan.gov.

ED PIPELINE

Follow the links below to access some of the most recent announcements for schools and lenders from the U.S. Department of Education (ED). Visit the Information for Financial Aid Professionals (IFAP) [Web site](#) to review all announcements.

[2009-09-23](#)

Subject: 2010-2011 Application Processing System Specifications for Software Developers (September 2009 Draft)

[2009-09-25](#) (ANN-09-29)

Subject: Training Recording - Pell Calculations for Clock-Hour Programs

[2009-09-25](#)

Subject: 2009 Federal Student Aid Conference Information

[2009-09-25](#) (COD System)

Subject: COD Processing Update

[2009-09-18](#)

Subject: The Secretary of Education requests comments on the Student Aid Report (SAR) that the Secretary proposes to use for the 2010-2011 award year.

UPDATES TO MGA'S ACTIVE MICHIGAN SCHOOL LIST

Information has been received from schools regarding recent changes that should be recorded by lenders on MGA's "Active Michigan School List" dated July 7, 2009. If you have any questions regarding these updates, please contact Stacy Cardwell at 1-800-642-5626, extension 36074, or via email at cardwells@michigan.gov.

Contact Information Update

Baker College, Port Huron, 004673-06

Barb Fosgard's last name has changed to Malcolm. Barb's new email address is barbara.malcolm@baker.edu.

ITT Technical Institute, Troy, 008329-03

For assistance, contact Michelle DePofe, Director of Financial Aid. Michelle's telephone number is 248-524-1800, fax number is 248-524-1965, and her email address is mdepofe@itt-tech.edu.

Kaplan Career Institute, Detroit, 022898-01

For assistance, contact Tenisha Dixon, Director of Financial Aid. Tenisha's telephone number is 313-456-8100, fax number is 313-972-5467, and her email address is tedixon@kaplan.edu.

Northwestern Michigan College, Traverse City, 002302-00

For assistance, contact Pam Palermo, Financial Aid Director. Pam's telephone number is 231-995-1533, fax number is 231-995-1570, and her email address is ppalermo@nmc.edu.

"Q" AND "A"

SATISFACTORY ACADEMIC PROGRESS

How often must a student's progress be evaluated to maintain satisfactory academic progress (SAP)?

The progress must be checked at intervals of a year or half the length of the program, whichever is less.

Is there an academic standard for graduation that a student must meet?

Regarding qualitative standards, for programs that take longer than two years to complete regardless of the number of credits a student has accrued, a student must have the equivalent of a C average by the end of the second academic year. This needs to be consistent with the graduation requirements for the program the student is studying. Sometimes to have consistent graduation requirements a school may use an escalating grade point standard. A student's average could be lower in the first part of their academic program. If this occurs, the school must be able to document that the average is consistent with the academic standard for graduation.

Regarding grades, if a school does not use letter grades, a C average equivalent must be defined. If a school uses a four-point scale, the student may be required to have a 2.0 average by midpoint of the program.

What types of situations may allow a student to file an appeal if the school determines that satisfactory academic progress has not been met?

Regarding qualitative standards, a school may grant an appeal due to injury, illness, death of a relative, or a special circumstance. The school is suspending academic progress standards for a student with this type of special circumstances and is acknowledging that the student is eligible for funds even though the student falls below the school's academic progress standard.

When an appeal is approved for special circumstances, school policy may include a conditional or probationary period. The student may continue to receive FSA funds during the length of the probation. When the conditional period is completed, the student must meet progress standards.

If a student is maintaining a good academic progress toward completion of their program, does the program need to be completed within a certain time frame?

Regarding quantitative standards, schools must set a time length for each program. This includes a minimum time length for each increment of the program, which may be a number of hours or a percentage of time. Students need to complete their program within that length of time. This allows for different enrollment status. A graduated completion percentage can be used for each year, also. For an undergraduate program, schools set the time frame to be completed within 150% of the program length measured in academic years or terms, credit hours attempted or clock hours completed. If a program has a published length of 120 hours, the maximum length of time a student may work to complete the program is 180 attempted credit hours (1.5 X 120 hours). When the school completes the SAP review, if a student cannot mathematically complete the program within the set time, the student becomes ineligible for aid. The student may request an appeal, if this occurs.

What is or is not included in the SAP judgment?

For the student's enrollment, all periods are counted, even those where the student did not receive Federal Student Aid funds. School policy may allow that credits attempted and grades earned in one major may not be counted for students that have a new major. The school may limit how many times a student may change majors to reset SAP. For transfer students, credits must be counted from another school that apply to the current program for that student. Grades can be excluded for prior attempts (repeat/delete) toward SAP, but all credits apply in assessing the quantitative SAP standard.

When a student loses eligibility for financial aid, what types of aid are affected and how may a student regain their eligibility?

When a school decides that a student has lost financial aid eligibility due to not meeting the school's satisfactory academic progress standards, that student will regain eligibility only at the time the school determines the student is again meeting the progress standards, or when an appeal is granted for special circumstances. The school needs to document each instance.

In the case where a student makes an appeal to regain eligibility, Pell and campus-based aid may be paid to the student for the payment period the student regains eligibility. Stafford loans may be awarded for the entire school year, as that is the period of enrollment for the student.

CALENDAR OF UPCOMING EVENTS

Following is a list of upcoming events of interest to the financial aid community. If you have any items that you would like to see added to our calendar, please contact Jim Peterson at 1-800-642-5626, extension 36944, or via email at petersonj@michigan.gov.

October 2009

- 28 [MGA/MSFAA Default Aversion Symposium](#)
Lansing Community College, West Campus
Lansing, Michigan
- 30 [High School Counselor Financial Aid Update](#)
9:00 a.m. – 12:30 p.m.

November 2009

- 11 MGA Offices Closed
- 17 [Fall School Workshop](#)
Grand Rapids Community College – Downtown
Grand Rapids, Michigan
- 18 [MGA Fall School Workshop](#)
Schoolcraft College
VisTaTech Center
Livonia, Michigan
- 26 MGA Offices Closed
- 27 MGA Offices Closed

December 2009

- 1-4 [Federal Student Aid Conference](#)
Gaylord Opryland Hotel and Convention Center
Nashville, TN
 - 24 MGA Offices Closed
 - 25 MGA Offices Closed
 - 31 MGA Offices Closed
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