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2010 Access Group Graduate and Professional  
Financial Aid Conference

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# Financial Aid 101

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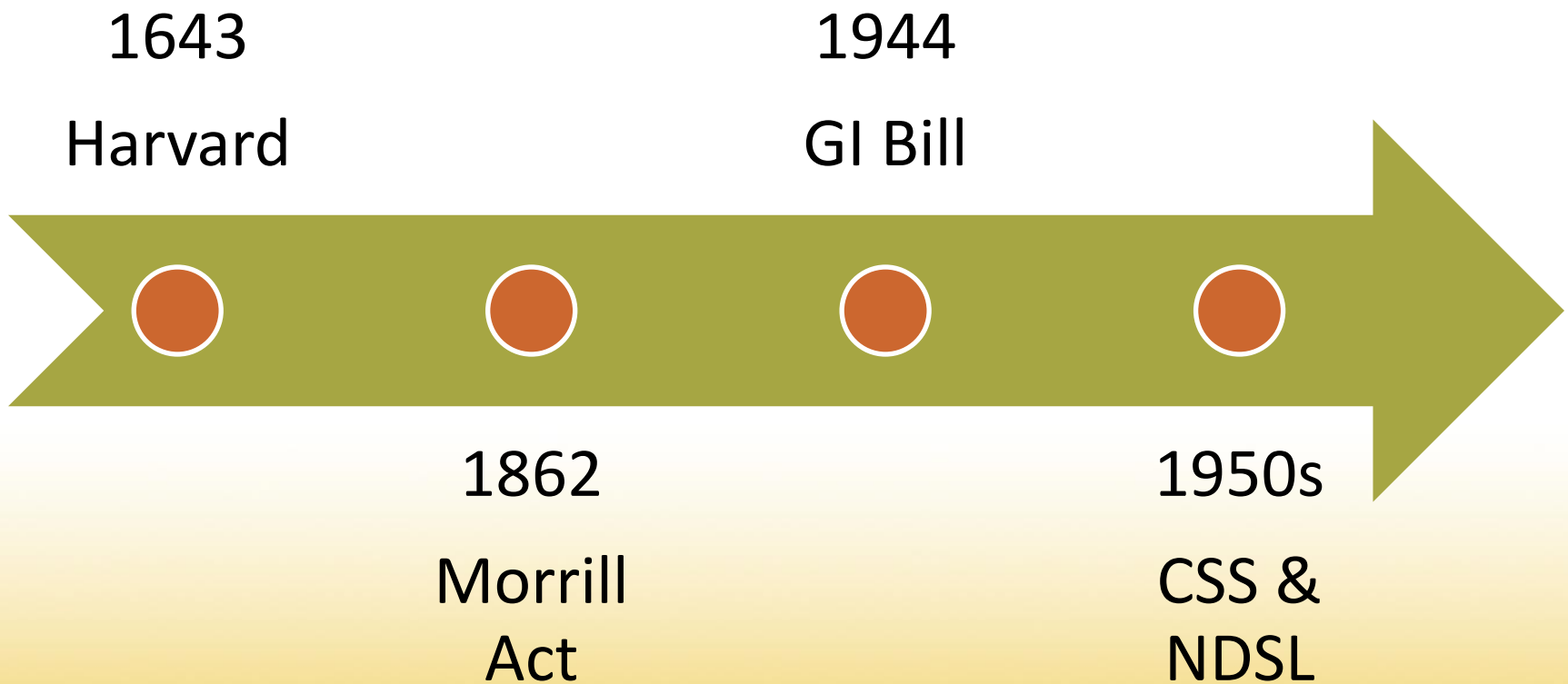


# Workshop Topics

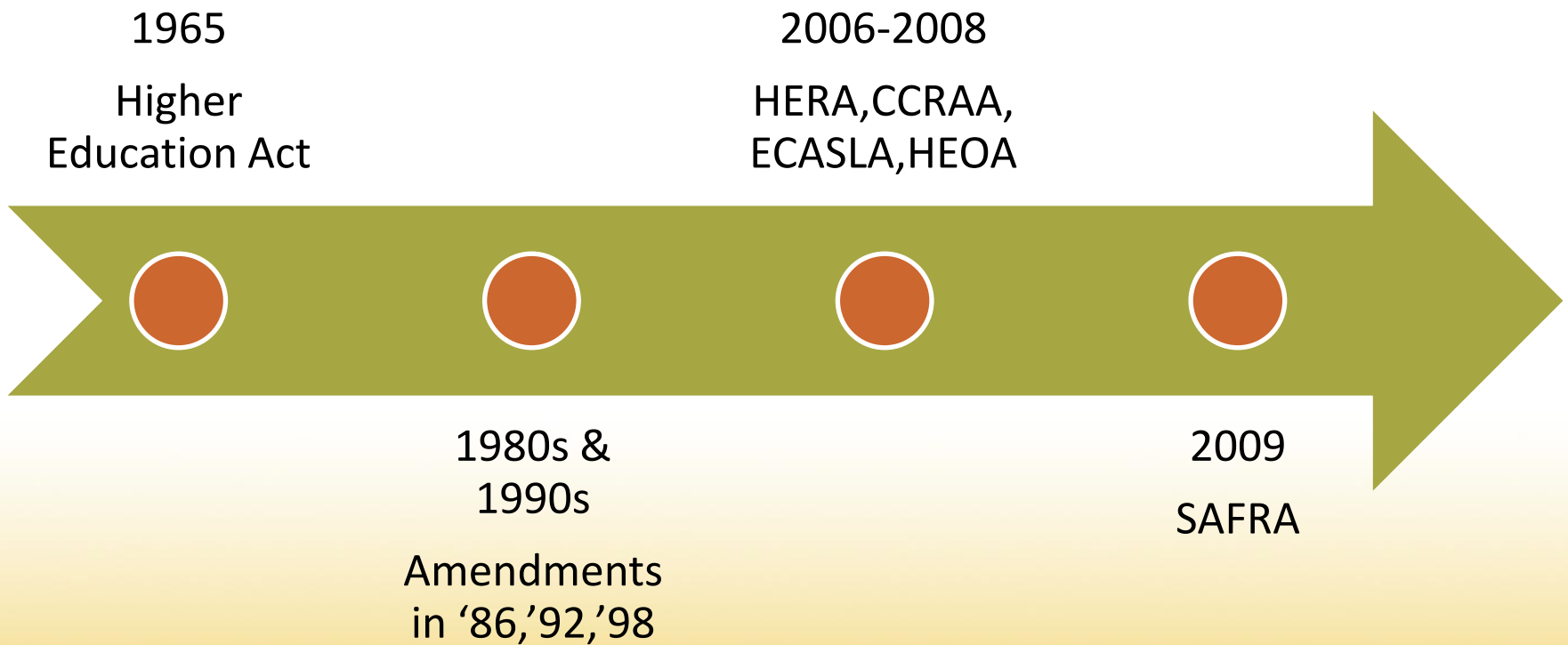
- Historical Background
- Overview of Student Aid Programs
- The Application Process
- Student Eligibility/Documentation
- Cost of Attendance
- Federal Methodology
- Entrance/Exit Counseling
- Professional Judgment
- Legislative Process

# Historical Background of the Title IV Programs

# Historical Timeline of Financial Aid



# Historical Timeline of Financial Aid



# Higher Education Opportunity Act

- HEO Act of 1965 expired in 2004 and had 16 extensions before signed into law in August 2008 – also known as “reauthorization”
  - Simplified FAFSA
  - Increased Perkins Loan Limits
  - Year-round Pell
  - Changed cohort default rate calculations
  - New definitions for independent students
  - Changes for veterans



# Higher Education Opportunity Act

- Changes for ED
  - College cost & net price watch lists
  - Internet-based net price calculators
- Changes for schools
  - Disclose relationships with preferred lender arrangements
  - Adopt “codes of conduct” to govern their relationships with financial institutions
  - Provide textbook information
  - Provide graduation, placement, and student body diversity information
- Changes for lenders & guarantors



# Student Aid and Fiscal Responsibility Act of 2009

- **SAFRA -House passed on 9/18/09**
  - **FAFSA & need analysis**
  - **Subsidized Stafford Eligibility**
  - **Pell Grants**
  - **Direct Lending**
  - **Perkins**

# Overview of Student Aid Programs

# What is Financial Aid?

- Financial aid is money supplied by a source other than the family to assist with the costs of a student's postsecondary education

# Goals of Student Financial Aid

- Access to postsecondary education
- Choice among institutions
- Availability of funds to complete program
- Balance of gift aid and self-help aid

# NASFAA Statement of Ethical Principles

- Financial Aid Professional shall:
  - Remove financial barriers
  - Assist students with financial need
  - Advocate for student interests
  - Encourage higher education aspirations and planning
  - Educate through quality consumer information
  - Commit to the highest level of ethical behavior
  - Refrain from conflict of interest or the perception thereof
  - Maintain the highest level of professionalism



# Categories of Aid

- **Need-Based Aid**
  - Student must demonstrate financial need
  - Financial need determined by analyzing student/family data
- **Non-Need-Based Aid**
  - Financial need not considered
  - Often given in recognition of special skills, talents, and abilities
  - Some forms may replace Expected Family Contribution (EFC)

# Types & Sources of Financial Aid

- Types
  - Grants (Gift Aid)
  - Scholarships (Gift Aid)
  - Loans (Self-Help Aid that must be repaid)
  - Employment (Self-Help Aid that provides compensation for work)
- Sources
  - Federal
  - State
  - Institutional
  - Private

## Title IV Programs

- Federal Pell Grant Program
- Federal Supplemental Educational Opportunity Grant (FSEOG) Program
- Federal Work-Study (FWS) Program
- Federal Perkins Loan Program
- William D. Ford Federal Direct Loan (Direct Loan) Program



## Additional Title IV Programs

- Leveraging Educational Assistance Partnership (LEAP) Program/Special Leveraging Educational Assistance Partnership (SLEAP) Program
- Teacher Education Assistance for College and Higher Education (TEACH Grant)



# Pell Grant Program

- Gift aid; serves as the “foundation” of aid package; portable
- Demonstrated financial need determined by need analysis
- Student eligibility criteria
  - Undergraduates without baccalaureate or first professional degree
  - Less-than-half-time students are eligible
- ***Minimum = 10% of maximum award appropriated each year***
- 2010-11 Maximum = \$5,500
- First Pell Grant recipients on or after July 1, 2008 are limited to 18 semesters, or their equivalent, of Pell Grants
- May receive up to two Pell Grants in one award year in order to accelerate course work

# Campus-Based Programs

- Federal Supplemental Educational Opportunity Grant Program
- Federal Work-Study Program
- Federal Perkins Loan Program



# Federal Work-Study Program (FWS)

- Funding for approved jobs for undergraduate, graduate & professional degree students
- Available during periods of nonattendance for re-enrolling students
- No regulatory minimum or maximum award limitations

# FWS Community Service

- School must expend at least 7% of FWS allocation to pay students employed in community service positions
- Must employ at least one FWS student in reading tutor or family literacy project position
- School may request waiver of these requirements from ED

# Perkins Loan Program

- Loans available to undergraduate, graduate & professional degree students
- Interest rate: 5%
- No loan fees
- Annual loan limits (effective 08-09)
  - \$5,500: undergraduate
  - \$8,000: graduate or professional
- Aggregate loan limits

# Perkins Loan Program

- Awarding
- Repayment
- Cancellation

# Title VII: Health Professions Programs

- Scholarships for Disadvantaged Students (SDS)
- Health Professions Student Loan
- Primary Care Loans
  - Only allopathic and osteopathic schools may participate
- Loans for Disadvantaged Students
  - Student eligibility same as HPSL except students must be from a disadvantaged background

# Scholarships for Disadvantaged Students (SDS)

- Institutions must meet eligibility criteria:
  - Must offer degrees in eligible programs to full-time students
  - School's geographic location
  - Must enter into an agreement with the Secretary of Health and Human Services as part of the application process
  - Must adhere to statutes and regulations addressing non-discrimination
  - Maintain a drug-free workplace
  - Be non-delinquent on federal debt
  - Adhere to restrictions on lobbying
  - Recruit and retain students from disadvantaged backgrounds

# Scholarships for Disadvantaged Students (SDS)

- Funding priorities to institutions are as follows:
  - the proportion of graduated students going into primary care (50% or more)
  - the proportion of underrepresented minority students (above national average for discipline); AND
  - the proportion of graduated students working in medically underserved communities (year specific)
- Institutions could still qualify, just not as priority

# Scholarships for Disadvantaged Students (SDS)

- Awarding funds
  - No regulatory minimum or maximum amount – may award up to financial need
  - Award “in a manner that will best meet its eligible students' needs”
  - Must award “in the order of greatest need”
  - Institution should create and abide by policy to award funds to eligible students
    - Consider estimated resources and other financial aid

# Health Professions Student Loan (HPSL) Program

The HPSL Program provides long-term, low interest rate loans to full-time, financially needy students to pursue a degree in dentistry, optometry, pharmacy, podiatric medicine or veterinary medicine.

- 5% interest rate
- Deferment and forbearances available
- Repayment: 10 – 25 years

# Health Professions Student Loan (HPSL)

- Student Eligibility Requirements:
  - Citizenship status
  - Academic Status
  - Enrollment status
  - Financial need
    - Parental information is mandatory
    - Estimated resources and other financial aid must be considered
  - Information must be verified
  - Selective Service requirements must be met

# Health Professions Student Loan (HPSL)

- Awarding funds
  - No regulatory minimum or maximum amount – may award up to financial need
  - Institution should create and abide by policy to award funds to eligible students
  - Annual disclosures and entrance interviews required; exit interview required

## Primary Care Loan (PCL)

- Began as Health Professions Student Loan (HPSL) Program
- Institutional Requirements similar to HPSL except:
  - Only allopathic and osteopathic schools may participate
  - Annual reporting required on graduates practicing in primary care
  - If percentages are below minimum allowed, school will be mandated to return funds: 10% - 30% of annual income received

## Primary Care Loan (PCL)

- Student/awarding requirements similar to HPSL except:
  - Must be enrolled in allopathic or osteopathic program
  - Enter and complete a primary care program within 4 years of graduation
  - Practice in primary care until loan is paid in full
    - Must self-certify with institution annually
  - Non compliant service requirements = 18% interest as of date of non-compliance
  - Super PCL awards to 3<sup>rd</sup> and/or 4<sup>th</sup> year – up to balance of outstanding loans taken out while attending your school (federal, private, institutional)

# Loans for Disadvantaged Students (LDS)

- Student eligibility same as HPSL except
  - Students must be from a disadvantaged background  
(See SDS)
- Terms and conditions identical to HPSL
- Awarded similarly to HPSL

# Loans for Disadvantaged Students (LDS)

- Institutional requirements include:
  - recruiting and retaining disadvantaged students
  - recruiting and retaining minority faculty
  - providing adequate instruction regarding minority health issues
  - establishing arrangements with clinics serving individuals from disadvantaged backgrounds
  - establishing linkages with feeder schools
  - offering mentoring programs to help individuals from disadvantaged backgrounds obtain health professions degrees

# Federal Direct Loans (FDL)

- Direct Subsidized Loan
- Direct Unsubsidized Loan
- Direct PLUS Loan (for Parents and Graduate Students)
- Direct Consolidation Loan

Source of funds: Federal Government



# Direct Loans Eligibility Criteria

- Enrolled at least half-time
- Exceptions to “regular student” requirement:
  - Teacher certification
  - Preparatory coursework
- Eligibility determination for Federal Pell Grant (undergraduate borrowers only)
- Certain requirements if prior loan cancelled or discharged due to total and permanent disability



# Direct Loans

## Interest Rate

- Interest Rate
  - Subsidized: need-based
    - Interest paid by federal government during in-school, grace, and deferment periods
  - Unsubsidized: non-need-based
    - Interest paid by student
    - Interest may be paid as it accrues or be capitalized
    - May replace EFC

## Federal Direct Loans - Interest Rate

Loans first disbursed on/after 7/1/06		
<b>Fixed</b> <i>(Never adjusted)</i>	Undergraduate Subsidized	7/1/06-6/30/08 = 6.8% 7/1/08-6/30/09 = 6.0% 7/1/09-6/30/10 = 5.6% 7/1/10-6/30/11 = 4.5% 7/1/11-6/30/12 = 3.4% 7/1/12 + = 6.8%
	Undergraduate Unsubsidized	6.8%
	Graduate/Professional Subsidized and Unsubsidized	6.8%
Loans first disbursed 7/1/98 – 6/30/06		
<b>Variable</b> <i>(Adjusted July 1<sup>st</sup>)</i>	In-school, grace, deferment: • 91-day T-bill + 1.7% = 1.87% (7/1/10-6/30/11)	
	In-repayment, forbearance: • 91-day T-bill + 2.3% = 2.47% (7/1/10-6/30/11)	
	Rate capped at 8.25%	

## Federal Direct Loan Limits: UG/Special Programs

Grade Level	Subsidized Stafford	Unsubsidized Stafford	TOTAL Stafford
Year 1 – UG	\$3,500	\$2,000 (D) \$6,000 (I)	\$5,500 (D) \$9,500 (I)
Year 2 – UG	\$4,500	\$2,000 (D) \$6,000 (I)	\$6,500 (D) \$10,500 (I)
Year 3 & above – UG	\$5,500	\$2,000 (D) \$7,000 (I)	\$7,500 (D) \$12,500 (I)
<b>Aggregate Loan Limits</b>	<b>\$23,000</b>		<b>\$31,000 (D) \$57,500 (I)</b>
UG prep. coursework or teacher certification	\$2,625	\$6,000	\$2,625 (D) \$8,625 (I)
G/P prep. coursework or teacher certification	\$5,500	\$7,000	\$12,500
<b>NOTE: (D) = Dependent undergraduate (I) = Independent undergraduate</b>			

## Federal Direct Loan Limits – Grad/Prof Students

Grade Level	Subsidized Stafford	Unsubsidized Stafford	TOTAL Stafford
Non-HEAL elig.	\$8,500	\$12,000	\$20,500
HEAL-elig. (9-mo. AY)	\$8,500	\$12,000 + \$20,000	\$40,500
HEAL-elig. (10-mo. AY)	\$8,500	\$12,000 + \$22,222	\$42,722
HEAL-elig. (11-mo. AY)	\$8,500	\$12,000 + \$24,444	\$44,944
HEAL-elig. (12-mo. AY)	\$8,500	\$12,000 + \$26,667	\$47,167
<b>Aggregate Loan Limits</b>	<b>\$65,000</b>		<b>\$138,500 \$224,000 (HP)</b>

**NOTE:** HEAL-elig. include selected health professions programs (MD, DO, DDS, DVM, OD, DP)

## Federal Direct PLUS Loan

### Loans first disbursed on/after 7/1/2006

<b>Federal Default Fee</b>	<b>4.0% (deducted from loan proceeds)</b>
<b>Fee Rebate</b>	<b>1.5%</b>
<b>Interest Rate</b>	<b>Fixed at 7.9% in Direct (no interest subsidy)</b>
<b>Annual Loan Limit</b>	<b>COA less other financial aid</b>
<b>Aggregate Limit</b>	<b>No aggregate borrowing limit</b>
<b>Credit Criteria</b>	<b>Cannot have adverse credit history (endorser option may be available if you have adverse credit)</b>
<b>Grace Period</b>	<b>None, but there is an automatic 6-month deferment following graduation</b>
<b>Repayment Plans</b>	<b>Standard, Graduated, Extended, Income-Sensitive, Income-Based</b>
<b>Repayment Period</b>	<b>10 to 25 years (depends on plan chosen)</b>

# Federal Direct PLUS Loan Adverse Credit History Criteria

**“Adverse credit” is when at least one of the following is on your current credit report:**

- Currently 90 days or more delinquent on repayment of any debt
- Debt has been discharged in bankruptcy during the past 5 years
- Evidence of a default, foreclosure, tax lien, repossession, wage garnishment, or write-off of a Title IV debt during the past 5-years



## Private Loans - Terms Vary By Lender

<b>Loan Fee</b>	<b>0% to ? (depends on lender)</b>
<b>Interest Rate</b>	<b>Variable – based on credit history, usually calculated using an index (LIBOR or Prime) plus a spread/margin</b>
<b>Credit Criteria</b>	<b>Cannot have adverse credit history (typically based on credit score)</b>
<b>Grace Period</b>	<b>0 to 12 months (depends on lender)</b>
<b>Repayment Plan(s)</b>	<b>Standard, Graduated, other(?)</b>
<b>Repayment Period</b>	<b>10 to 30 years (depends on lender)</b>

# Private Loans

## What Borrowers Should Consider

- Should first exhaust federal student loan eligibility
- If private loans are needed, borrower should carefully evaluate:
  - Cost – interest rate, fees, payment incentives
  - Credit criteria and approval rates
  - Repayment terms and payment options
  - Grace period, deferment, and forbearance
  - Reputation of lender
  - Quality of customer service
- Always borrow the minimum amount possible



# Repayment Plans

- Standard Repayment
- Graduated Repayment
- Extended Repayment
- Income-Sensitive Repayment (FFEL)/ Income Contingent Repayment (FDL)
- Income-Based Repayment (IBR)

**Choice of a repayment plan may depend on eligibility for that plan. Once plan is chosen, borrowers are allowed to change to a different plan provided they qualify for that plan.**

## Comparison of Plans - FFEL Program

Options	Payment Structure	Maximum Payment Period	Additional Features
<b>Standard</b>	Fixed	10 years	<ul style="list-style-type: none"> <li>- Highest initial payment</li> <li>- Lowest total interest</li> <li>- No negative amortization</li> </ul>
<b>Graduated</b>	Tiered	10 years	<ul style="list-style-type: none"> <li>- Interest only payments initially</li> <li>- Payments increase incrementally</li> <li>- No negative amortization</li> <li>- Monthly payments can't be more than three times greater than any other payment ("3 times rule")</li> </ul>
<b>Extended</b>	Fixed or tiered	25 years	<ul style="list-style-type: none"> <li>- Lowest initial payment without considering income</li> <li>- No negative amortization</li> <li>- To qualify in FFELP:                             <ul style="list-style-type: none"> <li>- FFELP debt must be &gt; \$30,000</li> <li>- New FFELP borrower ≥ 10/7/98</li> </ul> </li> <li>- No negative amortization</li> </ul>
<b>Income Sensitive</b>	Adjusted annually based on: <ul style="list-style-type: none"> <li>- Total gross income</li> </ul>	15 years	<ul style="list-style-type: none"> <li>- Subject to "3 times rule"</li> <li>- No negative amortization</li> <li>- Eligibility/payment amount re-evaluated annually</li> </ul>
<b>Income Based (IBR)</b>	Adjusted annually based on: <ul style="list-style-type: none"> <li>- Household AGI</li> <li>- Household size</li> <li>- Poverty guideline</li> <li>- State of residence</li> </ul>	25 years	<ul style="list-style-type: none"> <li>- Payment is 15% of "disposable" income if experiencing "partial financial hardship" at time you request IBR</li> <li>- Eligibility/payment amount re-evaluated annually</li> <li>- Negative amortization allowed</li> </ul>

For more information about these plans, visit: [AccessGroup.org](http://AccessGroup.org)

## Comparison of Plans - Federal Direct Loan Program

Options	Payment Structure	Maximum Payment Period	Additional Features
<b>Standard</b>	Fixed	10 years	<ul style="list-style-type: none"> <li>- Highest initial payment</li> <li>- Lowest total interest</li> <li>- No negative amortization</li> </ul>
<b>Graduated</b>	Tiered	10 years	<ul style="list-style-type: none"> <li>- Interest only payments initially</li> <li>- Payments increase incrementally</li> <li>- No negative amortization</li> <li>- Monthly payments can't be more than three times greater than any other payment ("3 times rule")</li> </ul>
<b>Extended</b>	Fixed or tiered	25 years	<ul style="list-style-type: none"> <li>- Lowest initial payment without considering income</li> <li>- No negative amortization</li> <li>- To qualify in FDLP:                             <ul style="list-style-type: none"> <li>- FDLP debt must be &gt; \$30,000</li> <li>- New FDLP borrower ≥ 10/7/98</li> </ul> </li> <li>- No negative amortization</li> </ul>
<b>Income Contingent (ICR)</b>	Adjusted annually based on: <ul style="list-style-type: none"> <li>- Household AGI</li> <li>- Household size</li> <li>- Total amount of Direct Loans</li> </ul>	25 years	<ul style="list-style-type: none"> <li>- Monthly payment is lesser of:                             <ul style="list-style-type: none"> <li>- Amt. needed to repay loan in 12 yrs multiplied by income % factor that varies with your AGI, or</li> <li>- 20% of monthly "discretionary" income</li> </ul> </li> <li>- Payment re-evaluated annually</li> <li>- Negative amortization allowed</li> </ul>
<b>Income Based (IBR)</b>	Adjusted annually based on: <ul style="list-style-type: none"> <li>- Household AGI</li> <li>- Household size</li> <li>- Poverty guideline</li> <li>- State of residence</li> </ul>	25 years	<ul style="list-style-type: none"> <li>- Payment is 15% of "disposable" income if experiencing "partial financial hardship" at time you request IBR</li> <li>- Eligibility/payment amount re-evaluated annually</li> <li>- Negative amortization allowed</li> </ul>

For more information about these plans, visit: [StudentLoans.gov](http://StudentLoans.gov)

# From one FAA to another....

- You are most likely the expert regarding financial aid on your campus, act like it.
- If you want friends (and you do), be a friend
- Put a friendly face on financial aid

# The Application Process

# The Application Process – from the student’s perspective

- File Admissions Application(s)
- Complete institution-specific financial aid form(s)
- Complete FAFSA
- Complete & Submit Verification and Additional Documents
- Review & Sign Award Letter(s)
- Complete Loan Application(s)
- Pay Remaining Balance

# Free Application for Federal Student Aid (FAFSA)

- FAFSA is central element in federal student aid application process
- Paper FAFSA, FAFSA on the Web, Renewal FAFSA on the Web, FAA Access to CPS Online
- Used to compute EFC based on Federal Methodology
- Used to confirm certain student eligibility criteria via database matches with federal agencies



## FAFSA on the Web (FOTW)

- Real-time online submission
- Electronic signature with use of PIN
- Step-by-step filing instructions
- Skip-logic functionality
- Printable FOTW Worksheet
- Pre-programmed edits
- Online status checks
- Simplified renewal application process

# The Electronic Signature

- Student must have a PIN
- PIN serves as electronic signature for FOTW
- Student receives a confirmation page and number when transmission is successful
- [www.pin.ed.gov](http://www.pin.ed.gov)



# Completing FAFSA

- Information about the Student
- Student Status
- Student's Finances
- Parents' Information
- Schools to Receive Results
- Signatures

# Official Expected Family Contribution (EFC)

- The EFC is calculated from income, assets, number in household, and number of household members attending college
- EFC Formula Guide is available from [www.ifap.ed.gov](http://www.ifap.ed.gov)
- There are 3 different EFC formulas
  - Dependent students
  - Independent students without dependents
  - Independent students with dependents (other than a spouse)
- In addition, there are 3 simplified formulas in which assets are not used to determine EFC

## Database Matches

- Social Security Administration (SSA)
- Department of Homeland Security (DHS)
- Selective Service
- Department of Justice
- National Student Loan Data System (NSLDS)

## **Student Aid Report (SAR) & Institutional Student Information Record (ISIR)**

- Summarizes FAFSA information
- Provides database match messages
- Displays EFC
- Establishes student's eligibility to receive Title IV assistance
- Indicates student selection for verification

# Students Rights and Responsibilities

- Accurate completion is critical
- Student's responsibilities
  - Review and understand agreements
  - Comply with application deadlines and documentation requirements
  - Repay any Title IV funds received as a result of inaccurate information

# Student Eligibility and Documentation Requirements

# Eligibility for Title IV Aid

- Students must satisfy certain general eligibility requirements.
- Some requirements are student-related; others relate to course of study (program-related).
- Conflicting information with regards to eligibility must be resolved.
- General student eligibility requirements found in Subpart C of General Provisions.

# General Student Eligibility Requirements

- Student must:
  - Be regular student in eligible program at eligible institution
  - Have high school diploma or equivalent or:
    - Pass approved ATB test
    - Self-certify on FAFSA that they were home schooled
    - Satisfactorily completed six credits of college work that are applicable to a degree or certificate offered by the school
  - Not be simultaneously enrolled in elementary or secondary school
  - Be U.S. citizen or national or eligible non-citizen
  - Have a correct Social Security Number
  - Be registered with Selective Service, if required
  - Sign Statement of Educational Purpose, which certifies that he/she will use funds only to pay cost of attending school

# General Student Eligibility Requirements (cont'd)

- Student must:
  - Not be in default on Title IV loan or owe overpayment on Title IV grant or loan
  - Not have borrowed in excess of annual or aggregate loan limits
  - Not have property subject to a judgment lien for a debt owed to the U.S.
  - Have repaid any Title IV funds obtained by fraud
  - Be maintaining satisfactory academic progress (SAP)
  - Not have disqualifying drug convictions
  - Have financial need, if applicable



# Additional Eligibility Factors

- Prior degrees
- Enrollment status
- Remedial coursework
- Correspondence study
- Study by telecommunications
- Incarceration

# General Student Eligibility Requirements

## Broad Categories:

1. Criteria checked via application process
2. Criteria checked and monitored by the school
3. Criteria not specifically checked, but must be resolved when conflicting information exists

## Criteria Checked via application process (Database Matches)

- Social Security Administration (SSA)
- Department of Homeland Security (DHS) through one of its bureaus, the U.S. Citizenship and Immigration Service
- Selective Service System
- Department of Veterans Affairs (VA)
- National Student Loan Data System (NSLDS)
- Department of Justice
- Results of database matches communicated on ISIRs and SARs



# Citizenship

- Student must be one of the following:
  - U.S. citizen;
  - U.S. permanent resident;
  - Citizens of the Freely Associated States: the Federated States of Micronesia and the Republics of Palau and the Marshall Islands;
  - Eligible non-citizen
    - Includes refugees, victims of human trafficking, persons granted asylum, etc.



# Citizenship

- U.S. citizenship is verified through match with Social Security Administration (SSA)
  - If the match fails, the school must collect documentation and conduct manual secondary confirmation
    - U.S. passport (or new wallet-sized passport card)
    - Copy of birth certificate showing that student was born in U.S.
    - Certificate of Naturalization
    - Other reasonable documentation



# Citizenship

- U.S. permanent residents are matched against Department of Homeland Security (DHS) records
  - Primary Verification: To verify the immigration status of U.S. permanent residents and other eligible noncitizens, the Department collects A-Numbers on the FAFSA
  - Secondary Verification: if primary verification is unsuccessful, CPS will give DHS 3 days to confirm eligibility. If secondary verification is unsuccessful, the student must provide unexpired documentation (ex. Resident Alien Card “green card” or Refugee form I-94) to the school proving eligible non-citizenship and school submits paper secondary verification to DHS (Form G-845)



# Social Security Number (SSN)

- Student's Social Security Number must be verified through match between CPS and Social Security Administration (SSA)
- If match does not confirm SSN, school may not disburse Title IV assistance until SSN has been verified
- School must give student at least 30 days to provide clear and convincing evidence of SSN, including:
  - Copy of SSN card; or
  - Letter from SSA



# Selective Service Registration

- Males, aged 18 to 25, are required to register with Selective Service
  - Exemptions include: active servicemen, males born before 1960, non-citizens who first entered the U.S. after age 26
- CPS conducts database match with Selective Service to confirm registration status
- Result of Selective Service match is reported on SAR and ISIR

# National Student Loan Data System (NSLDS)

- National database containing selected federal financial aid information on Title IV recipients
- NSLDS data used to:
  - Pre-screen and post-screen applicants for Title IV loan defaults and grant or loan overpayments
  - Ensure aggregate and annual limits not exceeded
  - Confirm eligibility for aid

# National Student Loan Data System (NSLDS)

- In most instances, schools may use NSLDS Financial Aid History information appearing on ISIR
- Once school has reviewed NSLDS information on ISIR, school is **not** required to recheck NSLDS data prior to disbursing Title IV funds
  - However, if you learn from NSLDS or another source that student was not or is no longer eligible, you must not deliver or disburse any additional federal funds and make sure student arranges to repay the aid for which he was not eligible.

## Certain Drug Offenses

- Student is ineligible if federal student aid has been suspended or terminated as part of court's sentencing (DOJ match)
- AND,
- Title IV eligibility is suspended for drug convictions under federal or state law for possession or sale of controlled substance while enrolled and receiving Title IV assistance (FAFSA Q31)

# Certain Drug Convictions

- Length of suspension is linked to the type and number of convictions
- Eligibility may be restored at any time if the student completes an approved drug rehabilitation program
- Information about drug convictions is self-certified by the student

# Criteria Checked & Monitored by the School

- Enrollment as a regular student in an eligible program at an eligible institution
- Must have high school diploma or equivalent
  - If student doesn't have high school diploma, must pass "Ability to Benefit" test approved by Dept. of Education
- Satisfactory Academic Progress (SAP)
- Be enrolled at least half time
  - ½ time for Stafford, PLUS, ACG/SMART
  - Pell, TEACH, and campus-based aid don't require ½ enrollment
- Must have resolved any drug conviction issue

# Satisfactory Academic Progress (SAP)

- Student must maintain satisfactory academic progress in his or her course of study
- School must establish, publish, and apply standards for measuring whether student is maintaining satisfactory academic progress
- SAP standards must be same as or stricter than standards for non-Title IV recipients

# Satisfactory Academic Progress (SAP)

- School's SAP standards must include:
  - Qualitative component, consisting of grades, work completed, etc.
  - Quantitative component, consisting of a maximum time frame in which student must complete his or her educational program

# Applicants selected for Verification

- Applications are selected either by CPS or school
- Schools must verify all applications selected by CPS, up to 30% of the school's total number of federal aid applications
- Schools must verify information believed to be incorrect or discrepant

# Required Verification Items

- Required verification items include:
  - Adjusted Gross Income (AGI)
  - U.S. income tax paid
  - Household size
  - Number in college
- Other untaxed income and benefits
  - Child support received
  - Untaxed payments to IRA/Keogh
  - Interest on tax-free bonds
  - Other untaxed income included on tax return

# Financial Aid Administrators are obligated to know:

- Whether or not someone is required to file tax return
- Correct filing status for tax filer (e.g., married, head of household, etc.)
- That someone cannot be claimed as an exemption by more than one person
- Conflicting information must always be resolved
  - Further processing of a student's award cannot occur until conflict is resolved

# Verification Policies & Procedures

- Institution's written policies must include:
  - Procedures used to identify selected applicants
  - Required documentation
  - Time frame for verification completion
  - Consequences of failure to complete verification
  - Correction procedures
  - Notification procedures
  - Procedures for referring overpayments to ED
  - Procedures for referring suspected fraud

# Cost of Attendance (COA)

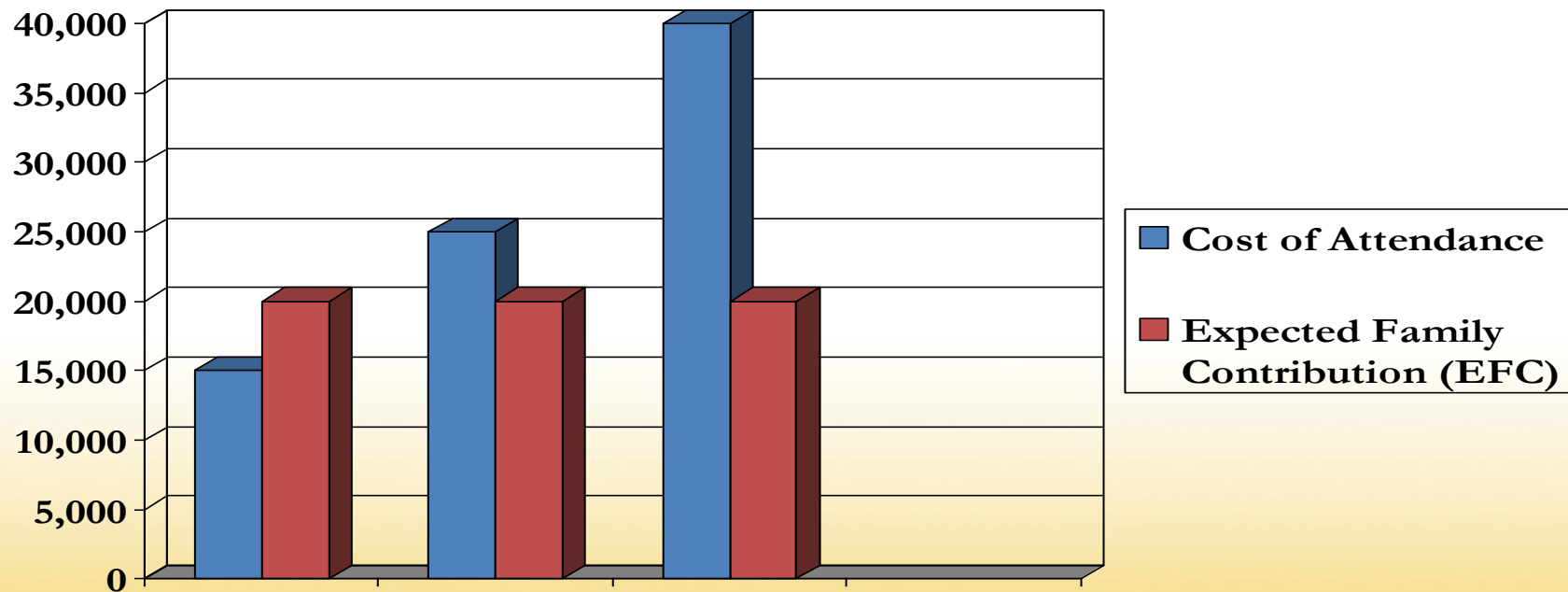
# Basic Need Equation

Cost of Attendance

– Expected Family Contribution

= Need

## Need Varies Based on Cost



# Cost of Attendance Components

- Tuition & Fees
  - Average or actual
- Room and board
  - On Campus
  - Off Campus
  - With Parents
- Books, supplies, transportation, miscellaneous personal expenses
- Additional Allowances may include:
  - Dependent care
  - Purchase of a computer
  - Equipment required for a student's disability
  - First professional license or certificate for students who are enrolled in a program that requires such professional licensure or certification.
  - Loan fees for federal and nonfederal loans; exact or average fees may be used for federal loans; private loan fees must be incurred during enrollment period
- Restrictions for Less-than-half-time enrollment, correspondence study and incarcerated students

## Less than Half-Time COA may include:

- Tuition & Fees
- Books & Supplies
- Transportation
- Dependent Care Expenses
- Limited room & board
- **NOT** personal and/or miscellaneous expenses

# Cost of Attendance Adjustments

- May use Professional Judgment to adjust Cost of Attendance
  - Document deviations
- Free Room & Board/Tuition waivers should be counted as a resource against Cost of Attendance versus not including in Cost of Attendance at all
- Longer/shorter period of enrollment
  - > 9 months = additional months in cost of attendance
  - < 9 months = fewer months in cost of attendance
  - Pell is always full year COA
  - Prorate COA
    - Calculating a per term
    - Calculate per month charge OR
    - Document new COA in another “reasonable” manner

# Cost of Attendance Adjustments

- Only the student's expenses may be included
- Disability Expenses
  - Should not be provided by another agency or program should be determined and documented on a case-by-case basis
- Dependent Care
  - Must be “reasonable” when compared to community
  - Includes class time, study time, field work, internships, and commuting
  - Dependent must be included in student's household size

# Constructing the Student Budget

- Student budget should be realistic and reasonable
  - Review budget increase requests annually to ensure your budget is reasonable
  - Increased requests from students may indicate that a change is necessary
- Document fair housing in area
- Utilize student surveys
- Discuss with housing coordinator on-campus
- Collaborate with colleagues who are in the same area to determine if costs are reasonable

## Additional Resources

- Bureau of Labor Statistics <http://stats.bls.gov>
- The College Board  
[www.collegeboard.org/policy/html/pafa.html](http://www.collegeboard.org/policy/html/pafa.html)

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# Federal Methodology



## Financial Need

- For need-based financial aid programs, students must demonstrate financial need under the following formula:

Cost of Attendance (COA)

- Expected Family Contribution (EFC)

= Need



# Principles of Need Analysis

- To the extent they are able, parents have primary responsibility to pay for their dependent children's education
- Students also have a responsibility to contribute to their educational costs
- Families should be evaluated by their present financial condition
- A family's ability to pay for educational costs must be evaluated in an equitable and consistent manner, recognizing that special circumstances can, and do, affect ability to pay

# Calculating the EFC

- Method for assessing ability to pay consists of two steps:
  - Measuring a family's financial strength
  - Assessing a part of it as being available to contribute toward educational costs



# Federal Methodology

- System used to calculate EFC
- Classifies students according to one of three models:
  - Dependent
  - Independent without dependents *other than a spouse*
  - Independent with dependents *other than a spouse*

# Independent Formula EFC Components

- Contribution from student (and spouse) available income
  - Certain allowances are subtracted from income
    - US income taxes paid, State & other taxes, social security taxes
  - An Income Protection Allowance accounts for basic family living expenses
- Contribution from student (and spouse) assets

## FM Characteristics

- Base-year income used (e.g., 2009 is base year for 2010-2011)
- Allowances protect portions of income and assets
- EFC calculated for 9-month enrollment period

# Independent Student (no dependents)

- EFC = Sum of student's (and spouse's) contribution from available income + contribution from assets divided by # in college
  - Available Income
    - Total Income – Allowances (multiplied by 50%)
  - Contribution from Assets
    - Net worth – Asset Protection Allowance (multiplied by asset conversion rate of 35%)



# Independent Student (With Dependents other than a spouse)

- The Regular Formula is similar to the formula used to calculate the parents' contribution for the dependent student
- $EFC = \text{Sum of student's (and spouse's) contribution from available income} + \text{contribution from assets} \div \# \text{ in college}$ 
  - Available income
    - Total Income – Allowances
  - Contribution from assets
    - Net worth – Asset Protection Allowance (multiplied by asset conversion rate of 12%)

## Independent Student With Dependents (other than a spouse) – Auto Zero

- To qualify:
  - Student's/spouse's combined AGI or earned income is \$30,000 or less
  - And, neither the student/spouse are required to file a 1040 tax return
- Not applicable for independent student without dependents other than a spouse

## All Independent Students: Simplified EFC Formula

- Simplified formula basically the same as regular formula, except that asset information is not calculated into EFC
- To qualify:
  - Student/spouse's combined AGI or earned income must be less than \$50,000
  - Neither the student/spouse are required to file a 1040 tax return
  - Receipt of means-tested federal benefit program in previous 12 months (expanded eligibility criteria with HERA)

## Alternate EFCs

- The standard EFC is for a nine-month enrollment period
- If the student enrolls for less than 9 months, the EFC is prorated
  - divide it by 9 and multiply the result by the number of months the student will be enrolled
- For enrollment greater than 9 months, the EFC remains at the nine-month amount

# From one FAA to another....

- Develop relationships before you have to defend the castle
  - Student government Association President
  - Key Faculty
- Serve on key committees
  - Help people understand you know more than “financial aid”
- Hold an open house

# Sample EFC Calculation – Dust off your Calculators!

- Our Student Sample
  - 26 years old
  - From NY state
  - Single
  - AGI: \$19,373
  - Income Earned from Work: \$13,227
  - Untaxed Portion of Pension: \$6,146
  - Taxes Paid: \$1,086
  - Cash, Savings, and Checking: \$400



STUDENT/SPOUSE INCOME IN 2009	
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.	19,373
2. a. Student's income earned from work (FAFSA/SAR #39)	13,227
2. b. Spouse's income earned from work (FAFSA/SAR #40)	0
Total student/spouse income earned from work =	13,227
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)	19,373
4. Total untaxed income and benefits (sum total of FAFSA/SAR #45.a. through 45.j.)	6,146
5. Taxable and untaxed income (sum of line 3 and line 4)	25,519
6. Total additional financial information (sum total of FAFSA/SAR #44.a. through 44.f.)	0
7. <b>TOTAL INCOME</b> (line 5 minus line 6) May be a negative number.	25,519



ALLOWANCES AGAINST STUDENT/SPOUSE INCOME	
8. 2009 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.	1,086
9. State and other tax allowance (6%) (Table B1) If negative, enter zero. +	1,531
10. Student's Social Security tax (Table B2) +	1,012
11. Spouse's Social Security tax (Table B2) +	0
12. Income protection allowance: <ul style="list-style-type: none"> <li>• \$7,780 for single, separated or divorced/widowed student;</li> <li>• \$7,780 for married student if spouse is enrolled at least 1/2 time;</li> <li>• \$12,460 for married student if spouse is not enrolled at least 1/2 time.</li> </ul> +	7,780
13. Employment expense allowance: <ul style="list-style-type: none"> <li>• If student is not married or is separated, the allowance is zero.</li> <li>• If student is married but only one person is working (the student or spouse), the allowance is zero.</li> <li>• If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes, or \$3,500, whichever is less.</li> </ul> +	0
14. TOTAL ALLOWANCES =	11,409



CONTRIBUTION FROM AVAILABLE INCOME		
<b>TOTAL INCOME</b> (from line 7)		25,519
<b>TOTAL ALLOWANCES</b> (from line 14)	—	11,409
<b>15. AVAILABLE INCOME (AI)</b>	=	14,110
<b>16. Assessment rate</b>	×	<b>.50</b>
<b>17. CONTRIBUTION FROM AI</b> May be a negative number.	=	7,055

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS		
18. Cash, savings & checking (FAFSA/SAR #41)		400
19. Net worth of investments* (FAFSA/SAR #42) If negative, enter zero.		0
20. Net worth of business and/or investment farm (FAFSA/SAR #43) If negative, enter zero.		0
21. Adjusted net worth of business/farm (Calculate using Table B3.)	+	0
22. <b>Net worth</b> (sum of lines 18, 19, and 21)	=	400
23. Asset protection allowance (Table B4)	-	1,100
24. Discretionary net worth (line 22 minus line 23)	=	(700)
25. Asset conversion rate	(\$140) ×	.20
26. <b>CONTRIBUTION FROM ASSETS</b> If negative, enter zero.		0



EXPECTED FAMILY CONTRIBUTION		
CONTRIBUTION FROM AI (from line 17) May be a negative number.		7,055
CONTRIBUTION FROM ASSETS (from line 26)	+	0
<b>27. Contribution from AI and assets</b>	=	7,055
<b>28. Number in college in 2010-2011</b> (FAFSA/SAR #95)	÷	1
<b>29. EXPECTED FAMILY CONTRIBUTION</b> for nine month enrollment. If negative, enter zero. **	=	7,055

# Loan Counseling Requirements



# Loan Counseling

- Higher Education Opportunity Act of 2008 (HEOA) mandated that students must receive loan counseling (prior to HEOA, requirement was regulatory not statutory)
  - Entrance counseling must be completed either at or prior to delivery of the first disbursement of a Federal Stafford or Federal PLUS Loan
  - Exit counseling must be provided shortly before student ceases to be enrolled at least half-time
- Counseling can be conducted in person or through the use of written or online tools
  - Student must acknowledge receipt of written or online entrance counseling
  - An individual who is knowledgeable about the loan programs must be available to answer questions after the counseling occurs
- School must retain documentation that student completed counseling or that an attempt was made in the case of exit counseling
  - Exit counseling information must be mailed within 30 days of last known date of attendance for a student to student who withdraws or who fails to attend an exit counseling session

# Entrance Counseling Information

- Use of the Master Promissory Note (MPN)
- Effect of accepting the loan on eligibility for other aid
- Obligation to repay the debt and the importance of that repayment obligation
- How interest accrues and is capitalized if not paid along with option to pay interest on unsubsidized loans when it accrues while in school
- Definition of half-time enrollment for all terms and consequences of not maintaining half-time enrollment
- Importance of contacting school if student withdraws so that exit counseling can be completed
- Consequences of default

# Entrance Counseling Information

- Sample repayment amounts based either on a range of indebtedness, or the average cumulative indebtedness of borrowers in the same program of study as the student at the same school
- Information about NSLDS and how to access information on NSLDS
- Name and contact information for person who can answer questions about students' rights and responsibilities or loan terms and conditions
- For Grad PLUS borrowers who have not first borrowed maximum eligibility in Stafford Loans, school must notify student of the amount he/she is eligible to borrow in Stafford and the differences between Stafford and PLUS

# Exit Counseling Information

- Rights and responsibilities including:
  - Importance of repaying debt
  - Ability of student to prepay debt without penalty, to change repayment plans and to request shorter repayment period
  - Consequences of default
- Information on the average anticipated monthly payment based on amount borrowed by the student or an average amount for all students in the same degree program
- Repayment plans available with comparative analysis of features including average projected monthly payments under each plan and the difference in interest and total payments for each plan



# Exit Counseling Information

- Terms and conditions to obtain full or partial forgiveness or discharge
- Terms and conditions to obtain deferment or forbearance
- Review of the use of the Master Promissory Note (MPN)
- Effects of loan consolidation
- Tax benefits available to students
- Information about NSLDS and U.S. Department of Education Ombudsman
- Debt management strategies

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# Professional Judgment

# What is Professional Judgment (PJ)?

The authority provided under the Higher Education Act for aid administrators to exercise discretion in specific areas of student aid administration when a student has special circumstances that warrant such treatment



# Professional Judgment

- Professional judgment is not regulated by the ED, nor can it be appealed to ED
- Auditors may review
- Case-by-Case adjustments
- Valid only at school making adjustment – must check off “PJ” box if submitting changes electronically on FAFSA
- All conflicting information must be resolved prior to adjusting
- Neither limited nor required
- School is held accountable and must document decisions
- Must use resulting EFC for all FSA programs

## HEA Section 479A

- Authorizes case-by-case adjustments to:
  - Cost of attendance
  - Values of FM data elements
- Authorizes FAA to deny or reduce eligibility for Direct Loan
- Other statutory provisions allow for PJ regarding:
  - Dependency status
  - Satisfactory academic progress

## HEA Section 428H

Allows an Unsubsidized Stafford Loan to be offered without requiring the parents of such student to file the financial aid form prescribed under section 483 if the student financial aid administrator verifies that the parent or parents of such student have ended financial support of such student and refuse to file such form.



# Why is Professional Judgment Important?

- Flexibility to deal with unique circumstances affecting individual students (not an entire class)
- Allows for personal intervention by aid administrators in cases that merit individual attention
- Enables aid administrators to respond appropriately to student's individual circumstances which can never be fully anticipated in legislation or regulation

# Examples of Unusual Circumstances

- Loss of employment of family member
- Unusual family medical or dental expenses not covered by insurance
- Nursing home expenses
- Child care/dependent care costs
- Homelessness
- Tuition expenses at elementary or secondary school for student's siblings or dependents
- Parents enrolled at least half-time
- Divorce of parent or independent student
- Death of parent or independent student's spouse

# Examples of “Unreasonable” Judgments

- Reducing EFC due to:
  - Vacation expenses
  - Tithing expenses
  - Standard living expenses (utility, credit card expenses, allowance expenses)



## Questions to ask may include:

- Is student or student's family experiencing unique circumstances?
- Does student's unusual situation warrant special treatment because it affects the student's or family's ability to contribute to the cost of attendance?
- What should special treatment be and what documentation is appropriate?
- Would the IPA (Income Protection Allowance) have already covered this?
  - 30% food
  - 22% housing
  - 9% transportation
  - 16% clothing/personal care
  - 11% medical care
  - 12% other family consumption

# Areas of Professional Judgment

- Statute governing the Title IV programs allows aid administrators to exercise discretion in specific areas:
  - Dependency status
  - Need analysis: calculation of Expected Family Contribution (EFC) and cost of attendance (COA)
  - Satisfactory academic progress
  - Denial or reduction of eligibility for Direct Loan Program loans

# Areas Where Professional Judgment Does Not Apply

- Professional judgment may not be used to:
  - Change a student's status from independent to dependent
  - Devise a new category of costs
  - Adjust the bottom-line EFC or change the formula itself
  - Waive general eligibility requirements
  - Circumvent the intent of the law

## Adjustment to Data Elements Used to Calculate EFC

- Adjustments may be made to data elements within need analysis formulas
- Changes to FM formula not permitted
- EFC may be recalculated substituting adjusted data elements for those used in original EFC calculation
- For Federal Pell Grant Program, adjustments must be submitted to CPS for recalculation of EFC

## PJ - Cost of Attendance (COA)

- Cost of attendance components may be adjusted to reflect individual unusual circumstances
- Adjustments to COA must be made under categories defined by statute
- Aid administrator may not create a new cost category through professional judgment

## PJ - Cost of Attendance (COA)

- Adjustments to COA components can either increase or decrease standard budget and can occur in a number of situations
- Costs must be those incurred by the student, for the student, for the period of enrollment
- Dependent care component may be adjusted to include food and shelter costs for dependents when family income falls below Income Protection Allowance (IPA)

# Denial or Reduction of Direct Loan Program Eligibility

- Section 479A of the HEA grants ability to financial aid administrators to either deny or reduce amount of student's and/or parent's eligibility for Direct Loans

# Document, Document, Document...

- Documentation provides information in addition to that reported on FAFSA and other application documents (i.e., third-party documentation, copies of receipts, or canceled checks)
- Provides history of student's circumstances for future reference

# Types of Documentation

- Encompasses materials collected to support the student's request
- Constitutes a clear record of school's decision, how it was reached, and the actions taken

# Types of Documentation

- As good practice, minimum documentation should include:
  - Written decision including date any action taken
  - Specific circumstance and, if appropriate, actual request of student or parent describing the circumstance
  - Source of information—for example, third-party documentation letters, receipts, bills, tax forms
  - Letter of response to student informing them of the decision

# Why Are FAA's Sometimes Reluctant to Use Professional Judgment?

- Inexperience
- Lack of confidence
- Time and staffing constraints
- Fear of audits and program reviews



## Group Discussions

- Would you do a PJ if:
  - A dependent student requested to include their parents as their dependent?
  - An independent student requested to include their live-in boyfriend's daughter as a dependent?
  - A married independent student would like to include have his wife's health insurance added to his COA since he gets it through the school and it's on his bill?
- Other scenarios you've had at your schools?

# The Legislative and Regulatory Processes



# Program Participation Agreement (PPA)

- Required to participate in Title IV programs
- Contains conditions governing school's participation in Title IV programs and expiration date
- Unless specified, applies to each educational program, branch campus, and location listed in school's Application

# SFA Legislation and Regulations

- Statute (law) is the “final word”
  - Regulations have the “force of law”
  - Federal law takes precedence over state law
  - Congress write laws; Dept of Ed writes regulations for procedural guidance



# Negotiated Rulemaking

- Negotiated rulemaking is the process federal agencies use to formulate rules and regulations for:
  - New Legislation
  - Improving Current Regulations
- DOE convenes advisory committee/negotiators to reach consensus
- If no consensus, rulemaking process may continue without including the input of negotiators

# Notice of Proposed Rulemaking

- Occurs after negotiated rulemaking
- Published results of negotiated rulemaking in the *Federal Register*
- ED allows for public comments before issuing final rules (30 – 120 days)

# Final Rules

- Published in the *Federal Register*
- Summary of comments and ED's response
- Changes made as a result of comments are noted
- Final regulations become included in CFR (Code of Federal Regulations)
- Effective Date
  - “Upon enactment”
  - Date(s) specified in law
  - “Self-implementing” provisions

# Resources to Help Understand Statute and Regulations

- Major Department of Education publications
  - *Student Financial Aid Handbook*
  - *SAR/ISIR Reference Materials*
  - Dear Partner/Colleague Letters
  - Action Letters
- These publications are available at:
  - <http://www.ifap.ed.gov>

# Resources to Help Understand Statute and Regulations

- NASFAA Web Site: <http://www.nasfaa.org>
  - Legislative and regulatory news articles (Today's News/Weekly Newsletter)
  - Compiled regulations
  - NASFAA's Ask Regs
  - Federal Registers
  - *Student Financial Aid Handbook*
  - Dear Partner/Colleague Letters
  - Action Letters
  - *NASFAA Encyclopedia*

## Individual Advocacy

- You are most likely the expert regarding financial aid on your campus
- If appropriate, meet frequently with your school's government relations contact
  - Determine allowable boundaries for your involvement in direct advocacy at the local, state and /or federal levels
  - Be aware of the laws that regulate allowable contact with legislators and the documentation requirements



## Individual Advocacy

- If appropriate, develop relationships with legislators and their staff
  - Do not let a crisis “bring you together”
- Be informed and be brief
- Be constructive
- Remember, elected officials work for you!
- You can always advocate through your national, regional and state financial aid associations.

# From one FAA to another....

- Things your boss want you to know:
  - Never let your boss be surprised
  - Be thorough, but concise
  - Support recommendations with data
  - Have your data “dashboard”
    - Applications compared to last year
    - Loan volume, average indebtedness
    - Head Count/FTE Count
    - Racial/Ethnic, Geographic, Gender and Socio-Economic Diversity
  - Advocate, but don’t sulk
  - You are either part of the problem or part of the solution

**Questions???**

**Comments...**

**THANK YOU FOR ATTENDING!**