



The Higher Education Reconciliation Act (HERA):

- Makes several significant changes to the Higher Education Act
- Reauthorizes the FFELP and Direct Loan Program
- Became Public Law 109-171 on February 8, 2006

Dear Colleague Letter GEN-06-02 (March 2006)

- Provides ED guidance on the loan-related provisions of the HERA

Dear Colleague Letter GEN-06-05 (April 2006)

- Provides ED guidance on the student and institutional eligibility, and student assistance general provisions of the HERA

Dear Colleague Letter GEN-06-06 (May 2006)

- Provides a list of academic majors eligible for the National SMART grants for the 2006-2007 academic year

Dear Colleague Letter GEN-06-08 (May 2006)

- Provides additional implementation guidance for the Academic Competitiveness and National SMART Grant Programs

Dear Colleague Letter FP-06-05 (April 2006)

- Announces addenda and revised Plain Language Disclosures for the Stafford, PLUS, and Consolidation Loan Programs

Disbursements

- Reinstates two popular disbursement exemptions that are now applicable to all schools (including foreign schools) from:
 - 30-day delayed disbursements
 - Multiple disbursements for single-term loans or loans not longer than 4 months
- To qualify, school must have cohort default rate of less than 10% for each of the 3 most recent fiscal years
 - Foreign schools no longer automatically exempt from these two disbursement requirements; must now meet cohort default rate qualifications to be exempt
- Effective for any disbursement made on or after February 8, 2006

Foreign school Stafford loan disbursements

- Any request for Stafford loan disbursement directly to the student must be made by the foreign school
 - However, disbursement cannot be made until student's enrollment is verified by lender or guarantor
- Effective for loans first disbursed on or after July 1, 2006

Study abroad Stafford loan disbursements

- Allows study-abroad student to receive disbursement from lender upon request;
 - However, disbursement cannot be made until student's enrollment is verified by lender or guarantor
- Effective for loans first disbursed on or after July 1, 2006

Grants

- Creates two new grant programs
 - Academic Competitiveness Grant
 - National Science and Mathematics Access to Retain Talent (SMART) Grant
- Effective July 1, 2006

General requirements for Academic Competitiveness and National SMART Grants

- The amount of grant in combination with Pell Grant and other estimated financial assistance cannot exceed the COA, but may exceed need
- Eligibility for these grants varies by grade level and program, but to qualify for either grant, student must be:
 - Enrolled in a 2- or 4-year degree granting school
 - A U.S. citizen
 - A full-time student
 - Pell-eligible

Academic Competitiveness Grant

- For first- and second-year undergraduates
 - \$750 for first academic year
 - \$1,300 for second academic year

- Qualifying student must:
 - Be enrolled in first or second year of study
 - For first-year, not previously have been enrolled as undergraduate, and completed high school after January 1, 2006
 - With exception of dual-enrolled students who are not enrolled in a formal degree or certificate program, per ED guidance
 - For second-year, have completed high school after January 1, 2005, and have cumulative GPA of at least 3.0 at end of first year of undergraduate education
 - Have completed “rigorous” course of study in high school
- GEN-06-08 provides definition and additional guidance as to what constitutes “rigorous” course of study

National SMART Grant

- For third- and fourth-year undergraduates
 - \$4,000 per academic year
- Qualifying student must:
 - Be enrolled in third or fourth year of study
 - Obtain/maintain a cumulative GPA of at least 3.0 in the coursework required for the major
 - Pursue one of several specific majors
- GEN-06-06 provides list of majors eligible for National SMART Grant for 2006-07 academic year

Simplified Needs Test

- Allows dependent student to qualify for simplified needs test under the FAFSA if:
 - Parent(s) AGI is less than \$50,000; and either
 - Parent(s) not required to file tax return or filed 1040A or EZ, or
 - Parent or student received benefits under means-tested federal benefits program in the calendar year prior to the current award year
- Allows independent student to qualify for simplified needs test under the FAFSA if:
 - Student (and spouse, if applicable) AGI is less than \$50,000; and either
 - Student (and spouse) not required to file tax return or filed 1040A or EZ, and
 - Student (or spouse) received benefits under means-tested federal benefits program in the calendar year prior to the current award year

- Means-tested federal benefits programs specifically mentioned in the law:
 - Supplemental Social Security Income
 - Food stamps
 - Free and reduced price school lunch program
 - Temporary Assistance for Needy Families
 - WIC nutrition program

Automatic Zero EFC

- A dependent student qualifies for automatic zero EFC if:
 - Parent(s) AGI is \$20,000 or less; and either
 - Parent(s) not required to file tax return or filed 1040A or EZ, or
 - Parent or student received benefits under means-tested federal benefits program in the calendar year prior to the current award year (see list above)
- An independent student qualifies for automatic zero EFC if:
 - Student has dependent(s) other than a spouse
 - Student (and spouse, if applicable) AGI is \$20,000 or less; and either
 - Student (and spouse) not required to file tax return or filed 1040A or EZ, or
 - Student (or spouse) received benefits under means-tested federal benefits program in the calendar year prior to the current award year (see list above)
- An independent student with no spouse and no other dependents, or with a spouse but no other dependents does not qualify for automatic zero EFC
- Effective July 1, 2006

Qualified education benefits

- “Qualified education benefits” now includes
 - Coverdell accounts,
 - Prepaid tuition plans offered by a state, and
 - 529 plans (both prepaid tuition and savings plans)
- GEN-06-05 stipulates that, for dependent students, these savings vehicles are considered assets of the parent (if a parent or step-parent is the owner of the plan) instead of resources or assets of the student
- Effective July 1, 2006

Distance education

- Excludes telecommunications courses from correspondence courses under the 50% rules
 - Retains limits on correspondence courses
- Allows certificate program of less than one year offered by telecommunications to qualify for Title IV assistance
 - No longer considered correspondence program
- Requires telecommunications program to be accredited by agency that is approved to accredit distance education programs
- Effective July 1, 2006

Cost of attendance

- Cost of attendance (COA) for less-than-half-time students now includes room and board, but with conditions:
 - Costs are limited to maximum of 3 semesters or the equivalent, and
 - No more than 2 semesters or the equivalent can be consecutive
- Includes allowance in COA for the one-time cost of obtaining the “first professional license or certificate” for students in a program requiring such credentials
 - School determines the amount of this allowance
 - COA increase is at school’s discretion
 - GEN-06-05 stipulates that the cost for the license or certificate must be incurred while the student is still enrolled and must be required by a state or commonly accepted as required to practice or be employed in the profession
- Effective July 1, 2006

Definition of academic year for clock-hour program

- Reduces the minimum number of weeks from 30 to 26 for clock-hour programs
- Effective July 1, 2006

R2T4

- Stipulates student must repay grant overpayment only in the amount that the original grant overpayment exceeds half of the total Title IV grants received by the student for the period
 - If original overpayment amount is less than half the total Title IV grants received, the student owes \$0
- Stipulates student not required to repay grant overpayment amounts of \$50 or less

- Calculation for clock-hour programs revised
 - Only scheduled hours, not completed hours, will be used when calculating the percentage of the period completed
- Extends timeframe to return Title IV program funds for which school is responsible
 - From 30 to 45 days
- Effective July 1, 2006

Leaves of absence

- Allows multiple approved leaves of absence within 180-day period
- Effective July 1, 2006

Late and post-withdrawal disbursements

- States that once school has determined a borrower’s eligibility for a late disbursement or post-withdrawal disbursement of loan funds, before making such a disbursement, school must:
 - Contact the borrower to offer the disbursement
 - Explain the obligation to repay the loan funds following such a disbursement
- The school must then:
 - Obtain the borrower’s confirmation that the loan funds are still required
 - Document the borrower’s file with “the result of such contact and the final determination made concerning such disbursement”

School as lender

- Stipulates that qualifying school:
 - Must offer origination fees and/or interest rates lower than those authorized in HEA
 - Must have cohort default rate not greater than 10%
 - Must lend only Stafford loans, and to only graduate and professional students
- All earnings above administrative expenses, including proceeds from sales of loans, must be directed to need-based aid
- Effective for schools that met the eligibility criteria in effect on February 7, 2006, and made loans on or before April 1, 2006; for schools that qualify, new provisions are effective July 1, 2006

Income protection allowance (IPA)

- Increases IPA for dependent student from \$2,200 to \$3,000
- Increases IPA for independent student without dependents other than a spouse from:
 - \$5,000 to \$6,050 for single students
 - \$5,000 to \$6,050 for married students where both are enrolled
 - \$8,000 to \$9,700 for married students where one is enrolled
- Effective July 1, 2007

Treatment of assets in need analysis

- Reduces asset conversion rate for dependent student from 35% to 20%
- Reduces asset conversion rate for independent student without dependent(s) other than a spouse from 35% to 20%
- Reduces asset conversion rate for independent student with dependent(s) other than a spouse from 12% to 7%
- Effective July 1, 2007

HERA / Reauthorization resources

ED: Information for Financial Aid Professionals

www.ifap.ed.gov/IFAPWebApp/currentHERAPag.jsp?p1=c

NCHELP: National Council of Higher Education Loan Programs

www.nchelp.org/elibrary/index.cfm?parent=1791

TG: TG Online, The Higher Education Reconciliation Act of 2005 (HERA) page

www.tgslc.org/reauth/hera.cfm

Information provided on this resource is current as of August 2006.



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