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## Default Reduction Assistance Program (DRAP) for Federal Perkins Loans

On September 21, 2011, the U.S. Department of Education (ED) issued [Electronic Announcement \(EA\): Federal Perkins Loan Default Reduction Assistance Program \(DRAP\)](#), to announce the availability of DRAP, a voluntary and free of cost program to aids schools in bringing defaulted Federal Perkins Loan (Perkins Loan) borrowers back into repayment before their accounts are sent to a collection agency.

Borrowers who default on their Perkins Loans will receive a letter from ED on official letterhead explaining the consequences of default, such as:

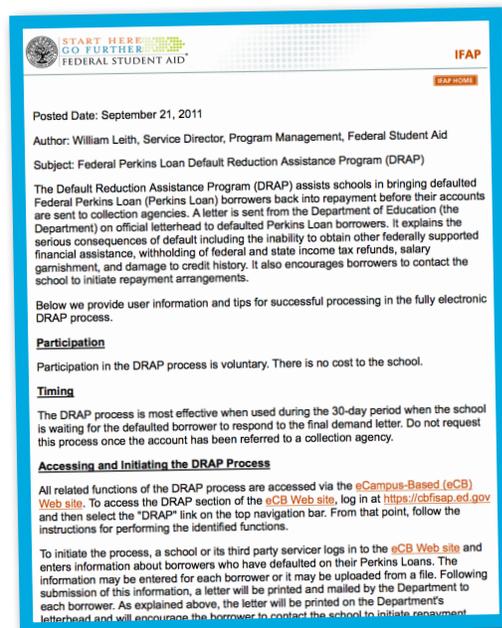
- The inability to obtain future federal supported financial assistance;
- The withholding of income tax refunds;
- Wage garnishment; and
- The impact on the borrower's credit history.

Borrowers are encouraged to contact their school to make payment arrangements.

ED stated that the DRAP process is most effective during the 30-day period when schools are waiting for the borrower to respond to the final demand letter. The DRAP process cannot be used once the borrower's loan(s) has been referred to a collection agency.

### INITIATING THE PROCESS

To initiate the process, the school or its third party service provider should log into the eCampus-Based (eCB) System Web site at <https://cbfisap.ed.gov> and enter information about the borrower who defaulted on their Perkins Loan. Information for each borrower may be entered manually or uploaded from a file. Although file uploads are limited to no more than 1,000 borrowers, there is no limit to the number of uploads a school may complete.



# Default Reduction Assistance Program (DRAP) for Federal Perkins Loans

Once the information is submitted, a letter will be printed on ED letterhead and mailed to the borrower. The DRAP system will only accept physical addresses. P.O. Boxes will not be accepted. ED will log “undeliverable” letters in the eCB DRAP system. Schools are encouraged to log in periodically to review and print reports for undeliverable letters.

## DRAP PROCESS FEATURES

The school or its third party service provider will have the following capabilities:

- Submit borrower information for the letter to be printed and mailed
- Maintain borrower data
- Edit DRAP contact information without ED involvement
- Run reports to monitor the letters mailed to borrowers
- Run reports to monitor the total number of letter requests submitted
- Determine the date a letter was mailed
- Determine if a letter was returned as “undeliverable” and if the borrower’s address has since been determined to be invalid.

## CONTACT INFORMATION

If you have questions about DRAP, contact the Campus-Based Call Center at 877-801-7168 or CBF0B@ed.gov. Telephone representatives are available Monday through Friday, 8:00 a.m. to 8:00 p.m., EST.



# Gainful Employment Corner

## GAINFUL EMPLOYMENT ELECTRONIC ANNOUNCEMENT # 22

On September 22, 2011, the U.S. Department of Education (ED) released [Electronic Announcement #22](#) to announce the availability of the updated National Student Loan Data System (NSLDS) Gainful Employment User Guide and the NSLDS Newsletter #34.

### Accessing the Updated NSLDS Gainful Employment User Guide

The updated [NSLDS Guide](#) is available on the NSLDS User Documentation page of the Information for Financial Aid Professionals (IFAP) Web site and can also be downloaded from the “Resources” section of the [Gainful Employment Information Page](#).

### New Information Included in the Guide

Below are highlights of the items that were recently updated or added to the Guide:

- Additional information for the Gainful Employment reporting process, including a comma separated value (CSV) file format;
- Error codes used for the GE Response Error/Acknowledgement File; and
- Updated NSLDS Professional Access reporting option, including updated screen shots;

Please refer to NSLDS [Newsletter #34](#) for additional information on the Gainful Employment reporting process.

## GAINFUL EMPLOYMENT ELECTRONIC ANNOUNCEMENT # 23

On September 26, 2011, the U.S. Department of Education (ED) released [Electronic Announcement #23](#) to announce the availability of the Gainful Employment reporting functionality on the National Student Loan Data System (NSLDS) Web site.



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Schools should refer to the NSLDS Gainful Employment User Guide and NSLDS [Newsletter #34](#) for more information on the reporting process.

## GAINFUL EMPLOYMENT ELECTRONIC ANNOUNCEMENT # 24

On September 28, 2011, the U.S. Department of Education (ED) released [Electronic Announcement #24](#) regarding the NPRM for Application and Approval Process for New Schools. The higher education community is reminded that the deadline to submit comments to this NPRM is November 14, 2011.

## GAINFUL EMPLOYMENT ELECTRONIC ANNOUNCEMENT # 25

On September 28, 2011, the U.S. Department of Education (ED) released [Electronic Announcement #25](#) to provide additional guidance on how schools can disclose information for gainful employment programs when the school offers more than one program with the same Classification of Instructional Programs (CIP) Code and Credential Level.

Based on school feedback, ED reviewed their previous guidance on programs that share the same CIP Code and Credential Level and has modified FAQ-D-Q1 to address when two programs are distinct and warrant separate disclosure to the public. This guidance will allow for separate disclosure by educational program under certain conditions.

### CIP Codes

ED recommends that schools review their educational programs to verify that the most accurate and descriptive CIP Code is assigned to each program. A list of CIP Codes can be found [here](#).

### Disclosures

Schools should determine whether disclosures for multiple programs that share the same CIP Code and Credential Level accurately reflect each of the programs. Under the October 29, 2010, final regulations for 34 CFR 668.6(b), schools should determine whether disclosures should be provided separately for each program, even when the programs have the same CIP Code and Credential Level.

ED suggests that schools examine the following aspects of their programs to determine whether the programs warrant separate disclosures:

- Length of the programs**  
 Is there a difference in length of three months, 12 weeks, or one Title IV payment period between the programs? If so, ED suggests that a separate disclosure be considered.
- Tuition, fees and other costs**  
 Does the cost of the programs differ by more than 10 percent? For example, a school may offer a standard term based program on weekdays at one tuition rate and offer the same program on-line for a tuition rate that is 25 percent less. ED sites this example as a situation that warrants separate disclosures.
- Programs in different states**  
 Does your school offer programs in different states that require different placement rate calculations and minimum requirements? If so, separate disclosures are warranted.
- Implementation**  
 Schools are encouraged to implement the new guidelines as soon as possible to meet the expectation to provide helpful information to prospective students. ED anticipates that all schools should be able to implement the revised guidance into their school's web disclosures within the next two to three months.

## GAINFUL EMPLOYMENT ELECTRONIC ANNOUNCEMENT # 26

On September 28, 2011, the U.S. Department of Education (ED) released [Electronic Announcement #26](#) to announce the availability of an [updated National Student Loan Data System \(NSLDS\) Gainful Employment Submittal Template](#).

The template is to be used with Microsoft Office Excel and gives schools the opportunity to submit up to 50 records/rows of Gainful Employment (GE) data at a time. Instructions are included in the template to assist schools with submitting GE data using the upload feature.

Please note that NSLDS will continue to accept the original version of the NSLDS Gainful Employment Submittal Template.

# SPECIAL ALLOWANCE RATES FOR STAFFORD AND PLUS LOANS

## FOR THE QUARTER ENDING SEPTEMBER 30, 2011

The Treasury Bill (T-bill) rate for the quarter ending September 30, 2011 averaged .03%. The categories for which special allowance was paid on loans made or purchased with taxable funds are:

Loan Interest Rate	Special Allowance Annual Rate+	Special Allowance Quarterly Rate+	LaRS (Lender Reporting System) Part III: Special Allowance Category Column E*
7.00%	0.00%	0.00%	SA
7.00%	0.00%	0.00%	SB
8.00%	0.00%	0.00%	
3.16%	0.12%	0.0300%	SD
3.31%	0.00%	0.00%	
7.00%	0.00%	0.00%	
8.00%	0.00%	0.00%	
3.16%	0.00%	0.00%	SE
3.16%	0.00%	0.00%	SG
3.27%	0.00%	0.00%	
2.56%	0.00%	0.00%	SH
1.76%	0.47%	0.1175%	SJ
2.36%	0.47%	0.1157%	SK

For the quarter ending September 30, 2011, the average Commercial Paper (CP) rate – as calculated by the U.S. Department of Education – was .20%. When the special allowance formula results in a negative rate on a loan first disbursed on or after April 1, 2006, the lender must remit the excess interest to ED.

Loan Interest Rate	Special Allowance Annual Rate+	Special Allowance Quarterly Rate+	LaRS (Lender Reporting System) Part III: Special Allowance Category Column E*
1.76%	0.18%	0.0450%	CA
2.36%	0.18%	0.0450%	CB
3.16% (PLUS)	0.00%	0.00%	CD
1.76%	0.18%	0.0450%	CE
6.80%	(4.86%)	(1.2150%)	
2.36%	0.18%	0.0450%	CF
6.80%	(4.26%)	(1.0650%)	
3.16% (PLUS)	(0.32%)	(0.0800%)	CH
8.50% (PLUS)	(5.66%)	(1.4150%)	
5.60%	(4.21%)	(1.0525%)	CI
6.00%	(4.61%)	(1.1525%)	
6.80%	(5.41%)	(1.3525%)	
5.60%	(3.61%)	(0.9025%)	CJ
6.00%	(4.01%)	(1.0025%)	
6.80%	(4.81%)	(1.2025%)	
8.50% (PLUS)	(6.51%)	(1.6275%)	CM

\* For a detailed explanation of the Special Allowance codes, please visit the Common Manual at [aesSuccess.org](http://aesSuccess.org). To access the Manual, click on 'Financial Aid Products and Support For Schools' on the left-hand side of the screen. Click on 'Common Manual Information' and select the Common Manual. The Special Allowance codes are located in Appendix A, figure A-5.

+For entities approved as not-for-profit holders, Special Allowance payments will be based on another code that ED sets in the respective demographic profiles. Please see the [March/April 2008 issue of Loan Notes for more information](#).

## RESOURCES:

The applicable Special Allowance Rates, including those for Consolidation loans and loans made or purchased with tax-exempt funds, are available at [www.ifap.ed.gov](http://www.ifap.ed.gov).

Rates for previous quarters may be found on the AES website. To access this archive, [CLICK HERE](#).

## COD System Update to Accept Single Disbursement Loans

On September 22, 2011, the U.S. Department of Education (ED) released an [Electronic Announcement](#) to remind schools that as explained in Dear Colleague Letter [GEN-08-12](#), a school whose cohort default rate for each of the three most recent fiscal years is less than 15 percent may begin submitting single disbursement Direct Loans for loans first disbursed on or after October 1, 2011. The single disbursement applies to any period of enrollment that is not more than: one semester, one trimester, one quarter, or four months.

ED will be making changes to the Common Origination Disbursement (COD) System on October 21-22.

## Foreign School Assessments

On September 30, 2011, the U.S. Department of Education (ED) released Foreign School Update: [FS-2011-07](#) to announce the availability of Foreign School Assessments. This compliance tool is designed to assist foreign schools in assessing their internal operations and services related to the William D. Ford Federal Direct Loan (Direct Loan) Program. The assessment focuses on three main areas: student eligibility, school eligibility and managing funds. Seven assessment tests are available that include self-evaluations and links to statutes, regulations, and other important resources. [The Foreign School Assessment](#) can be accessed on the Information for Financial Aid Professionals (IFAP) Web site.

## New Servicers Join the Federal Loan Servicer Team

On September 23, 2011, the U.S. Department of Education (ED) announced that it plans to award [15 new servicing contracts](#) to Not-for-Profit entities to service federally-owned loans. ED expects to award the contracts from October 2011 through January 2013.

Initially, the new servicers will be assigned existing Direct Loan borrower accounts. ED will announce each servicer's implementation through an Electronic Announcement. As is the current practice, ED expects each of the new servicers to correspond with their respective borrowers at the time their loans are transferred to the entity for servicing.

## Transfer of Federally-Owned Loans Scheduled for September through October

On September 16, 2011, the U.S. Department of Education (ED) published Electronic Announcement: [Loan Servicing Information - Federally-Owned Loan Transfer Initiatives Planned for September - October 2011](#) to announce the transfer of rehabilitated/reinstated loans and Direct Loans and FFELP Purchased Loans split across multiple servicers. This transfer of loans is part of ED's borrower-centric approach to servicing which aims to have one servicer for all of a borrower's federally-owned loans.

### Rehabilitated/Reinstated Loans

The first initiative is scheduled to take place on September 21, 2011, with the transfer of rehabilitated and reinstated loans from the Department of Education Student Loan Servicing Center (ACS) to Great Lakes Educational Loan Services, Inc. (Great Lakes). The following borrowers will be included in the transfer:

- Borrowers whose loans were rehabilitated after they defaulted; and
- Borrowers whose loans were reinstated after they no longer met the conditions for total and permanent disability discharge.

### Direct Loans and FFELP Purchased Loans Split Across Great Lakes and Other Servicers

This initiative will focus on one servicer, Great Lakes, to simplify the transfer process. The first phase is scheduled to begin on or about September 21, 2011, and will include the transfer to Great Lakes of federally-owned loans which are currently assigned to one or more of the other three servicers- FedLoan Servicing (PHEAA), Nelnet, and Sallie Mae. Once this phase is completed, ED will begin the second part of the initiative which includes the transfer of federally-owned loans currently assigned to Great Lakes to the other servicers.

# Volumes 3, 4 and 5 of the 2011-2012 Federal Student Aid Handbook Now Available

## VOLUME 3 - CALCULATING AWARDS & PACKAGING

On October 13, 2011, the U.S. Department of Education (ED) announced the availability of Volume 3 of the 2011-2012 Federal Student Aid (FSA) Handbook, which addresses 'calculating awards and packaging'.

## VOLUME 4 - PROCESSING AID AND MANAGING FEDERAL STUDENT AID FUNDS

On October 6, 2011, the U.S. Department of Education (ED) announced the availability of Volume 4 of the 2011-2012 Federal Student Aid (FSA) Handbook, which addresses 'processing aid and managing federal student aid funds'.

## VOLUME 5 - OVERAWARDS, OVERPAYMENTS, AND WITHDRAWAL CALCULATIONS

On October 13, 2011, the U.S. Department of Education (ED) announced the availability of Volume 5 of the 2011-2012 Federal Student Aid (FSA) Handbook, which addresses 'overawards, overpayments, and withdrawal calculations'.

Please visit the Information for [Financial Aid Professional \(IFAP\)](#) Web site to access the currently posted volumes of the 2011-2012 FSA Handbook.

## Industry Calendar

### OCTOBER

1	<a href="#">Deadline for schools to report gainful employment program information for students enrolled in the 2006-2007 through 2009-2010 award years.</a> (ED stated in the Federal Register published on August 2, 2011, that it would accept information for these award years through November 15, 2011.)
1	Deadline for schools to submit an explanation of <a href="#">missing or incomplete gainful employment information to ED</a>
1	Begin date for lenders and servicers to submit the " <a href="#">Claim Appeal Form</a> " along with the <a href="#">Claim Form</a> and additional documentation when appealing the denial of a claim payment to PHEAA.
1	Two-factor authentication process begins for foreign schools attempting to access FSA systems.
3	Approximate begin date for <a href="#">transfer of Direct Loans and FFEL purchased loans split across Great Lakes and other servicers</a> to take place.
13	Live Internet Webinar offered by the U.S. Department of Education on the <a href="#">National Student Loan Data System (NSLDS) gainful employment reporting system</a> .
14	NSLDS <a href="#">Gainful Employment Reporting Process Webinar</a> .
18	Federal Student Aid's instructor-led, <a href="#">online training session</a> on Direct Loan processing in COD and <a href="#">StudentLoans.gov</a> for the 2011-2012 Award Year.
20	Federal Student Aid's instructor-led, <a href="#">online training session</a> on Direct Loan processing in COD and <a href="#">StudentLoans.gov</a> for the 2011-2012 Award Year.

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# Industry Calendar (Cont.)

21-22	Updates scheduled for the Common Origination and Disbursement (COD) System to allow for single disbursements.
23	<a href="#">Students Assigned an SSN that falls within the previously unused numeric ranges except "888"</a> may now submit their applications using the FAFSA on the Web.
23	<a href="#">Students who are randomly assigned a new SSN by the Social Security Administration that begins with "888"</a> may now submit their FAFSA via paper or by using FAFSA On The Web.
23	ED scheduled to update their system to convert all <a href="#">Pacific Islander records</a> from the 2004-2005 cycle year through the 2011-2012 cycle to a new pseudo SSN range beginning with "666".
24	Instructor led training offered by Federal Student Aid for Business Officers on " <a href="#">Cash Management</a> ". (Repeats on 10/31 at 1:30 p.m.)
25	Instructor led training offered by Federal Student Aid for Business Officers on " <a href="#">R2T4 Issues</a> ". (Repeats on 11/1 at 1:30 p.m.)
26	Instructor led training offered by Federal Student Aid for Business Officers on " <a href="#">90/10 Regulation and Calculation</a> ". (Repeats on 11/2 at 1:30 p.m.)
27	Instructor led training offered by Federal Student Aid for Business Officers on " <a href="#">Campus-Based Programs</a> ".

## NOVEMBER

1	All claims sent to PHEAA that include a loan that lost its guarantee must now contain the Reinstatement of Guarantee form.
1	The U.S. Department of Education's live internet webinar on <a href="#">Direct Loan Reports</a> is scheduled for 2 p.m.
10	Instructor led training offered by Federal Student Aid for Business Officers on " <a href="#">Q&amp;A Session</a> ".
14	Deadline to submit comments to the <a href="#">NPRM: Application and Approval Process for New Schools</a>
15	<a href="#">Deadline for schools to report gainful employment program information for students enrolled in the 2010-2011 award year.</a>
29	Dec 2 - <a href="#">2011 FSA Conference</a> held at the MGM Grand in Las Vegas, Nevada.

Created in 1963 by the Pennsylvania General Assembly, the Pennsylvania Higher Education Assistance Agency (PHEAA) has evolved into one of the nation's leading student aid organizations. Today, PHEAA is a national provider of student financial aid services, serving millions of students and thousands of schools through its loan guaranty, loan servicing, financial aid processing, outreach and other student aid programs.

PHEAA's earnings are used to support its public service mission and to pay its operating costs, including administration of the Pennsylvania State Grant and other state-funded student aid programs. PHEAA continues to devote its energy, resources and imagination to developing innovative ways to ease the financial burden of higher education for students, families, schools and taxpayers.

PHEAA conducts its student loan servicing activities nationally as American Education Services (AES) and FedLoan Servicing.

## CONTACT

BUSINESS DEVELOPMENT  
& OPERATION/LOAN GUARANTY  
Mon - Fri, 7:30 am to 9:00 pm ET

STUDENT/PARENT  
GRANT & LOAN INQUIRIES  
800.692.7392  
granthelp@aesSuccess.org  
studentloans@aesSuccess.org

SCHOOL/LENDER INQUIRIES  
800.443.0646  
loanhelp@aesSuccess.org

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