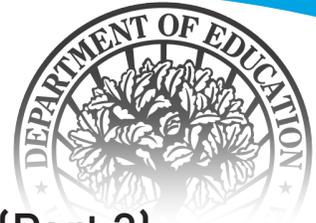


PHEAASM Industry Bulletin

Formerly Known as Loan Notes



Compliance Spotlight: Gainful Employment- Debt Measures Final Rules (Part 3)

On June 13, 2011, the U.S. Department of Education (ED) published final rules entitled Gainful Employment-Debt Measures in the Federal Register (Vol. 76, No. 113). These final rules will become effective July 1, 2012. This is the final article discussing the Debt Measures regulations.

Debt Measures refers collectively to the calculations, the debt-to-earnings ratios and loan repayment rate, developed by ED as a means to assess whether a program provides training that leads to gainful employment in a recognized occupation.

Beginning with fiscal year (FY) 2012, ED will annually distribute the results of the debt measures for each program offered at a school. The school has the opportunity to correct or challenge any data that it believes to be inaccurate.

PRE-DRAFT CORRECTIONS

Before ED issues the draft results of the debt-to-earnings ratios, it will provide to each school a list of all students included in the applicable two or four year period used to calculate the debt measures ratios. Schools will be given a 30 day period to correct student information in the draft results, including:

- Providing evidence that a student should be included or removed from the list; or
- Correcting or updating student information on the list (name, social security number, and/or date of birth).

ED will review the information received from schools and make the appropriate updates to the list before submitting the final list of students to the Social Security Administration (SSA). To the extent possible, the SSA will provide income information for all students included on the list. ED will use income information provided by the SSA to calculate the debt-to-earnings ratios. Schools are not permitted to challenge the information provided by the SSA.

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Dates of Importance

LOAN NOTES HAS A NEW NAME!

As you can see, Loan Notes has a new name. We are making this change to better identify our publication as one that discusses a breadth of financial aid and regulatory topics, not just loan information. We are working hard to provide timely information relevant to the financial aid community. If you have a compliance question or would like to submit an idea for an Industry Bulletin article, please contact Compliance Services at: CMPolicy@aesSuccess.org. PHEAA conducts its student loan servicing activities nationally as American Education Services (AES) and FedLoan Servicing.



POST-DRAFT CORRECTIONS

Once ED issues the draft debt measures results, a school has 45 days to challenge the results of the debt-to-earnings ratios and the loan repayment rate for a program. A school can challenge the accuracy of the results by submitting to ED information proving that borrower loan data or program median loan debt is inaccurate.

In addition, a school can challenge the accuracy of the list of students used to calculate the draft loan repayment rate by:

- Providing evidence that a student should be included or removed from the list; or
- Correcting or updating student information on the list (name, social security number, and/or date of birth).

If ED accepts information submitted by a school during the 45 day challenge period, ED will use the corrected information to recalculate the debt measures for the program. Draft results that are unchallenged, recalculated due to a challenge, or that are unsuccessfully challenged become the final debt measures for the program of study.

FAILING PROGRAMS

Beginning with debt measures calculations for FY 2012, a program fails for the FY if its:

- Annual loan repayment rate is under 35%; and
- Annual loan payment rate exceeds either 30% of discretionary income or 12% of the annual earnings amount.

DEBT WARNINGS

When ED notifies a school of a failing program the school must warn current and potential students in a timely manner of the consequences of that failure. ED has given the following timelines for providing the warning to enrolled and potential students.

Students currently enrolled in the program:

As soon as administratively possible, but no more than 30 days after the date ED notifies the school that the program failed

Prospective students:

At the time the prospective student first contacts the school requesting program information

If the prospective student intends to use Title IV funds to attend the program the school:

- May not enroll the student until three days after the debt warning was first provided; and
- If more than 30 days has elapsed from the time the debt warning was provided and the date the student sought to attend the program, and the student is not yet enrolled

in the program, then the school must provide the debt warning to the student a second time and must wait three days before enrolling the student in the program.

ED is in the process of developing a model warning form that schools can use to warn enrolled and prospective students of the consequences of a failing program. Until the model form is completed, ED recommends that schools use the [Plain Language Guidelines](#) as a resource for constructing the warning notice.

FIRST YEAR FAILURE

For a program that fails to meet the debt measure standards for one FY, the school must provide to both enrolled and prospective students a warning written in plain language, in an easy-to-read format that:

- Shows the amount by which the program failed to meet the annual repayment rate and annual loan payment standards; and
- Provides information on what actions the school plans to take to improve the program's performance.

The warning must be provided directly to the student either orally or in writing. This includes meeting with the student and providing the information face-to-face, by telephone, or in a group setting with other affected students. The school must also send the warning to the student's e-mail address.

A school that delivers the warning in person must keep documentation, including a copy of the script or any other materials used to deliver the warning to students as well as documentation demonstrating each student's presence at the time the warning was given. The school must continue to provide the warning until ED provides notification that the program meets the annual loan repayment rate or the annual loan payment.

SECOND YEAR FAILURE

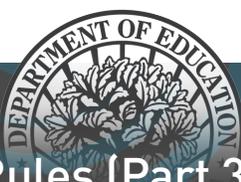
Written Warnings

For a program that fails for two consecutive FYs or for two of the three most recent FYs, the school must provide in a plain language, easy-to-read written format, the first year failure warning which includes the following information within that warning:

- An explanation of the actions the school plans to take to address the second failure. If the school plans to discontinue the program, it must provide the timeline and options available to students currently enrolled in the program;

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Gainful Employment- Debt Measures Final Rules (Part 3)



- The risks associated with enrolling or continuing in a program, including the consequences and options available for students if the program becomes ineligible for Title IV funding;
- The resources available to students to research other educational opportunities and compare program costs; and
- A clear statement that a student who enrolls or continues in the program should expect to have difficulty repaying his loans.

Web site and Promotional Materials

The school must prominently display on the program home page of its Web site the debt warning for that program. The school must also include the debt warning on any promotional materials made available to prospective students. When possible, a school must provide alternatives to the English-language warning for students whose first language is not English.

Voluntarily Discontinued Failing Programs

A school may choose to voluntarily discontinue a program under 668.7(l)(1). The school must notify enrolled students at the time that it submits a written notice to ED of its intent to relinquish Title IV program eligibility.

- A school that voluntarily discontinues a program within 90 days of the date it is notified by the Secretary that it must provide the second year debt warning cannot reestablish the program's eligibility until the end of the second FY following the FY that the program was discontinued.
- A school that voluntarily discontinues a program more than 90 days after the date the Secretary notified the school that it must provide the second year debt warning cannot reestablish the program's eligibility until the end of the third FY after the FY that the program was discontinued.

Ineligible Programs

A program becomes ineligible if it fails to meet the debt measures for three of the four most recent FYs and if the data needed to make that determination was available to ED for each of the three years. The school will be prohibited from disbursing Title IV funds to students enrolled in the program, except as allowed under the unpaid commitment provisions of §668.26(d).

A school must wait until the end of the third FY after the program became ineligible to reestablish eligibility for the program. The same waiting period applies to a school that wishes to offer a program that is substantially similar to a program that was previously determined to be ineligible.

Gainful Employment Corner

GAINFUL EMPLOYMENT ELECTRONIC ANNOUNCEMENT #19- PREPARATORY COURSES OF STUDY NOT CONSIDERED GAINFUL EMPLOYMENT PROGRAMS

On August 31, 2011, the U.S. Department of Education (ED) released [Gainful Employment Electronic Announcement #19](#). ED clarified in the announcement that a preparatory course of study, whether it leads to a certificate or is simply a set of courses, is not considered a gainful employment program because it does not prepare students for employment in a recognized occupation.

Title IV Eligibility

Section 484(b)(2)(A) of the Higher Education Act (HEA) states that an otherwise eligible student at a public, private nonprofit, or proprietary school may receive Direct Loan Program funding for one period consisting of 12 consecutive months during which the student is taking preparatory coursework necessary for the student to enroll in a program that leads to a degree or certificate.

Direct Loan Annual Loan Limits

A preparatory course of study is considered to be undergraduate level study. Therefore, the same annual loan limits that apply to undergraduate study also apply to preparatory coursework even if the coursework is at the graduate level. Students enrolled in preparatory coursework are not permitted to receive a Graduate/Professional PLUS Loan; however, a dependent student's parent may borrow a Parent PLUS Loan. The following annual loan limits apply to students completing preparatory coursework for undergraduate and graduate and professional programs.

Undergraduate Program

The annual loan limit for a student enrolled in a preparatory course of study is the same as for an undergraduate student who has not completed the first year of an undergraduate program.

- The base annual loan limit Direct Subsidized and Unsubsidized Loans combined is \$2,625.
- Dependent students are eligible for an additional \$2,000 in Direct Unsubsidized Loan funds.
- Independent students and dependent undergraduates whose parents do not qualify to receive a Parent PLUS Loan may receive up to an additional \$6,000 in Direct Unsubsidized Loan funds.



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GO FURTHER.
FEDERAL STUDENT AID

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Gainful Employment Corner



START HERE
GO FURTHER.
FEDERAL STUDENT AID

Graduate or Professional Program

The annual loan limit for a student enrolled in a preparatory course of study is the same as for an undergraduate student who has completed the first two years of an undergraduate program.

- The base annual loan limit for Direct Subsidized and Unsubsidized Loans combined is \$5,500.
- Dependent students are eligible for an additional \$2,000 in Direct Unsubsidized Loan funds.

- Independent students and dependent undergraduates whose parents do not qualify to receive a Parent PLUS Loan may receive up to an additional \$7,000 in Direct Unsubsidized Loan funds.

Note: A student who completes an academic year in less than twelve calendar months may receive more than one annual loan limit during the consecutive 12-month period.

August and September Dear Colleague Letters



Below is a list of Dear Colleague Letters (DCLs) distributed by the U.S. Department of Education (ED) from mid-August through mid-September.

» THE BUDGET CONTROL ACT OF 2011- DIRECT LOAN PROVISIONS

On August 31, 2011, the U.S. Department of Education (ED) released Dear Colleague Letter (DCL): [GEN-11-16](#) to announce changes to the William D. Ford Direct Loan Program by the recently enacted Budget Control Act (BCA) of 2011.

Loss of Subsidized Loan Eligibility for Graduate and Professional Students

Effective for loans made for periods of enrollment beginning on or after July 1, 2012, graduate and professional students will no longer be eligible to receive Federal Direct Subsidized Loans. Loans received by graduate and professional students for periods of enrollment prior to July 1, 2012 will not be affected by this change.

Exceptions

Students receiving Direct Loans for preparatory coursework required as part of admission into an undergraduate or graduate/professional program, for teacher certification or recertification, remain eligible for Direct Subsidized loans.

Annual and Aggregate Loan Limits

The annual loan limit for graduate and professional students remains unchanged at \$20,500 (\$47,167 for certain health professions students), although the amount will be limited to all Unsubsidized Loans.

The aggregate loan limit will also remain the same, at \$138,500 (\$224,000 for certain health profession students).

Students taking preparatory coursework or required coursework as part of teacher certification are considered undergraduate students for purposes of annual loan limits.

Termination of Borrower Repayment Incentives

With the exception of interest rate reductions offered to Direct Loan borrowers who authorize the use of Direct Debit, the BCA prohibits the offering of any other repayment incentives. This includes any reduction in interest rate or origination fee effective for loans first disbursed on or after July 1, 2012.

Updated 2011-2012 Institutional Student Information Record (ISIR) Guide Now Available

The updated 2011-2012 ISIR Guide is now available. Updates to the ISIR Guide include a revision to delete the reject P reason for Invalid SSN Range. This change is part of the Social Security Administration's (SSA's) new guidelines for assigning Social Security Numbers. A log of all changes can be found with the reference and in the appendix.

Read the [electronic announcement](#) for more information.

Electronic Announcements Regarding SSA Guidelines for Assigning Social Security Numbers

[June 23, 2011](#), Electronic Announcement: Social Security Number (SSN) Assignment Change and Impact On Application Processing.

[July 8, 2011](#), Electronic Announcement: 2011-2012 FAFSA Submission Guidance for Students Impacted by New SSA Guidelines.

2012-2013 Expected Family Contribution Formula Guide Now Available

On August 25, 2011, the U.S. Department of Education posted the [2012-2013 Expected Family Contribution \(EFC\) Formula Guide](#) to the Information for Financial Aid Professionals (IFAP) Web site. The guide includes EFC worksheets and tables for the 2012-2013 processing cycle.

2011-2012 SAR Comment Codes and Text Guide Available

On August 30, 2011, the U.S. Department of Education announced the availability of the [2011-2012 SAR Comment Codes and Text Guide](#) on the Information for Financial Aid Professionals (IFAP) Web site. Changes to the guide include the revision to add comment 147 as a result of the new Social Security Administration guidelines for assigning Social Security Numbers.

Electronic Announcements Regarding SSA Guidelines for Assigning Social Security Numbers

[June 23, 2011](#), Electronic Announcement: Social Security Number (SSN) Assignment Change and Impact On Application Processing

[July 8, 2011](#), Electronic Announcement: 2011-2012 FAFSA Submission Guidance for Students Impacted.

Program Integrity Information - Questions and Answers

On September 2, 2011, the U.S. Department of Education (ED) announced that it has created a Web site to make available to interested parties [questions and answers regarding Program Integrity Regulations](#).

Emergency Preparation

The recent earthquake in Virginia and storms in the Atlantic prompted the U.S. Department of Education (ED) to issue an electronic announcement on August 25, 2011, encouraging schools that have not done so already to provide ED with alternate contact information for critical personnel at their school. Information can be submitted to ED using Box 69 of the "[Application for Approval to Participate in Federal Student Financial Aid Programs](#)" (E-Application).

SCHOOLS IMPACTED BY A NATURAL DISASTER

Policy guidance and ED points of contact for schools impacted by a natural disaster can be found [here](#). Schools are encouraged to review Dear Colleague Letter: GEN-10-16 for important information on how to minimize disruptions to your school's financial aid process.

If your school's ability to administer financial aid is impacted by a natural disaster, contact Federal Student Aid's Research and Care Center toll-free at 800.433.7327. This information can also be submitted [electronically](#).

PLEASE HAVE THE FOLLOWING INFORMATION AVAILABLE:

- Your contact information and the contact information for another official at your school (e.g. President, CEO, Chancellor or Chief Fiscal Officer);
- Your school's OPEID number;
- The location of the school impacted by the disaster;
- The operating status of your school and the financial aid office;
- Alternate location being used as a result of the disaster; and
- Questions you have regarding operating procedures

Documentation for One-Year Extensions for State Authorization

On August 22, 2011, the U.S. Department of Education (ED) published an [Electronic Announcement](#) regarding one-year extensions for the effective dates of state authorization. Regulations at 34 CFR 600(a) and (b) set forth the requirements for schools to be considered legally authorized by a State. In the preamble to the program integrity final regulations published on October 29, 2010, the Secretary designated 600.9 (a) and (b) as being effective July 1, 2011. However, the U.S. Department of Education (ED) recognizes that a State may be unable to provide authorization to a school by that date.

Final regulations allow a school that is unable to secure the required State authorization by the deadline to receive a one-year extension of the effective date to July 1, 2012, and if necessary, an additional one-year extension to July 1, 2013.

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Documentation for One-Year Extensions for State Authorization

REQUESTS FOR A ONE-YEAR EXTENSION

Schools that require an extension of the effective date to July 1, 2012, must obtain a written explanation from their State of how the one-year extension will permit the State to modify its procedures so that it is able to provide the required authorization. The written explanation may apply to multiple schools within the State or it may be specific to the school requesting the one-year extension.

Schools requiring an additional one-year extension to July 1, 2013 must obtain a further written explanation from the State of how the additional one year extension will permit the State to modify its procedures so that it is able to provide the required authorization.

Schools should not submit requests for extension or documentation of the one-year extension to ED. Rather, a school should maintain documentation demonstrating that the school qualifies for each extension. A school should be able to produce the information upon request to ED for situations, including but not limited to, an audit, program review, complaint, etc.

Questions regarding the one-year extension may be directed to Sophia McArdle at (202) 219-7078 or sophia.mcardle@ed.gov.



FY 2009 Official Cohort Default Rates Distributed

On September 12, 2011, the U.S. Department of Education (ED) distributed the fiscal year (FY) 2009 Official Cohort Default Rates. Schools that do not have any borrowers in repayment during the current cohort default rate period or any borrowers in the past cohort default rate periods will not receive a [FY 2009 Official Cohort Default Rate notice](#). These schools are considered to not have any cohort default rate data or a cohort default rate.

Domestic and foreign schools enrolled in the Electronic Cohort Default Rate (eCDR) process received their FY 2009 Official Cohort Default Rate information through the Student Aid Internet Gateway (SAIG) to the destination point designated by the school. Each package contains the following:

- Cover Letter (message class SHDRLROP)
- Reader-Friendly Loan Record Detail Report (message class SHCDRROP)
- Extract-Type Loan Record Detail Report (message class SHCDREOP)

Schools that are not enrolled in eCDR can download their cohort default rate and Loan Record Detail Reports from the National Student Loan Data System (NSLDS) via the NSLDS Professional Access Web site.

ED also sent a message to each school's SAIG mailbox with instructions for downloading, viewing, and printing the eCDR files.

APPEALING THE FY 2009 OFFICIAL COHORT DEFAULT RATE

On September 20, 2011, schools may begin appealing the FY 2009 Official Cohort Default Rate. All Uncorrected Data Adjustments (UDA) and New Data Adjustments (NDA) must be made using the eCDR Appeals application, which is a web-based application that allows schools to submit certain adjustments/appeals electronically. In addition, eCDR allows for tracking of each request from submission until a decision is made and the case is closed.

Schools should continue to submit all other adjustments and appeals via hard copy.

CONTACT INFORMATION

If you have questions concerning the FY 2009 Official Cohort Default Rate calculation or the adjustment/appeal process, please refer to the [Cohort Default Rate Guide](#).

Or, you may contact ED using one of the below contact methods.

Email: fsa.schools.default.management@ed.gov

Telephone: 202.377.4259

Revised: Reinstatement of Guarantee Form

Common Manual policy specifies that if the guarantee on a loan is lost and subsequently reinstated, the lender must include in any claim filed subsequent to the reinstatement the curing instrument, or a legible copy of the curing instrument. PHEAA currently requires the lender to complete a "Request for Reinstatement" form to comply with Common Manual policy. This form has recently been revised to require that the lender now provide the following information:

- The specific reason the loan guarantee was cancelled;
- The type of payment received if the account was cured by the receipt of a full payment; and
- The signature of a lending official; or if a full payment was made by cash, money order or other means which did not identify the payor, the signature of a senior officer of the lender or servicing agent.

Effective for claims submitted on or after November 1, 2011, lenders and servicers that file a claim which includes a loan that lost its guarantee must include the revised "Reinstatement of Guarantee Form" along with the claim. If this required documentation is not included, the claim will be returned.

LOCATING THE FORM

The "[Reinstatement of Guarantee Form](#)" is available on the PHEAA website at aesSuccess.org under "Solutions for Lenders" in the left-hand column of the home page. Click on "Lender Library" in the left-hand column, and select the "Reinstatement of Guarantee Form".

You may enter information directly on the PDF version of the form and print the form for submission or print the form and complete the required information.

CONTACT INFORMATION

If you have questions pertaining to this form or the reinstatement process, please contact the Loan Assets Management Department at **800.892.7576**.

Dates of Importance

SEPTEMBER

| | |
|---------|---|
| 1 | All foreign schools should have received their token device from ED for the upcoming Two Factor Authentication process , effective October 1. |
| 10 – 28 | ED continues to offer training on the Fundamentals of Title IV Administration . |
| 20 | Schools may begin submitting appeals for their FY 2009 Official Cohort Default Rate. |
| 21 | Scheduled date for transfer of rehabilitated and reinstated loans to take place from the U.S. Department of Education to Great Lakes. |
| 26 | The NSLDS Professional Access online gainful employment reporting option now available . |
| 30 | Deadline to submit the Fiscal Operations Report and Application to Participate (FISAP) . |

OCTOBER

| | |
|---|---|
| 1 | Deadline for schools to report gainful employment program information for students enrolled in the 2006-2007 through 2009-2010 award years . (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 missing or incomplete gainful employment information to ED |
| 1 | Begin date for lenders and servicers to submit the " Claim Appeal Form " along with the Claim Form and additional documentation when appealing the denial of a claim payment to PHEAA. |

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| OCTOBER - continued | |
|---------------------|---|
| 1 | Two-factor authentication process begins for foreign schools attempting to access FSA systems. |
| 3 | Approximate begin date for transfer of Direct Loans and FFEL purchased loans split across Great Lakes and other servicers to take place. |
| 13 | Live Internet Webinar offered by the U.S. Department of Education on the National Student Loan Data System (NSLDS) gainful employment reporting system . |
| 23 | Students Assigned an SSN that falls within the previously unused numeric ranges except "888" may now submit their applications using the FAFSA on the Web. |
| 23 | Students who are randomly assigned a new SSN by the Social Security Administration that begins with "888" may now submit their FAFSA via paper or by using FAFSA On The Web. |
| 23 | ED scheduled to update their system to convert all Pacific Islander records from the 2004-2005 cycle year through the 2011-2012 cycle to a new pseudo SSN range beginning with "666". |
| NOVEMBER | |
| 1 | All claims that include a loan that lost its guarantee must now contain the Reinstatement of Guarantee form. |
| 15 | Deadline for schools to report gainful employment program information for students enrolled in the 2010-2011 award year. |
| 29 | Dec 2- 2011 FSA Conference 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

These materials have been developed and paid for by the Pennsylvania Higher Education Assistance Agency (PHEAA) for informational purposes. Although the information contained in this document is believed to be accurate at the time of printing, PHEAA does not guarantee its accuracy. You should independently verify that this information is correct.

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