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## Federal Work - Study Community Service Waiver

On March 13, 2012, the U.S. Department of Education (ED) published an [Electronic Announcement](#) to advise schools that 11:59 P.M. (ET) on April 20, 2012, is the deadline to submit the waiver request for the Federal Work-Study requirements. The Secretary may waive one or both of the requirements noted below if he determines that the school sufficiently demonstrated that the requirements would cause a hardship for the students at its school. Please keep in mind that a school's difficulty to comply with the regulations is not in and of itself a basis for granting a waiver.

### FEDERAL WORK-STUDY REQUIREMENTS

Under the Federal Work-Study (FWS) requirement provided in 675.18(g), the school must, "Use at least seven percent of the sum of its initial and supplemental FWS allocation for an award year to compensate students employed in community service activities." Furthermore, the school must include at least one of the following:

- A reading tutor project that employs one or more FWS students as reading tutors for children who are preschool age or in elementary school; or
- A family literacy project that employs one or more FWS students in family literacy activities.

### SANCTIONS FOR NONCOMPLIANCE WITH REQUIREMENTS

As explained in [Dear Colleague Letter CB-07-08](#), a school that fails to meet one or both of the FWS community Service requirements **will be required** to:

- Return the difference between the amount the school should have spent for community service and the amount it actually spent. AND, the school **may be** subject to:
- A Limitation, Suspension, and Termination (L, S, and T) proceeding, which could result in the school being denied future participation in the FWS program, and possibly other Title IV HEA programs, and/ or
- A substantial fine.

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# Federal Work – Study Community Service Waiver

## EXAMPLES OF PREVIOUS APPROVALS OF WAIVER REQUESTS

Below are a few examples of instances where the Secretary has approved a waiver request in the past:

1. A school with a very small FWS allocation demonstrated that it was unable to find placement for a student in community service because seven percent of the school's allocation would only allow the student to work in the community service job for a limited amount of time.
2. A school located in a rural area demonstrated that, due to its location, students lacked the means of transportation to get to the location of the community service. Another rural school was able to demonstrate that while the availability of transportation was not an issue, the cost of the transportation was extremely high for its students.
3. A school offering a single program of study argued that because its students spend a great deal of time involved in classroom and non-classroom academic activities, they were unable to perform the community service jobs at the time those jobs opportunities were available.

## SUBMISSION OF WAIVER

Interested schools must submit their waiver application to ED by 11:59 P.M. (ET) on April 20, 2012, via the eCampus-Based (eCB) Web site, using the Community Service Waiver link at the top of the "Setup – Change Years/Schools" page.

The waiver must specify whether the school is requesting the waiver of:

- The seven percent community service requirement;
- The reading tutors of children or family literacy project requirement; or
- Both requirements.

ED plans to notify each school that applies of its decision via e-mail by July 1, 2012. The e-mail, sent to the school's Financial Aid Administrator, will advise the school that the Secretary's decision to approve or deny the waiver request has been posted to the eCB Web site. Following receipt of the e-mail, schools can log in to the eCB Web site to access the decision. From the top navigation bar, select "Self-Service", then scroll to the "Campus-Based Notifications for All Available Award Years." Finally, scroll to the "Community Service Waiver" bullet and select the "2012-2013" link to find out the Secretary's decision on your school's waiver request.

## Two-Factor Authentication: Token Distribution for Schools in Group 2

The U.S. Department of Education (ED) announced in mid-March that it planned to begin distributing tokens and e-mails to schools in **Group 2**. The Primary Destination Point Administrators (PDPA) and/or COD Security Administrators at schools located in the following states should have received an e-mail directly from ED regarding the distribution of tokens:

- New Jersey
- New York
- North Carolina
- South Carolina

The PDPA or COD Security Administrator at each school is responsible for distributing the tokens and additional information about the tokens to individual users at their school(s). Schools that have multiple campuses located in different states should be aware that ED will distribute tokens based on the location of the school's main campus or corporate office.

Questions about the two-factor authentication or the information provided in the Electronic Announcement should be directed to [TFA\\_Communications@ed.gov](mailto:TFA_Communications@ed.gov).

# Incorrect Text Included in Email Messages to Applicants Regarding IRS Data Retrieval Tool

## BACKGROUND

As described in the March 12, 2012, [Electronic Announcement](#), the U.S. Department of Education (ED) initiated an e-mail campaign in mid-March to 2012-2013 FAFSA applicants who did not use the IRS Data Retrieval Tool (DRT). The campaign is designed to encourage those applicants to take advantage of the tool. ED planned to distribute separate emails to:

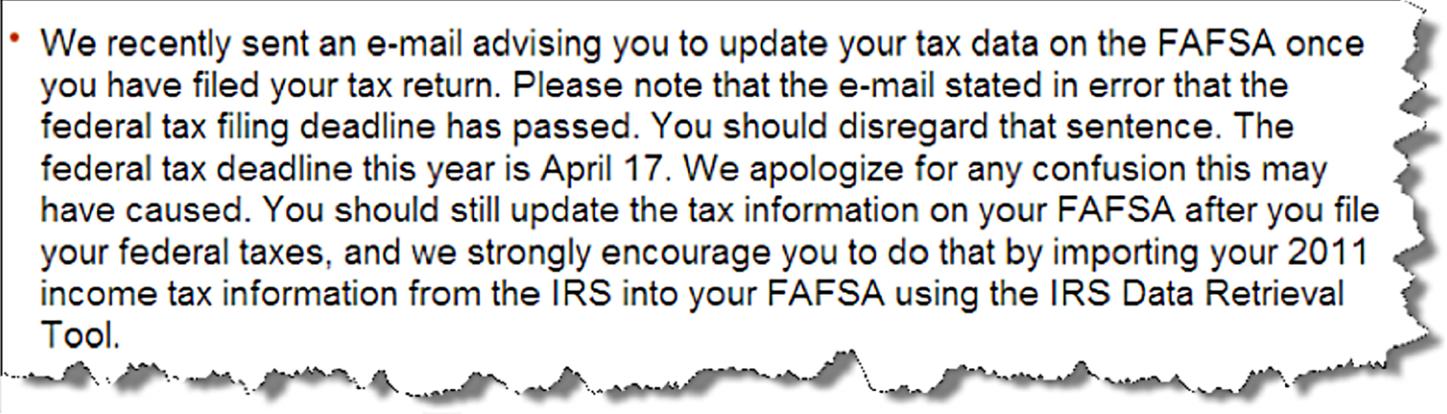
- “Estimator” applicants - those who select “will file” on their FAFSA; and
- “Filer” applicants - those who have filed their taxes but did not utilize the DRT when completing the FAFSA.

## INCORRECT TEXT

ED issued an alert on [March 14, 2012](#), to make the community aware of erroneous text included in an e-mail campaign aimed at “estimator” applicants, for their tax return status when completing the FAFSA. The e-mail, distributed on March 13, incorrectly advised the applicant that the “federal tax deadline has passed.” ED advised that the error occurred because it had initially planned to distribute the communication to the “estimator” applicants in May, after the tax filing deadline had passed.

## CORRECTION E-MAIL

In the announcement made on March 14, ED stated that it plans to distribute a subsequent e-mail to the affected 2.6 million applicants of the original e-mail to explain the error. Please be aware that the subject line of the e-mail will be “Correction to ‘Updates Needed to Your FAFSA’ Message”. Below is the e-mail text ED provided to the recipients:

- 
- We recently sent an e-mail advising you to update your tax data on the FAFSA once you have filed your tax return. Please note that the e-mail stated in error that the federal tax filing deadline has passed. You should disregard that sentence. The federal tax deadline this year is April 17. We apologize for any confusion this may have caused. You should still update the tax information on your FAFSA after you file your federal taxes, and we strongly encourage you to do that by importing your 2011 income tax information from the IRS into your FAFSA using the IRS Data Retrieval Tool.

## E-MAIL FOR REMAINING “ESTIMATOR” APPLICANTS

ED is revising the e-mail text for the remaining 700,000 individuals in the “estimator” group of 2012-2013 applicants. That e-mail will remind applicants that the tax filing deadline is approaching and that they need to update their FAFSA after their taxes are filed. ED plans to distribute the second round of e-mails to the “estimator” group in early May.

## SECOND PHASE OF THE E-MAIL CAMPAIGN

The second phase of the e-mail campaign will proceed as scheduled in April. The second group is comprised of “filer” students and parents whose current CPS transaction indicates that a tax return has been filed with the IRS, but the financial information was not transferred from the IRS.

## GAINFUL EMPLOYMENT WEBINAR #6 - CALCULATION OF DEBT MEASURES AND IMPLICATIONS FOR INSTITUTIONS- NOW AVAILABLE!

The U.S. Department of Education (ED) recently announced that it has posted [Webinar #6](#) to the Gainful Employment Training page of the Information for Financial Aid Professionals (IFAP) Web site.

## SECRETARY ANNOUNCES THE DEADLINE FOR GAINFUL EMPLOYMENT REPORTING FOR 2011-2012 AWARD YEAR (ELECTRONIC ANNOUNCEMENT #32)

On [March 15, 2012](#), ED published a Federal Register notice advising schools that October 15, 2012, is the deadline to submit 2011-2012 Award Year Gainful Employment (GE) information. The 2011-2012 Award Year includes the dates July 1, 2011 through June 30, 2012. Please note: This reporting deadline is one month earlier than the reporting deadline for the 2010-2011 Award Year.

Below is the list of regulations pertaining to GE reporting.

| Regulation         | Language   |
|--------------------|--|
| §668.2             | Provides the reporting and disclosure requirements for programs that prepare students for gainful employment in a recognized occupation.   |
| §668.6(a)(1)       | Identifies the information schools are required to report.   |
| §668.6(a)(2)(i)(C) | Provides that a school is required to report gainful employment information for the most recently completed award year no earlier than September 30, but no later than the date established by the Secretary through a notice in the Federal Register. |

Additional information about the reporting process will be distributed by ED in the next few weeks.

## RELEASE OF GAINFUL EMPLOYMENT INFORMATIONAL RATES AND RELATED NSLDS ENHANCEMENTS PLANNED (ELECTRONIC ANNOUNCEMENT #33)

On [March 21, 2012](#), ED announced that it plans to release the following in the spring of 2012:

### GAINFUL EMPLOYMENT INFORMATIONAL RATES

ED plans to release fiscal year (FY) 2011 Gainful Employment (GE) Informational Rates calculated using data submitted by schools this past fall. Schools can expect to receive the following information:

- Debt-to-Earnings Annual Rate;
- Debt-to-Earnings Discretionary Rate;
- Repayment Rate; and
- Loan Medians for Disclosures (separated by loan program: Title IV, Private Education and institutional financing debt)

Please be aware that this information is intended for informational purposes only and will not result in any sanctions or adverse action.

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## Gainful Employment Corner

### GAINFUL EMPLOYMENT NOTIFICATION PACKAGE

The GE Notification Package will be sent to schools via the Student Aid Internet Gateway (SAIG) and will include the following GE rates:

- Debt Measures; and
- Medians for Disclosure.

The school's Primary Destination Point Administrator (PDPA) **must sign up by April 27, 2012**, on the [SAIG Enrollment Web site](#) to receive the GE Notification Package. Schools that would like to designate another entity, such as a third party servicer, must update Section J, Question 58a to indicate "Other" on their Electronic Application for Approval to Participate in the Federal Student Financial Aid Programs (E-App) to indicate that a third party servicer will be receiving the package.

Schools that do not sign up to receive the GE Notification Package by the deadline on the SAIG can view their GE Information Rates and back-up data on the NSLDS Professional Access Web site. However, the GE rate letters will not be available on the [NSLDS Professional Access Web site](#), which provide additional descriptive information.

### ENHANCEMENTS TO THE NSLDS PROFESSIONAL ACCESS WEB SITE

Schools will be able to view their rates on the NSLDS Professional Access Web site by selecting the GE Debt Measure option under the Org Tab. In addition, ED will make four additional reports available to schools on the Report List under the Report Tab. The additional reports will provide schools with calculation back-up data for the Debt Measures or Loan Median for Disclosures calculations and allow users to select a specific GE program or calculation year. The requested report will be sent to user's SAIG mailbox.



## Compliance Corner

### QUESTION:

Can a student attending two schools at the same time receive federal student aid at both schools?

### ANSWER:

Yes. According to Volume 3 (page 88) of the 2011-2012 Federal Student Aid Handbook, it is possible for the student to receive multiple Stafford or graduate PLUS Loans, or for a parent to receive multiple parent PLUS Loans, when the student is enrolled at more than one school for the same period.

But, before we discuss the awarding of aid, it's important to note that regardless of whether or not your student has a consortium agreement, you must coordinate with the student's other school(s) to determine:

- If the home school will be responsible for calculating and disbursing all of the funds; or
- If each school will be responsible for calculating and disbursing funds for the student.
- Volume 2, page 24, of the 2011-2012 Federal Student Aid (FSA) Handbook provides that either option is permissible.

Opening the lines of communication with the student's other school(s) is key to ensuring that the student does not exceed the annual or aggregate loan limits, which could jeopardize his future ability to obtain needed federal student aid. It is the schools' responsibility to coordinate and ensure that the student does not exceed the loan limits. In addition, the schools must ensure that non-institutional costs are not duplicated when determining the student's cost of attendance.

Any school that disburses federal student aid (FSA) funds is responsible for the following:

- Maintaining student eligibility information;
- Award calculations;
- Funds disbursed;
- Other documentation associated with the award; and
- Return of FSA funds, if required.

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## Announcement: FAFSA Completion Tool Available!

The U.S. Department of Education (ED) recently [announced](#) the availability of a tool that will help high school counselors and schools leaders track FAFSA submission and completion statistics by individual high schools on the FAFSA Completion Web site. [The FAFSA Completion Tool](#), which will be updated bi-weekly, gives counselors the information they need to ensure their students are completing the FAFSA and to determine their eligibility for federal student aid. The Tool will not provide student specific information, but will allow counselors the opportunity to determine school-wide FAFSA completion rate by comparing the number of FAFSAs completed with the number of seniors in their high school.

## 2012-2013 Application and Verification Guide Available

The [Application and Verification Guide](#) for the 2012-2013 Federal Student Aid (FSA) Handbook is now available on the Information for Financial Aid Professionals (IFAP) Web site. This is the first installment of the 2012-2013 FSA Handbook, which will include the Guide and six numbered volumes.

## EDconnect 8.1 to Replace EDconnect 8.0 Software

On March 5, 2012, the U.S. Department of Education (ED) released EDconnect version 8.0 for use. However, shortly after its release, ED determined that users whose ID contain a special character were unable to log in to EDconnect 8.0.

[ED released EDconnect 8.1](#) to replace version 8.0. Version 8.1 is now available for download on the [FSA Download Web site](#). EDconnect 8.0 should no longer be used. **All EDconnect users must install EDconnect 8.1.**

Please be aware that all schools that use EDconnect to connect to the SAIG are required to download and begin using the upgraded software by **May 27, 2012**.

## Compliance Corner - continued

Although the home school is typically responsible for disbursing funds, it may be easier for the host school to monitor the student's eligibility and make payments if the student is enrolled at that school full time or attending for a full academic year.

If only one school will be responsible for calculating and disbursing funds, that school must ensure that the student's enrollment status accounts for all courses taken that apply to the degree or certificate at the home school. This may require adjustments if the other school(s) measures coursework in a different unit.

### PELL GRANTS

For Pell Grant purposes, the charges for tuition and fees, and books and supplies for a student attending multiple schools under a consortium agreement must be combined into one charge for a full academic year, just like a student attending one school. The school responsible for paying the student may choose to use the **actual charges** for the student (the sum of charges at both schools). Please be aware that this option may require the school to prorate the charges if the student is not attending full time. Or, the school may use **average charges** (the average of full-time charges at each school that are prorated and combined).

The tuition and fees for a student attending full time at each school may be averaged to determine tuition and fee cost. On the other hand, charges for a student taking an unequal course load must be prorated based on the number of hours the student is taking at each school.

If you have a compliance question that you'd like us to answer, you may submit it to [cmpolicy@aessuccess.org](mailto:cmpolicy@aessuccess.org).

## 2011-2012 Federal Student Aid Handbook with Active Index Released

On March 19, 2012, the U.S. Department of Education (ED) [announced](#) the release of the indexed version of the 2011-2012 Federal Student Aid Handbook. The Handbook is also available in a PDF version on the [Information for Financial Aid Professional \(IFAP\) Web site](#).

# Revised: 2012-2013 FAFSA Verification – IRS Tax Return Transcript Matrix

As a result of new guidance received from the IRS, the U.S. Department of Education (ED) released a revised 2012-2013 FAFSA Verification – IRS Tax Return Transcript Matrix on March 16, 2012. The matrix was created to assist Financial Aid Administrators in understanding how to verify IRS income and tax information when an IRS Tax Return Transcript is submitted by a student or parent.

The following minor change was made to the matrix:

| Impacted Section                             | Revised Language   |
|--|--|
| “2011 IRS Tax Return Transcript Item” column | The guidance to use the “Tentative Tax Per Computer” value from an IRS Form 1040A transcript to verify the “Income Tax Paid” FAFSA item was stricken and replaced with guidance to use the “Total Tax Liability TP Figures Per Computer” value from the IRS Form 1040A transcript to verify the Income Tax Paid” FAFSA item. |

## QUESTIONS

Questions about the matrix should be directed to the Research and Customer Care Center staff at **800.433.7327** between the hours of 9:00 AM and 5:00 PM, ET. Or, you may send an e-mail to: [fsa.customer.support@ed.gov](mailto:fsa.customer.support@ed.gov).

## Updated Guidance - Making Direct Loan Refunds of Cash

The U.S. Department of Education (ED) recently issued guidance on making Direct Loan refunds in cash. In its [announcement on March 13, 2012](#), ED reminded schools that, in accordance with cash management regulations at §668.166, all unused funds not distributed to the student or parent within three business days (or seven calendar days in certain circumstances) must be returned to ED.

ED also reminds schools that Direct Loan funds are not student specific, but are program and award year specific. For instance, funds disbursed to a student who will not use the funds or returns them to the school may be disbursed to another eligible student who will be receiving Direct Loan funds for the same award year. Please keep in mind that the funds must be returned if they cannot be disbursed within the regulatory timeframe.

Schools should use one of the below methods to ensure the accurate and timely processing of a refund of cash.

|                    |   |   |
|--------------------|---|---|
| <b>G5 Web Site</b> | This electronic option is strongly recommended by ED for its efficiency and security. Refunds of cash greater than \$100,000 must be submitted electronically using G5.   |   |
| <b>Paper Check</b> | <p><b>Manual paper checks must:</b></p> <ul style="list-style-type: none"> <li>Be made payable to the U.S. Department of Education;</li> <li>Include the Direct Loan school code or OPE ID;</li> <li>Include the Award Year to which funds apply, and</li> <li>Have a Direct Loan Refunds of Cash transmittal sheet accompany the check.</li> </ul> | <p><b>Checks should be mailed to the Common Origination and Disbursement (COD) School Relations Center at:</b></p> <p><b>Regular Mail/No Signature Required</b><br/>           U.S. Department of Education<br/>           Attention: Direct Loan Refunds of Cash<br/>           P.O. Box 9001<br/>           Niagara Falls, NY 14302</p> <p><b>Overnight Address/Requiring Signature</b><br/>           U.S. Department of Education<br/>           Attention: Direct Loan Refunds of Cash<br/>           2429 Military Rd, Suite 200<br/>           Niagara Falls, NY 14304<br/>           (Phone number for tracking form only: <b>716.284.2225</b>)</p> |

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# Updated Guidance - Making Direct Loan Refunds of Cash

## ADDITIONAL INFORMATION TO CONSIDER

- Refunds that result from a liability assessed as part of an audit or program review should be returned as instructed by the issuing office.
- A refund of cash made as a result of funds made to a borrower's account will require a downward disbursement adjustment on the COD system. Additional information on making disbursement adjustments can be found on the [Electronic Announcement posted on November 21, 2011](#).
- Direct Loan disbursements, adjustments, and refunds of cash should be reported and submitted in whole dollar amounts. The use of pennies will impact a school's ability to successfully complete monthly reconciliation because the Net Drawdown will not match the Net Disbursement amounts reported to COD. Further information about the reconciliation process can be found on the Electronic Announcement dated November 21, 2011.

## FOREIGN SCHOOLS

The refund process for a foreign school will depend on whether the school has a foreign or U.S. bank account. For more information, foreign schools can refer to the [Funding Process Overview](#) in the Direct Loan Processing section of the Foreign School Information Page on the Information for Financial Aid Professionals (IFAP) Web site.

| Type of Bank Account | Refund Method   |
|----------------------|---|
| Foreign bank account | Must return funds via paper check and can include a transmittal sheet to send information about the funds being returned.                       |
| U.S. bank account    | May return funds using the G5 Web site. The school should follow the instructions provided in this article to process refunds of cash using G5. |

## Recorded Training Session Available: Direct Loan Reconciliation

The U.S. Department of Education (ED) would like to remind schools that a recorded training session on Direct Loan reconciliation, which includes an interactive component, is now available. The training session, which is 70 minutes in length, is intended for financial aid and business office staff who are responsible for reconciling and funding Direct Loans.

The recorded training covers:

- How to identify and avoid common cash and disbursement discrepancies;
- A highlight of tools, reports, and resources available to assist schools in timely reconciliation; and
- A case study to explore each step in the monthly reconciliation process.

## VIEWING THE TRAINING SESSION

Prior to beginning the training, each participant should also download and print the [Participant's Guide](#), since it is referenced throughout the training and can serve as a resource for information in the future.

No registration is required to view the training session. Interested parties can view the session on the [Federal Student Aid FSA Web site](#). Please note that a "Recording Key" is not required to view the presentation.

# COD System Implementation Plans for 2012-2013 Award Year

Federal Student Aid (FSA) has [announced](#) the following schedule of implementations for the Common Origination and Disbursement(COD) System for the 2012-2013 Award Year.

| Implementation Date | Change  |
|---------------------|---|
| March 9-10, 2012    | <ul style="list-style-type: none"> <li>Allow COD System to begin accepting and processing of Direct Loan awards, the Iraq and Afghanistan Service Grant, the Pell Grant and the TEACH Grant for the 2012-2013 Award Year. More information about this implementation can be found in the Electronic Announcement published on <a href="#">March 2, 2012</a>.</li> </ul>                                   |
| April 13-14, 2012   | <ul style="list-style-type: none"> <li>Add functionality to support award processing changes to the Direct Loan Program related to the Budget Control Act of 2011, specifically to:                             <ul style="list-style-type: none"> <li>» Address elimination of up-front interest rebate for all Direct Loan awards first disbursed on or after July 1, 2012.</li> </ul> </li> </ul>      |
| July 6-7, 2012      | <ul style="list-style-type: none"> <li>Add functionality to no longer accept Direct Subsidized Loans for graduate and professional students with a loan period beginning on or after July 1, 2012.</li> <li>Add editing functionality related to Pell Grant LEU change. More information about this implementation can be found in the Electronic Announcement published on February 17, 2012.</li> </ul> |

While schools were able to begin sending 2012-2013 awards for processing as early as March 10, 2012, FSA recommends that schools wait until mid-April to submit Direct Loan awards, including those for the 2011-2012 Award Year and with a first disbursement date on or after July 1, 2012.

| Industry Calendar |  |
|-------------------|--|
| <b>APRIL</b>      |  |
| 10                | <a href="#">PASFAA Spring training seminar</a> at the Holiday Inn Hershey - Grantville, PA.  |
| 19                | <a href="#">PASFAA Spring training seminar</a> at the Four Points Sheraton - Mars, PA.   |
| 20                | Deadline for schools to submit the <a href="#">community service waiver</a> request for the Federal-Work Study Program.  |
| 23                | Deadline to submit comments for the William D. Ford Federal Direct Loan (Direct Loan) Program/Federal Family Education Loan (FFEL) Program: <a href="#">Deferment Request Forms</a> .    |
| 23                | Deadline to submit comments for the William D. Ford Federal Direct Loan (Direct Loan) and Federal Family Education Loan (FFEL) Program: <a href="#">Mandatory Forbearance Requests</a> . |
| <b>MAY</b>        |  |
| 1                 | ED will begin sending reminder letters to schools that have not completed their Direct Loan closeout for the 2010-2011 Program Year.   |
| 11                | Schools whose applications and agreements are approved by ED for the Work Colleges Program will be notified via e-mail.  |
| 20-23             | EASFAA Conference (Baltimore, MD)  |
| 27                | Deadline for all schools using Edconnect to connect to the SAIG to <a href="#">download the Edconnect version 8.0 software</a> .   |

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## Industry Calendar - continued

### JULY

|       |   |
|-------|---|
| 22-25 | NASFAA Conference (Chicago, IL.)  |
| 31    | Deadline to submit the Direct Loan closeout for the 2010-2011 Program Year. |

### AUGUST

|   |  |
|---|--|
| 1 | The 2013-2014 FISAP becomes available. |
|---|--|

### OCTOBER

|       |   |
|-------|---|
| 1     | Deadline to submit the electronic or paper expenditure report for the Work Colleges Program for the 2011-2012 Award Year. |
| 1     | Deadline to submit the 2013-2014 FISAP.   |
| 14-17 | MASFAA Conference (Milwaukee, WI)   |

### NOVEMBER

|       |  |
|-------|--|
| 27-30 | <a href="#">Federal Student Aid (FSA) Conference</a> (Orlando, FL) |
|-------|--|

## SPECIAL ALLOWANCE RATES FOR STAFFORD AND PLUS LOANS

### FOR THE QUARTER ENDING MARCH 31, 2012

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

**The Treasury Bill (T-bill) rate for the quarter ending March 31, 2012 averaged .07%.** 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%              | 0.16%                          | 0.0400%                           | SD  |
| 3.31%              | 0.01%                          | 0.0025%                           |   |
| 7.00%              | 0.00%                          | 0.00%                             |   |
| 8.00%              | 0.00%                          | 0.00%                             |   |
| 3.16%              | 0.01%                          | 0.0025%                           | SE  |
| 3.16%              | 0.01%                          | 0.0025%                           | SG  |
| 3.27%              | 0.00%                          | 0.00%                             |   |
| 2.56%              | 0.01%                          | 0.0025%                           | SH  |
| 1.76%              | 0.51%                          | 0.1275%                           | SJ  |
| 2.36%              | 0.51%                          | 0.1275%                           | SK  |

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# SPECIAL ALLOWANCE RATES FOR STAFFORD AND PLUS LOANS

For the quarter ending March 31, 2012, the average Commercial Paper (CP) rate – as calculated by the U.S. Department of Education – was .24%. 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%              | 0.22%                          | 0.0550%                           | CA  |
| 2.36%              | 0.22%                          | 0.0550%                           | CB  |
| 3.16% (PLUS)       | 0.00%                          | 0.00%                             | CD  |
| 1.76%              | 0.22%                          | 0.0550%                           | CE  |
| 6.80%              | (4.82%)                        | (1.2050%)                         |   |
| 2.36%              | 0.22%                          | 0.0550%                           | CF  |
| 6.80%              | (4.22%)                        | 1.0550%                           |   |
| 3.16% (PLUS)       | 0.28%                          | (0.0700%)                         | CH  |
| 8.50% (PLUS)       | (5.62%)                        | (1.4050%)                         |   |
| 5.6%               | (4.17%)                        | (1.0425%)                         | CI  |
| 6.00%              | (4.57%)                        | (1.1425%)                         |   |
| 6.80%              | (5.37%)                        | (1.3425%)                         |   |
| 5.6%               | (3.57%)                        | (0.8925%)                         | CJ  |
| 6.00%              | (3.97%)                        | (0.9925%)                         |   |
| 6.80%              | (4.77%)                        | (1.1925%)                         |   |
| 8.50% (PLUS)       | (6.47%)                        | (1.6175%)                         | 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 'Solutions for Lenders' on the left-hand side of the screen. Then click on 'Access financial aid publications' under the heading 'More Lender Solutions,' which is located in the middle column on the screen. Then 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](#).

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  
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