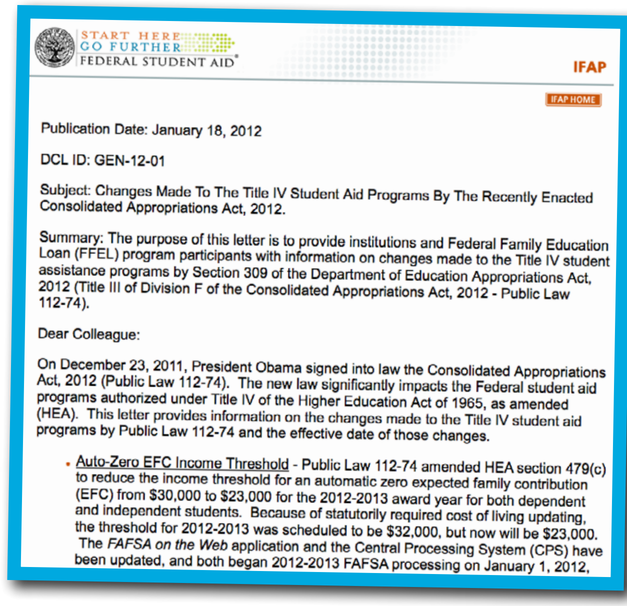
FEBRUARY 2012

PHEAA Industry Bulletin

Consolidated Appropriations Act, 2012 and Its Impact on Title IV Student Aid Programs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Publication Date: January 18, 2012

DCL ID: GEN-12-01

Subject: Changes Made To The Title IV Student Aid Programs By The Recently Enacted Consolidated Appropriations Act, 2012.

Summary: The purpose of this letter is to provide institutions and Federal Family Education Loan (FFEL) program participants with information on changes made to the Title IV student assistance programs by Section 309 of the Department of Education Appropriations Act, 2012 (Title III of Division F of the Consolidated Appropriations Act, 2012 - Public Law 112-74).

Dear Colleague:

On December 23, 2011, President Obama signed into law the Consolidated Appropriations Act, 2012 (Public Law 112-74). The new law significantly impacts the Federal student aid programs authorized under Title IV of the Higher Education Act of 1965, as amended (HEA). This letter provides information on the changes made to the Title IV student aid programs by Public Law 112-74 and the effective date of those changes.

- Auto-Zero EFC Income Threshold - Public Law 112-74 amended HEA section 479(c) to reduce the income threshold for an automatic zero expected family contribution (EFC) from $30,000 to $23,000 for the 2012-2013 award year for both dependent and independent students. Because of statutorily required cost of living updating, the threshold for 2012-2013 was scheduled to be $32,000, but now will be $23,000. The *FAFSA on the Web* application and the Central Processing System (CPS) have been updated, and both began 2012-2013 FAFSA processing on January 1, 2012,

On January 18, 2012, the U.S. Department of Education (ED) released DCL: GEN-12-01 to provide schools with information on the impact that Section 309 of the Department of Education Appropriations Act, 2012 (Title III of Division F of the Consolidated Appropriations Act, 2012- Public Law 112-74) has on Title IV student aid programs.

AUTO-ZERO EFC INCOME THRESHOLD

Section 479(c) of the Higher Education Act (HEA) was amended to change the income threshold that must be met to receive an automatic zero expected family contribution (EFC) for both independent and dependent students from $32,000 to $23,000. The FAFSA on the Web application and Central Processing System (CPS) have both been updated to reflect this change, beginning January 1, 2012.

ABILITY-TO-BENEFIT

Section 484(d) of the HEA was amended to eliminate federal student aid eligibility for a student that (a) does not possess a high school diploma or its recognized equivalent (e.g. GED); or (b) does not complete a secondary school education that is treated as a home school or private school under State law. Students who do not meet this requirement will no longer be permitted to take the ability-to-benefit (ATB) test to qualify for Title IV student aid. This change is effective for students **first enrolled in a program of study on or after July 1, 2012**.

A student who is or was **first enrolled in a Title IV eligible program prior to July 1, 2012**, and met one of the ATB alternatives, including the passing of an independently administered and approved ATB test or successful completion of six credit hours or 225 clock hours of postsecondary education, is eligible for Title IV student aid. ED plans to provide additional information on this change in a future announcement.

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Consolidated Appropriations Act, 2012 and Its Impact on Title IV Student Aid Programs

Please note: This change does not affect students with intellectual disabilities enrolled in an approved Comprehensive Transition and Postsecondary Program. Students in such a program are eligible for Title IV student aid even if they do not have a high school diploma or its equivalent.

GRACE PERIOD INTEREST SUBSIDY

Under amended HEA section 428(a)(3)(A)(i)(I), a student whose Direct Stafford Loan is **first disbursed on or after July 1, 2012 and before July 1, 2014** will not receive the six month grace period interest subsidy previously provided to students when they are no longer enrolled on at least a half-time basis.

2012-2013 FEDERAL PELL GRANTS

Changes to Award Amounts

Although Public Law 112-74 established a maximum Federal Pell Grant award of $4,860, section 401(b)(7) of the HEA provides for an automatic increase of $690 to the appropriated Federal Pell Grant maximum award for 2012-2013 making the maximum award $5,550.

Minimum Federal Pell Grant Award and Maximum EFC

Public Law 112-74 amended Section 401(b)(4) of the HEA to change the minimum Federal Pell Grant award calculation. The new law eliminates:

- The provision that permitted students who were eligible for a Federal Pell Grant of between five and ten percent of the award year's maximum award to receive an award of ten percent ($555) of the maximum award. Beginning in 2012-2013, a student must be eligible for at least ten percent of the maximum award for the academic year of $5,550 to receive a Federal Pell Grant.

As a result of the change in calculation of the minimum award amount, $4,995 is the maximum EFC that will enable a student to receive a 2012-2013 Federal Pell Grant, down from the 2011-2012 amount of $5,293. This means that a small number of applicants with (a) a high EFC; or (b) a very low cost of attendance (COA) who were Pell eligible during the previous award year may not be Pell Grant eligible in the current award year.

Duration of Eligibility

Section 401(c)(5) of the HEA was amended so that the duration of a student's eligibility for a Federal Pell Grant is reduced from 18 semesters (or its equivalent) to 12 semesters (or its equivalent) to include all years a student received a Federal Pell Grant award. In addition, this change is no longer limited to only students who received their first Federal Pell Grant on or after the 2008-2009 award year, as provided in the HEA when the duration was 18 months.

ED will add together each of the annual percentages of a student's scheduled award that was disbursed in order to calculate the student's equivalency for receiving Federal Pell Grant funds. ED provided the following example to further explain the calculation:

> *A borrower who only received $2,775 of a scheduled $5,550 award because she was only enrolled for one semester used 50% of her award year's scheduled award. A student enrolled three-quarter time for the entire award year would have used 75% of his scheduled award.*

Calculations of Special Allowance Payments

Effective for loans first disbursed on or after January 1, 2000, the base on which the special allowance payment (SAP) to a lender for a Federal Family Education Loan is calculated has changed from Commercial Paper to London Inter Bank Offering Rate (LIBOR). Please note: This change ONLY applies if the loan holder (or beneficial holder if the loan is held by an eligible lender trustee) provides to the Secretary by April 1, 2012, a signed waiver of all contractual, statutory, and legal rights to a payment based on the SAP formula in place when the loan was made. ED will provide the waiver format in early 2012.

Federal Pell Grant Payment and Disbursement Schedules

On January 12, 2012, the U.S. Department of Education (ED) published Dear Colleague Letter: P-12-01 to announce the availability of the payment and disbursement schedules to determine Federal Pell Grant awards for the 2012-2013 Award Year for full-time, three-quarter-time, half-time, and less-than-half-time students. The payment and disbursement schedules are available in both PDF and Excel versions.

More information about the changes to the Federal Pell Grant program can be found in the Consolidated Appropriations Act, 2012 and Its Impact on Title IV Student Aid Programs article.

Increased Enforcement of Regulations Regarding Late Annual Audit Submissions

On January 17, 2012, the U.S. Department of Education (ED) released an Electronic Announcement to advise schools that in order to reduce risk and to safeguard taxpayers' interests, it is strengthening enforcement of existing regulations §668.174(a)(3) pertaining to a school's past audit performance.

> ***668.174(a) Past performance of an institution.*** An institution is not financially responsible if the institution – **(3)** Has been cited during the preceding five years for failure to submit in a timely fashion acceptable compliance and financial statement audits required under this part, or acceptable audit reports required under the individual title IV, HEA program regulations; or

In accordance with §668.23, schools that participate in any Title IV, HEA program are required to submit to ED on an annual basis (1) a compliance audit of the school's administration of the program(s); and (2) an audit of the school's general purpose financial statements. According to ED, an audit that is not received (missing) or is submitted after the due date (late) may indicate a lack of administrative capability, financial responsibility, and mismanagement of federal student financial aid funds.

Effective for any late audits submitted after December, 31, 2011, or missing audits that were due on or after December 31, 2011, a school that fails to meet the due date for submission of the required audits may be cited for a past performance violation which may cause the school to fail the financial responsibility requirements as provided in §668.171(e). A school that fails the financial responsibility requirements will be subject to additional penalties, including:

1. **Provisional certification** for participation in federal student aid programs;
2. An **irrevocable letter of credit for a minimum of 10% of the Title IV, HEA program funds received by the school** during its most recently completed fiscal year for past performance violations will be posted and remain on file for 5 years from the date of the most recent past performance violation; and
3. **Heightened cash monitoring payment method** which requires the school to disburse funds and submit supporting documentation prior to requesting/drawing down federal funds.

As provided in §668.171(e), a school that fails to submit compliance and financial statement audits by the due date and in the manner required under §668.23 may be subject to adverse action, including fines or limitation, termination or revocation of its program participation agreement.

CORRECTION TO GAINFUL EMPLOYMENT- DEBT MEASURES

On January 23, 2012, the U.S. Department of Education (ED) published a correction in the Federal Register to the Gainful Employment- Debt Measures final regulations originally published on June 13, 2011.

Repayment Rates

In the January 23 Federal Register, ED advises that in the preamble to the final regulations incorrect data was used to calculate the percent of total variance in schools' repayment rates that may be explained by race/ethnicity. While ED intended to use the data of all minority students at a school, they mistakenly used data for a subset of minority students per school. The total variance has been recalculated using data that includes all minority students.

Regression Analysis

The preamble of the Gainful Employment- Debt Measures also included an incorrect component for the regression analysis. ED incorrectly referred to the use of an institutional variable measuring acceptance rates. ED actually used an institutional variable measuring retention rates. The preamble has been updated to reflect the correct language. Please note: This adjustment does NOT change the regression analysis model or the variance explained by the model.

Below is a summary of the corrections made to the Gainful Employment - Debt Measures.

Page 34460, third column	(i.e., ~~72~~ 71 percent for 4-year public institutions; ~~57~~ 64 percent for 2-year nonprofit institutions; and ~~56~~ 61 percent for 4-year nonprofit institutions).
Page 34461, first column, first paragraph	Similarly, in ~~four~~ eight of the nine models, the proportion of an institution's student body that was represented by students identified as racial/ethnic minorities was a statistically significant predictor. Across those models, it ranged from explaining 6.5 percent (4-year, for-profit institutions) to 37.8 percent (2-year, nonprofit institutions) ~~However, in no case did it explain more than approximately 13 percent~~ of the variance in repayment rates.
Page 34461, second column, first full paragraph	The full regression model explained ~~72~~ 71 percent of the variance in repayment rate, with the strongest single predictor being the percentage of students enrolled who received a Pell Grant.
Page 34461, second column, first full paragraph	~~However, when used as a sole predictor, the percentage of Pell Grant recipients was not a statistically significant predictor.~~ An institution's percentage of minority students explained 29 percent of the variance in repayment when used as a sole predictor.
Page 34461, second column, second full paragraph	The full regression model explained ~~56~~ 61 percent of the variance in repayment rate, and, as was the case among 4-year public institutions, the strongest single predictor in the model was the percentage of students who received a Pell Grant (which explained 41 percent of the variance in repayment rates when used as a standalone predictor).
Page 34461, third column, carry over paragraph	Similarly, the racial/ethnic composition of an institution's student body was predictive of repayment rates for 4-year nonprofit institutions, but as a sole predictor it explained ~~less than 2~~ 31 percent of variance in repayment rates.
Page 34461, third column, first full paragraph	Approximately ~~22~~ 27 percent of the variance in repayment rates among 4-year private for-profit institutions was explained by the full regression model.
Page 34461, third column, first full paragraph	Both the ~~The~~ racial/ethnic composition of an institution's student body ~~was not a statistically significant predictor when used alone to model repayment rates, and, although~~ and the percentage of students receiving Pell Grants were ~~was~~ predictive when used alone in separate models, each explaining about ~~it explained only~~ 7 percent of the variance in repayment rates.

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Page 34461, third column, second full paragraph	Our model predicted ~~13~~ 17 percent of the variance in repayment rates found at 2-year public institutions. While the share of racial/ethnic minority enrollment and Pell Grant receipt were both predictive when entered in their own models, both explained relatively little variance (around ~~1~~ 8 percent and 3 percent, respectively).
Page 34462, first column, first paragraph	About ~~57~~ 64 percent of the variance in repayment rates at 2-year private nonprofit institutions was explained by our model.
Page 34462, first column, second paragraph	Our regression model explained ~~44~~ 47 percent of the variance found in repayment rates at 2-year private for-profit institutions.
Page 34462, first and second columns, and second and third columns	Share of racial/ethnic minority enrollment explained approximately 19 percent of the variance in repayment rates ~~was not a statistically significant predictor~~ when used alone in a ~~its own~~ model to predict repayment rates.
Page 34462, second column, first full paragraph	Overall, none of our regression models was ~~not~~ statistically significant for less-than-2-year public institutions. ~~When used as the only predictor of repayment rates, share of racial/ethnic minority enrollment was statistically significant, explaining approximately 4 percent of the potential variance. The share of students receiving Pell grants was not statistically significant in its stand alone model.~~
Page 34462, second column, second full paragraph	Our regression model explained ~~39~~ 42 percent of the variance in repayment rates, with the share of students receiving Pell Grants being the single strongest predictor in the full model.
Page 34462, third column, first full paragraph	Approximately ~~27~~ 28 percent of the variance noted in the repayment rates of less than- 2-year private for-profit institutions could be explained by our model.
Page 34462, third column, first full paragraph	Share of ~~The percentage of students identified as~~ racial/ethnic minority enrollment explained approximately 14 percent of potential variance ~~minorities was not statistically significant~~.
Page 34462, third column, second full paragraph	The percentage of the students that are members of a minority group explains ~~1~~ 20 percent of the total variance in repayment rates.
Page 34511, first column, paragraph (d)	And, among 4-year institutions, ~~a~~ measures of part-time (ptfall08cohortretained) and full-time (ftfall09cohortretained) retention. ~~institutional selectivity: An institutions acceptance rate (AcceptRate08).~~
Page 34461, Table 4	Corrected to read: BILLING CODE 4000-01-P
Page 34464, Chart B	Corrected to read: BILLING CODE 4000-01-C

2012-2013 Renewal FAFSA Reminders

The U.S. Department of Education (ED) announced that on January 18 it began notifying borrowers identified as eligible to receive the 2012-2013 Renewal FAFSA in the Central Processing System (CPS). The notification process, including the distribution of e-mailed and printed reminders, continued to February 10, 2012.

A student who provided a valid e-mail address on the 2011-2012 FAFSA was eligible to receive a Renewal Reminder via e-mail for the 2012-2013 FAFSA. A student who was renewable-eligible, but whose records did not contain a valid e-mail address will receive a printed Renewal Reminder via U.S. Postal Mail.

- A student who completes the 2012-2013 FAFSA before January 17 will not receive a Renewal Reminder.
- A student who either completes the 2011-2012 FAFSA or makes a correction to an existing one on file after January 17 is eligible to use the 2012-2013 FAFSA; however, he will not receive a Renewal Reminder via e-mail or U.S. Postal Mail.

We provided information on the Renewal Reminder process in Renewal Reminder Letters for the 2012-2013 Year, in the November 2011 issue of the PHEAA Industry Bulletin.

Federal Student Aid Systems to Get New Security Features in 2012

On January 13, 2012, the U.S. Department of Education (ED) published an announcement to provide additional details regarding security enhancements that will be implemented for several Federal Student Aid (FSA) systems in 2012. ED is working to implement the following security enhancements:

- Upgrade to EDconnect/SAIG Systems;
- Two Factor Authentication (TFA);
- Active Confirmation for COD Web site users; and
- AIMS security related screens and training

EDCONNECT/SAIG SYSTEMS

As we discussed in the December issue of our monthly Bulletin, ED is working to implement enhanced security measures to all components of the Student Aid Internet Gateway (SAIG) Systems, including TDNgine, TGClient, TDCommunity Manager and EDconnect. Domestic and foreign schools will need to complete several steps to complete the upgrade. This includes the requirement that all EDconnect users be enrolled through the SAIG Enrollment Web site and obtain an FSA User Id and Password.

The SAIG upgrade is planned for February and March of 2012. Following the March implementation, schools will have 90 days to complete all steps related to the SAIG upgrade. Schools that do not complete the required steps within the 90 day timeframe will not be able to access the SAIG mailboxes.

TWO-FACTOR AUTHENTICATION

The two-factor authentication (TFA) process will apply to schools using Access and Identity Management Systems (AIMS), COD System, and SAIG users who access SAIG via Edconnect. TFA requires a user to provide the following information at each log in:

- The individual's User Id and Password; and
- A One-Time Password (OTP) generated from a TFA Token.

TFA will not impact G5, ED's payment system. Users who only access the G5 system will not receive a TFA Token.

ED released a subsequent Electronic Announcement on January 18, 2012 to provide further details on TFA and its planned implementation to the Common Origination and Disbursement (COD) System on January 29, 2012. In the announcement, ED explained that on January 29 all users who visit the COD Web site will see information and links relating to token registration and token maintenance on both the home page and log-in page.

TFA TOKENS AND INFORMATION

A TFA Token is a small electronic device roughly the size of a "key fob" that contains a "power" button and a display screen. Each time it's powered on, the Token displays a different, one-time password (OTP) for 30 seconds.

ED plans to distribute Tokens to schools based on state location over the 2012 calendar year. ED will notify schools of the Token distribution schedule by publishing the information in future Electronic Announcements. Following each announcement, ED will contact the PDPA and/or COD Security Administrator for each school located within the state(s) specified in the announcement to provide additional information on:

- Token delivery to the school; and
- Instructions on how the Tokens are to be distributed to authorized users.

After receiving a Token from the school's PDPA or COD Security Administrator, an authorized user must register his Token up to two times, depending on the system(s) the user is authorized to access. When appropriate, one time registrations may be completed for the following:

- The COD System; and
- The Systems behind FSA's Access and Identity Management System (AIMS)

AUTHORIZED COD USERS

ED advised that, as of January 29, an authorized COD Web site user who **has not received** a Token should continue to log on to the COD Web site as usual. Users who do not yet have a Token will not be prohibited from using the site.

An authorized COD Web site user who has received a Token can register the device on or after January 29, 2012. Users who have a Token must use it when prompted during the COD log-in process.

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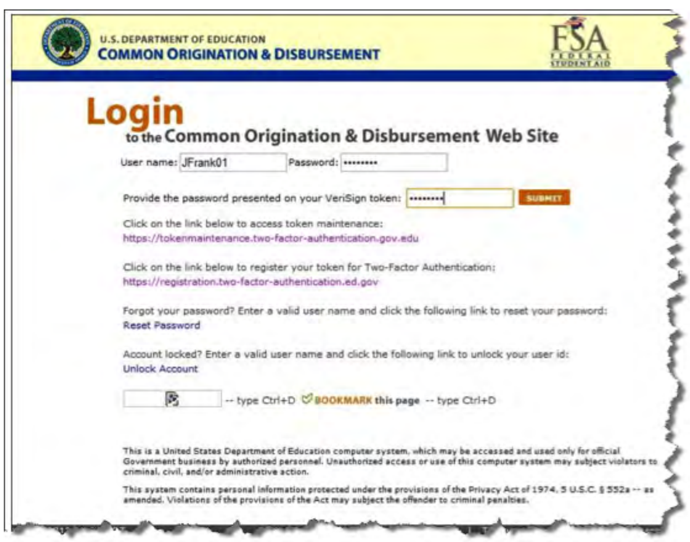
Federal Student Aid Systems to Get New Security Features in 2012

LOG-IN PROCESS

The user must sign in using his User Id and Password for the COD Web site.

When prompted to "Provide the password presented on your VeriSign token", the user should activate the Token and enter the OTP that appears on its screen into the field provided on the COD Login screen.



Please note: If the box does not appear asking the user to, "Provide the password presented on your VeriSign token", then the user is not yet required to use his Token.

More information about the two factor authentication process can be found in Presentation # 56 - Two Factor Authentication from the 2011 FSA Fall Conference.

AIMS SYSTEM

The AIMS system provides ease of access by giving users a central site to access multiple systems under one log-in. Users who log in to the AIMS system can access all of the following sites:

- e-Campus-Based (eCB);
- eCDR Appeals;
- FAA Access to CPS Online;
- Financial Partners Datamart;
- National Student Loan Data Systems (NSLDS); and
- Student Aid Internet Gateway (SAIG) Enrollment.

ACTIVE CONFIRMATION FOR COD WEB SITE USERS

Similar to the confirmation process performed annually for user access to FAA Access to CPS Online, active confirmation will require COD Security Administrators to review and confirm a list of school users as well as third party service users who access the COD Web site on behalf of the school. The school's COD Security Administrator will be responsible for deactivating accounts for users who no longer need access to the COD Web site.

AIMS SECURITY SCREENS AND ANNUAL TRAINING

ED plans to implement security screens that will require users to read and acknowledge the FSA Privacy Act and Rules of Behavior at each log in. In addition, each user will be required to complete a security training module on an annual basis after it is implemented.

ED will issue additional information regarding the security enhancements in future electronic announcements.

Volume 5- Overawards, Overpayments & Withdrawal Calculations
(2011-2012 Federal Student Aid Handbook)

On January 25, 2012, Federal Student Aid (FSA) announced that it has made a substantive revision to Volume 5 of the 2011-2012 FFA Handbook. Below is a summary of the revisions to Volume 5.

Page 5-66	Added directions to submit a "Change Record" to adjust Direct Loans when a student: • Withdraws and then transfers; • Re-enters a program offered in modules, a credit-hour non-term-based program, or a program that measures progress in clock hours.
Page 5-72	In the first bullet, removed text stating that for dependent PLUS Loans a SAR/ISIR with an official EFC is not required for the loan to be included as aid that could have been disbursed.
Page 5-20 and 5-128	Added instructions on Amending a FISAP after it has been accepted by ED.
Page 5-128	Added instructions for returning funds after 240 days.

All currently posted volumes of the Handbook can be accessed on the Information for Financial Aid Professionals Web site.

Volume 6 of the 2011-2012 Federal Student Aid Handbook Released

On January 19, 2012, the U.S. Department of Education announced that Volume 6 (Managing Campus-Based Programs) of the 2011-2012 Federal Student Aid (FSA) Handbook is now available.

All currently posted volumes of the FSA Handbook can be accessed on the Information for Federal Student Aid (IFAP) Web site.

Programs That Are Measured in Clock Hours

Volume 2 (School Eligibility and Operations) of the 2011-2012 Federal Student Aid (FSA) Handbook provides guidance regarding when a school must measure a program(s) in clock hours. A clock hour is defined as a period of time consisting of a 50 to 60-minute class, lecture, recitation, faculty-supervised laboratory, shop training, or internship in a 60-minute period; or sixty minutes of preparation in a correspondence course.

According to the Handbook, a school may consider any program to be clock hour. However, for purposes of federal student aid, a Gainful Employment program **must** be considered to be a clock hour program when any of the following occur:

- The school is receiving federal or state approval or licensure to offer the program;
- The completion of clock hours is a requirement for graduates to apply for licensure or the authorization to practice the occupation the student intends to pursue;
- The credit hours awarded are not in compliance with the credit hour definition as described in §600.2; or
- The school does not provide the clock hours that are the basis for the credit hours awarded either for the program, or for each course in the program, and, with the exception of the excused absences outlined in §668.4(e), the school requires attendance in the clock hours that are the basis for the credit hours awarded.

Please note: A program is considered exempt from the above requirement provided it has a state or federal approval or a licensure requirement which mandates that a **limited** component of the program include a practicum, internship, or clinical experience, and that this component include a minimum number of clock hours.

While ED has not been explicit in their definition of what constitutes a "limited component", they have informally suggested that a practicum, internship, or clinical experience that constitutes no more than 25% of the program could reasonably be considered a "limited component."

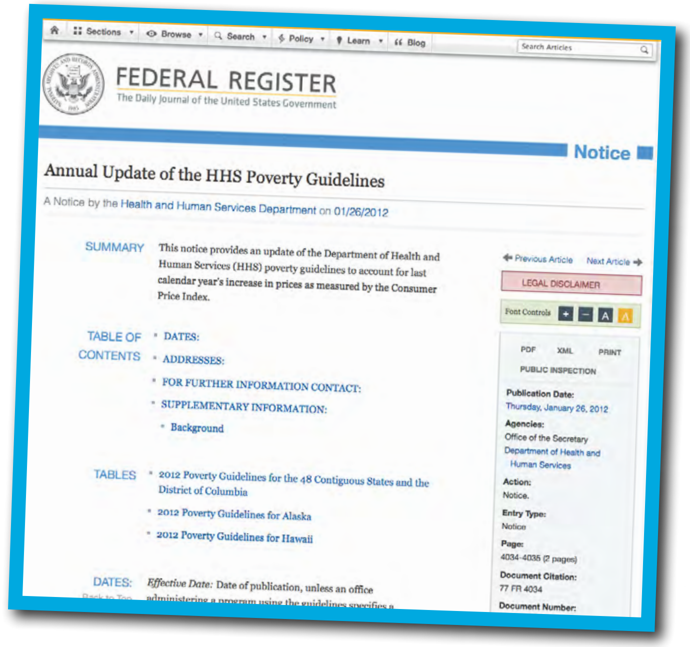
Updated Poverty Guidelines

The Health and Human Services Department published the 2012 poverty guidelines in the [Federal Register on January 26, 2012](#).

POVERTY GUIDELINES FOR THE 48 CONTIGUOUS STATES AND THE DISTRICT OF COLUMBIA

For families/households with more than 8 persons, add $3,960 for each additional person.

Persons in family/household	Poverty Guideline
1	$11,170
2	$15,130
3	$19,090
4	$23,050
5	$27,010
6	$30,970
7	$34,930
8	$38,890



POVERTY GUIDELINES FOR ALASKA

For families/households with more than 8 persons, add $4,950 for each additional person.

Persons in family/household	Poverty Guideline
1	$13,970
2	$18,920
3	$23,870
4	$28,820
5	$33,770
6	$38,720
7	$43,670
8	$48,620

POVERTY GUIDELINES FOR HAWAII

For families/household with more than 8 persons, add $4,550 for each additional person.

Persons in family/household	Poverty Guideline
1	$12,860
2	$17,410
3	$21,960
4	$26,510
5	$31,060
6	$35,610
7	$40,160
8	$44,710

PUERTO RICO AND OTHER OUTLYING JURISDICTIONS

Poverty guidelines are not defined for Puerto Rico or other outlying jurisdictions. In the event that a Federal program which uses the poverty guidelines serves any jurisdiction for which a guideline is not established, it is the responsibility of the Federal office that administers the program to decide whether to use the contiguous-states-and-DC guidelines or to follow other procedures for that jurisdiction.

DEFINING INCOME AND FAMILY

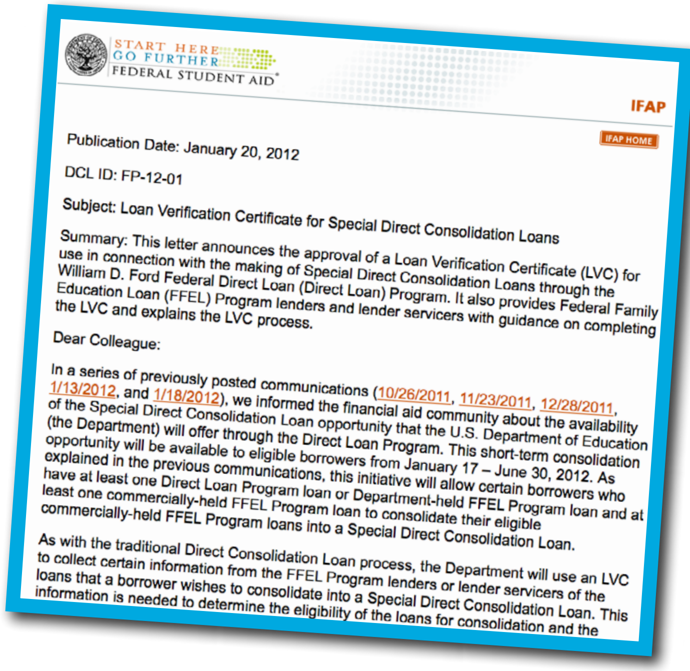
The Health and Human Services Department has chosen not to define "income" or "family" because there are substantial variations in defining the terms among the various programs that use the guidelines. Because those variations are attributed to the different laws and regulations for the programs, questions about income and family size for a specific program should be referred to the entity that administers the program.

Special Direct Consolidation Loans

On January 20, 2012, the U.S. Department of Education (ED) announced that the Loan Verification Certificate (LVC) to be used in connection with making a Special Direct Consolidation Loan through the William D. Ford Federal Direct Loan (Direct Loan) Program is now available.

Please note that this LVC is not the same as the LVC used for the traditional Direct Consolidation Loan process. Although they are similar, the Special Direct Consolidation Loan LVC collects information that is not on the traditional Direct Consolidation Loan LVC.

More information about the layout and data elements can be found in Dear Colleague Letter: FP-12-01, published on January 20, 2012.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Publication Date: January 20, 2012

DCL ID: FP-12-01

Subject: Loan Verification Certificate for Special Direct Consolidation Loans

Summary: This letter announces the approval of a Loan Verification Certificate (LVC) for use in connection with the making of Special Direct Consolidation Loans through the William D. Ford Federal Direct Loan (Direct Loan) Program. It also provides Federal Family Education Loan (FFEL) Program lenders and lender servicers with guidance on completing the LVC and explains the LVC process.

Dear Colleague:

In a series of previously posted communications (10/26/2011, 11/23/2011, 12/28/2011, 1/13/2012, and 1/18/2012), we informed the financial aid community about the availability of the Special Direct Consolidation Loan opportunity that the U.S. Department of Education (the Department) will offer through the Direct Loan Program. This short-term consolidation opportunity will be available to eligible borrowers from January 17 – June 30, 2012. As explained in the previous communications, this initiative will allow certain borrowers who have at least one Direct Loan Program loan or Department-held FFEL Program loan and at least one commercially-held FFEL Program loan to consolidate their eligible commercially-held FFEL Program loans into a Special Direct Consolidation Loan.

As with the traditional Direct Consolidation Loan process, the Department will use an LVC to collect certain information from the FFEL Program lenders or lender servicers of the loans that a borrower wishes to consolidate into a Special Direct Consolidation Loan. This information is needed to determine the eligibility of the loans for consolidation and the

Created in 1963 by the Pennsylvania General Assembly, the Pennsylvania Higher Education Assistance Agency (PHEAA) has evolved into one of the nation'sleading 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

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