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Consolidated Appropriations Act, 2012

On December 23, 2011, President Obama signed into law [H.R. 2055](#); which included the Consolidated Appropriations Act, 2012 (Public Law No. 112-74). The Consolidated Appropriation Act, 2012 made several changes to Title IV student assistance programs. The below chart provides the changes and the subsequent impact on the Higher Education Act.

CONSOLIDATED APPROPRIATIONS ACT, 2012	AMENDMENT TO HIGHER EDUCATION ACT
<p><i>(1) MINIMUM LEVEL.—</i>Section 401(b)(4) of the HEA (20 U.S.C. 1070a(b)(4)) is amended by striking “, except that” and all that follows and inserting a period.</p>	<p>Section 401 (b)(4) No Federal Pell Grant shall be awarded to a student under this subpart if the amount of that grant for that student as determined under this subsection for any academic year is less than ten percent of the maximum amount of a Federal Pell Grant award determined under paragraph (2)(A) for such academic year except that a student who is eligible for a Federal Pell Grant in an amount that is equal to or greater than five percent of such Federal Pell Grant amount but less than ten percent of such level Federal Pell Grant amount shall be awarded a Federal Pell grant in the amount of ten percent of such Federal Pell Grant amount.</p>
<p><i>(2) DURATION OF AWARD PERIOD.—</i>Section 401(c)(5) of the HEA (20 U.S.C. 1070a(c)(5)) is amended— (A) by striking “18” each place it appears and inserting “12”; and (B) by striking the last sentence.</p>	<p>Section 401(c)(5) The period during which a student may receive Federal Pell Grants shall not exceed 18 <u>12</u> semesters, or the equivalent of 18 <u>12</u> semesters, as determined by the Secretary by regulation. Such regulations shall provide, with respect to a student who received a Federal Pell Grant for a term but was enrolled at a fraction of full-time, that only that same fraction of such semester or equivalent shall count towards such duration limits. The provisions of this paragraph shall apply only to a student who receives a Federal Pell Grant for the first time on or after July 1, 2008.</p>

Consolidated Appropriations Act, 2012

CONSOLIDATED APPROPRIATIONS ACT, 2012 (CONT)	AMENDMENT TO HIGHER EDUCATION ACT (CONT.)
<p>(b) ZERO EXPECTED FAMILY CONTRIBUTION.—Section 479(c) of the HEA (20 U.S.C. 1087ss(c)) is amended—</p> <p>(1) in paragraph (1)(B), by striking “\$30,000” and inserting “\$23,000”; and</p> <p>(2) in paragraph (2)(B), by striking “\$30,000” and inserting “\$23,000”.</p> 	<p>Section 479(c) ZERO EXPECTED FAMILY CONTRIBUTION.—The Secretary shall consider an applicant to have an expected family contribution equal to zero if—</p> <p>(1) in the case of a dependent student—</p> <p>(A) the student’s parents--</p> <p>(i) file, or are eligible to file, a form described in subsection (b)(3);</p> <p>(ii) certify that the parents are not required to file a Federal income tax return;</p> <p>(iii) include at least one parent who is a dislocated worker; or</p> <p>(iv) received, or the student received, benefits at some time during the previous 24-month period under a means-tested Federal benefit program as defined under subsection (d); and</p> <p>(B) the sum of the adjusted gross income of the student and spouse (if appropriate) is less than or equal to \$30,000 \$23,000.</p> <p>(2) in the case of an independent student with dependents other than a spouse—</p> <p>(A) the student (and the student’s spouse, if any)--</p> <p>(i) files, or is eligible to file, a form described in subsection (b) (3);</p> <p>(ii) certifies that the student (and the student’s spouse, if any) is not required to file a Federal income tax return;</p> <p>(iii) is a dislocated worker or has a spouse who is a dislocated worker; or</p> <p>(iv) received benefits at some time during the previous 24-month period under a means-tested Federal benefit program as defined under subsection (d); and</p> <p>(B) the sum of the adjusted gross income of the student and spouse (if appropriate) is less than or equal to \$30,000 \$23,000. The Secretary shall annually adjust the income level necessary to qualify an applicant for the zero expected family contribution. The income level shall be adjusted according to increases in the Consumer Price Index, as defined in section 478(f).</p>
<p>(c) STUDENTS WHO ARE NOT HIGH SCHOOL GRADUATES.—</p> <p>(1) AMENDMENT.—Section 484(d) of the HEA (20 U.S.C. 1091(d)) is amended—</p> <p>(A) in the matter preceding paragraph (1), by striking “meet one of the following standards:”;</p> <p>(B) by striking paragraphs (1), (2), and (4); and</p> <p>(C) in paragraph (3), by striking “(3) The student has” and inserting “have”;</p> <p>(2) TRANSITION.—<i>The amendment made by paragraph (1) shall apply to students who first enroll in a program of study on or after July 1, 2012.</i></p>	<p>Section 484 (d) STUDENTS WHO ARE NOT HIGH SCHOOL GRADUATES.—In order for a student who does not have a certificate of graduation from a school providing secondary education, or the recognized equivalent of such certificate, to be eligible for any assistance under subparts 1, 3, and 4 of part A and parts B, C, D, and E of this title, the student shall meet one of the following standards:</p> <p>(1) The student shall take an independently administered examination and shall achieve a score, specified by the Secretary, demonstrating that such student can benefit from the education or training being offered. Such examination shall be approved by the Secretary on the basis of compliance with such standards for development, administration, and scoring as the Secretary may prescribe in regulations.</p> <p style="text-align: right;">- continued, next page -</p>

Consolidated Appropriations Act, 2012

CONSOLIDATED APPROPRIATIONS ACT, 2012 (CONT)	AMENDMENT TO HIGHER EDUCATION ACT (CONT.)
	<p>(2) The student shall be determined as having the ability to benefit from the education or training in accordance with such process as the State shall prescribe. Any such process described or approved by a State for the purposes of this section shall be effective 6 months after the date of submission to the Secretary unless the Secretary disapproves such process. In determining whether to approve or disapprove such process, the Secretary shall take into account the effectiveness of such process in enabling students without high school diplomas or the equivalent thereof to benefit from the instruction offered by institutions utilizing such process, and shall also take into account the cultural diversity, economic circumstances, and educational preparation of the populations served by the institutions.</p> <p>(3) The student has <u>have</u> completed a secondary school education in a home school setting that is treated as a home school or private school under State law.</p> <p>(4) The student shall be determined by the institution of higher education as having the ability to benefit from the education or training offered by the institution of higher education upon satisfactory completion of six credit hours or the equivalent coursework that are applicable toward a degree or certificate offered by the institution of higher education.</p>
<p>(3) CONFORMING CHANGE.—Section 101(a)(1) of the HEA (20 U.S.C. 1001(a)(1) is amended by striking “section 484(d)(3)” and inserting “section 484(d)”.</p>	<p>101 (a) INSTITUTION OF HIGHER EDUCATION.—For purposes of this Act, other than title IV, the term “institution of higher education” means an educational institution in any State that—</p> <p>(1) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate, or persons who meet the requirements of section 484(d)(3) section 484(d);</p>
<p>(d) TEMPORARY ELIMINATION OF INTEREST SUBSIDY DURING STUDENT LOAN GRACE PERIOD.—</p> <p>(1) Section 428(a)(3)(A)(i)(I) of the HEA (20 U.S.C.1078(a)(3)(A)(i)(I)) is amended to read as follows:</p> <p>“(I) which accrues prior to the date the student ceases to carry at least one-half the normal fulltime academic workload (as determined by the institution), or”.</p> <p>(2) <i>The amendment made by paragraph (1) shall apply to new Federal Direct Stafford Loans made on or after July 1, 2012 and before July 1, 2014.</i></p>	<p>Section 428(a)(3) AMOUNT OF INTEREST SUBSIDY.—(A)(i) Subject to section 438(c), the portion of the interest on a loan which a student is entitled to have paid, on behalf of and for the account of the student, to the holder of the loan pursuant to paragraph (1) of this subsection shall be equal to the total amount of the interest on the unpaid principal amount of the loan—</p> <p>(I) which accrues prior to the beginning of the repayment period of the loan, or</p> <p>(I) which accrues prior to the date the student ceases to carry at least one-half the normal fulltime academic workload (as determined by the institution), or</p>

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Consolidated Appropriations Act, 2012

CONSOLIDATED APPROPRIATIONS ACT, 2012 (CONT)	AMENDMENT TO HIGHER EDUCATION ACT (CONT.)
<p>e) REVISED SPECIAL ALLOWANCE CALCULATION.—</p> <p>(1) REVISED CALCULATION RULE.—Section 438(b)(2)(I) of the HEA (20 U.S.C. 1087-1(b)(2)(I)) is amended by adding at the end the following:</p> <p>“(vii) REVISED CALCULATION RULE TO REFLECT FINANCIAL MARKET CONDITIONS.—</p> <p>“(I) CALCULATION BASED ON LIBOR.—For the calendar quarter beginning on April 1, 2012 and each subsequent calendar quarter, in computing the special allowance paid pursuant to this subsection with respect to loans described in subclause (II), clause (i)(I) of this subparagraph shall be applied by substituting ‘of the 1-month London Inter Bank Offered Rate (LIBOR) for United States dollars in effect for each of the days in such quarter as compiled and released by the British Bankers Association’ for ‘of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in such quarter as reported by the Federal Reserve in Publication H-15 (or its successor) for such 3-month period’.</p> <p>“(II) LOANS ELIGIBLE FOR LIBOR-BASED CALCULATION.—The special allowance paid pursuant to this subsection shall be calculated as described in subclause (I) with respect to special allowance payments for the 3-month period ending June 30, 2012, and each succeeding 3-month period, on loans for which the first disbursement is made on or after January 1, 2000, and before July 1, 2010, if, not later than April 1, 2012, the holder of the loan (or, if the holder acts as eligible lender trustee for the beneficial owner of the loan, the beneficial owner of the loan), affirmatively and permanently waives all contractual, statutory, or other legal rights to a special allowance paid pursuant to this subsection that is calculated using the formula in effect at the time the loans were first disbursed.</p> <p>“(III) TERMS OF WAIVER.—</p> <p>“(aa) IN GENERAL.—A waiver pursuant to subclause (II) shall be in a form (printed or electronic) prescribed by the Secretary, and shall be applicable to—</p>	<p>“(vii) REVISED CALCULATION RULE TO REFLECT FINANCIAL MARKET CONDITIONS.—</p> <p>“(I) CALCULATION BASED ON LIBOR.—For the calendar quarter beginning on April 1, 2012 and each subsequent calendar quarter, in computing the special allowance paid pursuant to this subsection with respect to loans described in subclause (II), clause (i)(I) of this subparagraph shall be applied by substituting ‘of the 1-month London Inter Bank Offered Rate (LIBOR) for United States dollars in effect for each of the days in such quarter as compiled and released by the British Bankers Association’ for ‘of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in such quarter as reported by the Federal Reserve in Publication H-15 (or its successor) for such 3-month period’.</p> <p>“(II) LOANS ELIGIBLE FOR LIBOR-BASED CALCULATION.—The special allowance paid pursuant to this subsection shall be calculated as described in subclause (I) with respect to special allowance payments for the 3-month period ending June 30, 2012, and each succeeding 3-month period, on loans for which the first disbursement is made on or after January 1, 2000, and before July 1, 2010, if, not later than April 1, 2012, the holder of the loan (or, if the holder acts as eligible lender trustee for the beneficial owner of the loan, the beneficial owner of the loan), affirmatively and permanently waives all contractual, statutory, or other legal rights to a special allowance paid pursuant to this subsection that is calculated using the formula in effect at the time the loans were first disbursed.</p> <p>(III) TERMS OF WAIVER.—</p> <p>(aa) IN GENERAL.—A waiver pursuant to subclause (II) shall be in a form (printed or electronic) prescribed by the Secretary, and shall be applicable to—</p>

Industry Calendar

MARCH

12

Borrowers are required to begin using the [revised Loan Discharge Application: Unpaid Refund form](#).

ELECTRONIC ANNOUNCEMENT #31- EMPLOYMENT PLACEMENT RATES AND NCES METHODOLOGY

Under 34 CFR 668.6(b)(1)(iv), schools that prepare a student for gainful employment in a recognized occupation must disclose the placement rate for students who complete the Gainful Employment (GE) Program using a methodology developed by National Center for Education Statistics (NCES).

TECHNICAL REVIEW PANEL

A technical review panel (TRP) was assembled by the NCES and charged with developing a placement rate for schools to use when reporting job placement rates for students who complete GE Programs. The panel concluded that a single methodology could not be developed for the job placement rate without further study due to limitations in data systems and available data.

The panel made suggestions for a more focused review on the following:

- How to define key elements in a common metric in a way that presents meaningful and valid data; and
- The availability and expansion of data sources to support a common metric.

GUIDANCE FOR THE INTERIM PERIOD

In the December 22, 2011, [Gainful Employment Electronic Announcement #31](#), the U.S. Department of Education (ED) advised that until NCES is able to develop a placement rate methodology, schools must follow the below guidance.

Schools that are required by their accrediting agencies and/or State to calculate a placement rate on a program basis must:

- Disclose the placement rates; and
- Identify the accrediting agency and/or State agency under whose requirements the placement rate was calculated.

If the school's accrediting agencies and/or State requires the school to calculate placement rates at a school level or on other than a program basis, the school must:

- Use the accrediting agencies and/or State placement rate methodology; and
- Disclose the placement rate.

Schools that are not required by their accreditor or State to calculate placement rates either on a school level or a program basis are not subject to the regulatory requirement to disclose placement rate information.

Default Rates for Cohort Years 2005-2009

On January 5, 2012, the U.S. Department of Education (ED) released an [electronic announcement](#) to provide the [Default Rates for the Cohort Years 2005-2009](#) and an explanation of each rate.

COHORT DEFAULT RATE

This rate is based on the percentage of borrowers who enter repayment on certain Federal Family Education Loan (FFEL) Program or William D. Ford Federal Direct Loan (Direct Loan) Program loans during a specific federal fiscal year (FY) and default on those loans or meet other specified conditions prior to the end of the next FY. ED releases the cohort default rates once per year.

BUDGET LIFETIME DEFAULT RATE

The budget lifetime default rate is calculated based on the projected percentage of Stafford Loan dollars originated for FFEL and Direct Loans for a specified FY that may default during a 20 year life of the loan period. This rate is included in the President's Budget.

CUMULATIVE LIFETIME DEFAULT RATE

The cumulative lifetime default rate is based on the percentage of loans for the FFEL and Direct Loan programs that enter repayment within a specific FY and default during the most recent FY. Unlike the cohort default rate, which examines a two-year period, and is used primarily as an administrative tool for schools, the cumulative lifetime default rate looks at the risk of default throughout the life of a loan. This rate is updated and published annually.

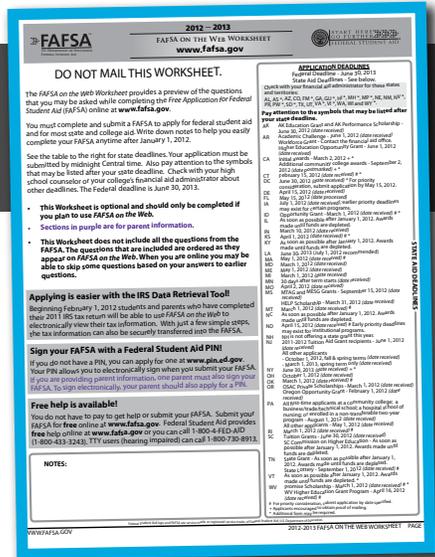
QUESTIONS AND CONTACT INFORMATION

Please contact the Operations Performance Division at 202-377-4259 or fsa.schools.default.management@ed.gov for additional information regarding the default rates.

2012-2013 FAFSA on the Web Worksheet Now Available

The 2012-2013 FAFSA on the Web Worksheet is now available. Both the English and Spanish versions are available in Portable Document Format (PDF). The Worksheet is intended to assist applicants in completing the electronic FAFSA by presenting the questions in the order they appear on the form. Schools are encouraged to remind students and parents that the Worksheet is intended to assist applicants in completing the FAFSA. The Worksheet is not the FAFSA and will not be processed by the U.S. Department of Education if submitted by mail.

The 2012-2013 FAFSA on the Web Worksheet can be accessed from www.fafsa.gov.



2012-2013 Free Application for Federal Student Aid (FAFSA) Now Available

The 2012-2013 FAFSA is now available in both English and Spanish. Students have three options to submit the FAFSA:

ELECTRONIC

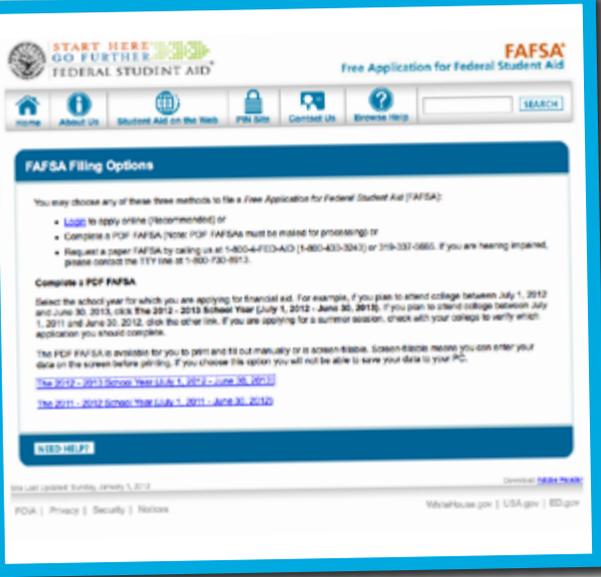
Applicants should visit the Federal Student Aid (FSA) Web site to complete and submit the [electronic FAFSA](http://www.fafsa.gov).

PORTABLE DOCUMENT FORMAT (PDF)

Applicants can download and complete the [PDF version](http://www.fafsa.gov).

REQUEST A PAPER FAFSA

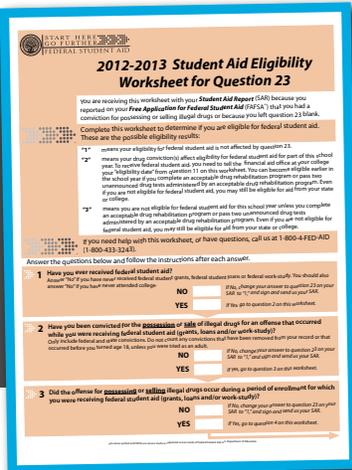
Applicants without access to the Internet can request a paper FAFSA by calling FSA at 800.4.FED-AID or 312.337.5665 (TTY 800.730.8913).



2012-2013 Student Aid Eligibility Worksheet Now Available

On January 11, 2012, the [2012-2013 Student Aid Eligibility Worksheet](http://www.fafsa.gov)

became available. The Worksheet is intended to help schools determine if and when a student who was convicted of possessing or selling illegal drugs is eligible for federal student aid.



2012-2013 Electronic Data Exchange (EDE) Technical Reference Now Available

On January 6, 2012, the U.S. Department of Education (ED) announced that the 2012-2013 Electronic Data Exchange (EDE) Technical Reference is available. The Reference provides:

- Programmer specifications;
- Record layouts; and
- Other detailed information for entities that design software systems to interface with ED's application processing system.

Updates and Changes to the Technical Reference

The auto zero expected family contribution (EFC) was updated from \$32,000 to \$23,000 throughout the Reference. In addition, a correction was made to the NSLDS Direct Loan Master Note Flag field value in the ISIR Record Description/Data Dictionary in the Record Layouts Section. More detailed information about these changes can be found in the [appendix](#) of the Reference.

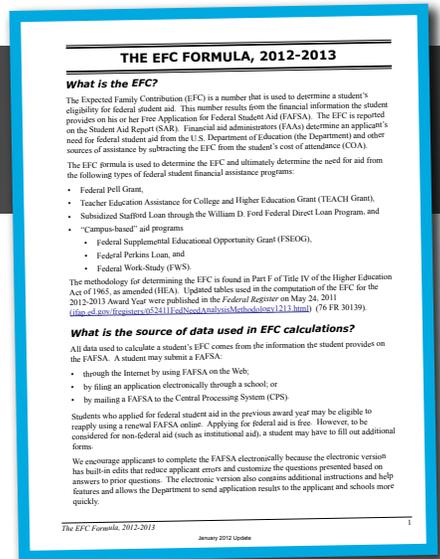
2012-2013 Expected Family Contribution (EFC) Formula Guide Now Available

The [2012-2013 Expected Family Contribution \(EFC\) Formula Guide](#) has been posted to the Information for Financial Aid Professionals (IFAP) Web site. The Guide includes tables and worksheets that can be used to calculate a student's EFC for the 2012-2013 processing cycle.

The Consolidated Appropriations Act, 2012 made changes to the Title IV student assistance programs, including a reduction in the maximum income an applicant may have to qualify for the automatic zero EFC. In the past, the income threshold was \$32,000. Under the amended law, the amount is now \$23,000. The EFC Formula Guide has been updated to reflect the new auto zero EFC threshold.

Questions and Contact Information

Refer to the [December 27, 2011](#), Electronic Announcement for more information regarding the implementation of this change for 2012-2013 application processing. Questions regarding this topic can be directed to CPS/SAIG Technical Support at 800-330-5947 (TDD/TTY 800-511-5806) or via e-mail at CPSSAIG@ed.gov.



SPECIAL ALLOWANCE RATES FOR STAFFORD AND PLUS LOANS

FOR THE QUARTER ENDING DECEMBER 31, 2011

The Treasury Bill (T-bill) rate for the quarter ending December 31, 2011 averaged .02%. 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%	0.11%	0.0275%	SD
3.31%	0.00%	0.00%	
7.00%	0.00%	0.00%	
8.00%	0.00%	0.00%	
3.16%	0.00%	0.00%	SE
3.16%	0.00%	0.00%	SG
3.27%	0.00%	0.00%	
2.56%	0.00%	0.00%	SH
1.76%	0.46%	0.1150%	SJ
2.36%	0.46%	0.1150%	SK

For the quarter ending December 31, 2011, the average Commercial Paper (CP) rate – as calculated by the U.S. Department of Education – was .20%. When the special allowance formula results in a negative rate on a loan first disbursed on or after April 1, 2006, the lender must remit the excess interest to ED.

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SPECIAL ALLOWANCE RATES FOR STAFFORD AND PLUS LOANS

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

* For a detailed explanation of the Special Allowance codes, please visit the [Common Manual](#). 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.

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**
Mon - Fri, 7:30 am to 9:00 pm ET

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

SCHOOL/LENDER INQUIRIES
800.443.0646
loanhelp@aesSuccess.org

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LC-INDBN
JANUARY 2012

