



Industry Bulletin



Spotlight on Training

We are pleased to provide the following training opportunities in the month of August. Please visit the [Event Center](#) on the FedLoan Servicing Website to learn more about these events or to register.

Date	Training Event Topic
August 1, 2012	Overview of NPRM - Proposed regulatory changes to IBR and ICR Repayment Plans (Date is subject to change)
August 7, 2012	Entrance Counseling
August 9, 2012	Public Service Loan Forgiveness
August 14, 2012	School Experience
August 16, 2012	Borrower Experience
August 21, 2012	Repayment Plans
August 23, 2012	Default Prevention and Financial Literacy

- 2 [Court Overturns Main Component of Gainful Employment Rules](#)
- 3 [Clarification for Students without a Valid High School Diploma](#)
- 4 [Mandatory IBR or ICR Applicants Must Submit Income Documentation When Applying for Traditional Direct Consolidation Loan](#)

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Announcement: Direct Loan Interest Rates and Changes to Eligibility for Subsidized Loans

On July 6, 2012, President Obama signed Public [Law 112-141](#) which provides a one-year extension of the 3.4% interest rate *only* for Direct Subsidized Loans made to undergraduate students. Public Law 112-141 also places a new limit on the eligibility for undergraduate students to receive Direct Subsidized Loans. A borrower who exceeds 150 percent of the published length of the borrower's program on or after July 1, 2013 will be ineligible to receive any additional Direct Subsidized Loans. Such students will only be eligible for additional federal student aid in the form of Direct Unsubsidized Loans. In addition, undergraduate borrowers who exceed the 150 percent limit will be ineligible for interest subsidy benefits on ALL Direct Subsidized Loans made to the student on or after July 1, 2013.

GRADUATE AND PROFESSIONAL STUDENTS

Public Law 112-141 included no provisions for graduate and professional students. The Direct Unsubsidized Loan interest rate for graduate and undergraduate students remains at 6.8%.

As a reminder, the changes that went into effect on [July 1, 2012](#), eliminated the eligibility for graduate and professional students to receive subsidized federal student aid, meaning graduate or professional students with a period of enrollment beginning on or after July 1, 2012 are now responsible for interest that accrues on the loan(s) while in school and during the applicable grace period.

Court Overturns Main Component of Gainful Employment Rules

On June 30, 2012, the U.S. District Court for the District of Columbia issued a decision in the Association of Private Sector Colleges and Universities (APSCU) v. Duncan case, ruling that the 35 percent debt measure has no basis. Judge Rudolph Contreras issued his ruling stating, *"No expert study or industry standard suggested that the rate selected by the department would appropriately measure whether a particular program adequately prepared its students."* He further noted, *"Instead the department simply explained that the chosen rate would identify the worst-performing quarter of programs. Why the bottom quarter? Because failing fewer programs would suggest that the rest was not 'meaningful' while failing more would make for too large a 'subset of programs that could potentially lose eligibility.'"* Furthermore, the court remanded the regulations to the U.S. Department of Education for further review.

On July 6, 2012, the U.S. Department (ED) issued an initial [response](#) to the court's ruling saying, *"The court clearly upheld the authority to regulate college career programs, but found that the Department had not provided enough explanation of its debt repayment measure, so it has given the Department an opportunity to address that concern. We are reviewing our legal and policy options to move forward in a way that best protects students and taxpayers while advancing our national goal of helping more Americans get the skills they need to compete in the global economy."*

Although the court vacated a majority of the gainful employment rules, ED noted that it upheld its authority to regulate gainful employment programs. Because the court determined that the 35 percent repayment rate threshold was not supported by sound reason, the court's decision affects most other gainful employment provisions, such as:

- Repayment rate metrics;
- Debt-to-income metrics;
- Program reporting requirements; and
- Requirements for adding new programs.

Please note that the court left in place the requirement for schools to disclose certain information on their web pages for each gainful employment program. ED has issued the following guidance based on its initial review of the court's decision.

REPORTING

The court's decision has vacated the gainful employment reporting requirements found at 34 CFR 668.6(a). Therefore, schools are not required to submit gainful employment reports for the 2011-2012 award year. Schools may voluntarily submit corrections to previously reported gainful employment information.

NEW GAINFUL EMPLOYMENT PROGRAMS

The revisions that went into effect July 1, 2011, for adding new GE programs are no longer applicable. Schools should refer to regulatory sections 34 CFR 600.10(c) and 600.20 as they existed **prior to July 1, 2011**. Schools are not required to provide ED with a 90-day notice of intent to offer a new gainful employment program. The approval of new programs is only required as provided in regulations effective before July 1, 2011.

DISCLOSURES

While the court's ruling did not impact the requirement of schools to disclose certain information about each of its gainful employment programs, ED is still reviewing the disclosure template to ensure it complies with the court's decision. Schools are not required to update their disclosures until ED issues further guidance.



U.S. Department of Education
Information about your federal student loan

Clarification for Students without a Valid High School Diploma

The Consolidated Appropriations Act, 2012 (Public Law 112-74) made changes to the eligibility for Title IV student aid for students without a valid high school diploma. The U.S. Department of Education (ED) published Dear Colleague Letter (DCL) [GEN-12-01](#) on January 18, 2012, to announce the changes Public Law 112-74 has on Title IV student aid eligibility.

On June 28, 2012, ED issued DCL: [GEN-12-09](#) to describe the statutory changes to the following sections and to discuss Division F, Title III of Public Law 112-74. ED also provided a grandfathering test for schools to determine whether the student meets the requirements to establish eligibility for Title IV student aid.

UNCHANGED PROVISIONS

An otherwise eligible student must still have one of the following to be eligible for Title IV student aid.

- A high school diploma
- The recognized equivalent of a high school diploma, including:
 - » A GED;
 - » A state certificate issued to a student who passed a state-authorized exam recognized by the State as an equivalent to a high school diploma; or
 - » A transcript for successful completion of a two-year program acceptable for full credit toward a bachelor's degree.
- Documentation that the student excelled academically in high school and has met the formalized, written policies of the postsecondary school for admission. The program the student wishes to enroll in must lead to at least an associate's degree or its equivalent.
- Completion of a homeschool education.

Further information on student eligibility can be found in Volume 1 of the 2012-13 Federal Student Aid (FSA) Handbook.

STUDENTS FIRST ENROLLED IN A PROGRAM OF STUDY AFTER JULY 1, 2012

Public Law 112-74 eliminated the following ability-to-benefit (ATB) alternatives for students first enrolled in a program of study after July 1, 2012:

- Passing an independently administered test, approved by ED;
- Completion of at least six credit hours, or equivalent coursework; and
- Completion of a State process approved by ED.

STUDENTS FIRST ENROLLED IN A PROGRAM OF STUDY PRIOR TO JULY 1, 2012

Most students attending an eligible program at a Title IV participating schools prior to July 1, 2012, will have established Title IV eligibility during that previous period. The student's future eligibility for Title IV aid will be based upon attendance in that eligible program rather than the student's receipt of Title IV student aid in any previous period.

A student who is enrolled in an eligible program at a Title IV participating school prior to July 1, 2012 who needs to establish eligibility for Title IV student aid either at that same school, or at another school, may still use an ATB alternative to do so. Because the student's enrollment began prior to July 1, 2012, the provisions under Public Law 112-74 that eliminated the option to use an ATB alternative do not apply. The school must document the student's eligibility to use one of the ATB alternatives.

GRANDFATHERING TEST

Schools should use the following questions to determine if an otherwise eligible student who does not have a high school diploma (or recognized equivalent) meets the requirements to receive Title IV student aid.

Question 1: Did or will the student attend an eligible program at any Title IV institution prior to July 1, 2012?	Yes = The student may use any of the ATB alternatives to become eligible for Title IV student aid. No = Continue to Question 2.
Question 2: Did the student, prior to July 1, 2012, officially register at a Title IV institution, and is the student scheduled to attend an eligible program?	Yes = The student may use any of the ATB alternatives to become eligible for Title IV student aid. No = The student may NOT use the ATB alternatives to become eligible for Title IV student aid.

QUESTIONS

Questions about this topic should be directed to Federal Student Aid's Research and Customer Care Center, Monday through Friday, between the hours of 8:00 AM and 5:00 PM at **800.433.7327** or via e-mail at fsa.customer.support@ed.gov.

Mandatory IBR or ICR Applicants Must Submit Income Documentation When Applying for Traditional Direct Consolidation Loan

The William D. Ford Federal Direct Loan (Direct Loan) Program regulations provide that a borrower with defaulted loans may consolidate his loans into a traditional Direct Consolidation Loan by (a) making satisfactory repayment arrangements on the loans prior to consolidation, or (b) by agreeing to repay the Direct Consolidation Loan under either the Income-Based Repayment (IBR) Plan or Income Contingent Repayment (ICR) Plan. The U.S. Department of Education refers to such borrowers as “mandatory IBR or ICR applicants.”

On June 20, 2012, ED published an [Electronic Announcement](#) to inform the community of a change to the processing of traditional Direct Consolidation Loan applications for mandatory IBR or ICR applicants. This guidance is intended for Guaranty Agencies and private collection agencies assisting mandatory IBR or ICR applicants with consolidation of defaulted loans.

CHANGE TO INCOME DOCUMENTATION

An applicant who wishes to consolidate one or more defaulted loans by agreeing to repay the Direct Consolidation Loan under either the IBR or ICR Plan must now submit acceptable documentation of his income along with the traditional

Direct Consolidation Loan Application and Promissory Note. Acceptable forms of documentation include:

- Most recently filed Federal Income Tax Return Form (does not need to be signed);
- Federal Income Tax Transcript; or
- IRS Form 4506-T (Request for Transcript of Tax Return).

Please be aware that applicants are no longer required to submit the *William D. Ford Federal Direct Loan Program Income Contingent Repayment Plan & Income-Based Repayment Plan Consent to Disclosure of Tax Information form* (OMB No. 1845-0017). Use of this form has been discontinued.

The process for applicants who do not submit the required documentation or who submit the discontinued form will be delayed as ED works to collect the required documentation from the applicant.

QUESTIONS

Questions about this announcement should be directed to the Direct Loan Consolidation Center at **888.799.2474** or by email at loan_consolidation@hp.com.

Customer Feedback Used to Enhance the Student Aid Application Process

The 2012-2013 FAFSA on the Web (FOTW) and PIN Websites are being enhanced as part of the U.S. Department of Education’s ongoing initiative to simplify and streamline the student aid application process. Changes are scheduled for the sites on July 1, 2012 and September 22, 2012.

The enhancements are based on customer feedback as well as an effort to provide better self-service options for applicants. Below are the scheduled changes for each of the dates.

JULY 1, 2012

Automatic Confirmation Page via E-mail	FOTW applicants will receive an automatic confirmation page via e-mail at the conclusion of the application process or correction submission. This is a change from the previous process where the applicant was required to request the confirmation page be sent via e-mail. Applicants who submit a “signature only” transaction will still have the option to request the confirmation page via e-mail.
Remove Case Sensitivity for PIN Challenge Question	ED removed the case sensitivity for the PIN Challenge Question. ED noted that many PIN users could not remember the specific capitalization originally used when creating a response to the question. In turn, this caused many users to inadvertently deactivate their PINs by answering the challenge question incorrectly.

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Customer Feedback Used to Enhance the Student Aid Application Process

SEPTEMBER 22, 2012

Redesign FOTW Home Page Buttons/ Messaging	<p>The home page will be redesigned to provide a more distinct path for first time users. Adjustments will be made to size, font, and location of existing fields, graphic elements, and text. In addition, the "Start Here" button will be replaced with two buttons:</p> <ul style="list-style-type: none"> • "Start A New FAFSA" for new users; and • "Login" for returning users.
Merge the Browse Help and Contact Us Pages	<p>ED will be removing the "Contact Us" button from the top navigation bar to encourage applicant self-service. "Browse Help" will replace the "Help" icon.</p>
Message to Encourage Entry of E-mail Address	<p>ED will be adding a message to the FOTW Website to encourage entry of the student's e-mail address. This will allow ED to communicate with students using their preferred method of communication.</p>

Special Direct Consolidation Loan Information: The U.S. Department of Education Issues Key Reminders for FFEL Lenders and Lender Servicers

Although the application period ended on June 30, 2012, the U.S. Department of Education's (ED's) work with FFEL lenders and lender servicers will continue until all Special Direct Consolidation Loan processing is completed. On [June 28, 2012](#), ED provided the below list of reminders for the FFEL lender and lender servicer community.

ELIGIBILITY RELATED RESPONSIBILITIES

ED will continue to be responsible for verifying the borrower's overall eligibility for the Special Direct Consolidation Loan initiative. The lender or lender servicer will continue to be responsible for verifying the eligibility and payoff amounts of the individual commercially-held FFELP loans a borrower has requested to consolidate.

Receipt of the Loan Verification Certificate (LVC) signifies to the lender or lender servicer that the borrower has met the overall eligibility requirements for the initiative and has submitted the online application prior to the deadline.

Completion of the LVC

The lender or lender servicer is required to complete and return the LVC to the federal loan servicer.

Regardless of the distribution or return method (paper or electronic), the lender or lender servicer must complete and return the LVC within 10 days of the received date. Dear [Colleague Letter FP-12-01](#) provides additional information about the LVC.

MATCHING LOANS ON THE LVC

The LVC sent to the lender or lender servicer for completion will list the commercially-held FFELP loan(s) the borrower

wishes to consolidate. When discrepancies arise between the information provided on the LVC and the information the lender or lender servicer may have on record, the lender or lender service is encouraged to update the information as necessary and return the LVC within the requested timeframe.

A RETURN TO IN-SCHOOL STATUS BEFORE LOAN PAYOFF

The payment to the lender or lender servicer will still take place and the Special Direct Consolidation will still be made for a borrower whose loans were in a grace period or repayment status at the time of application, even if the borrower returns to school on at least a half-time basis prior to his commercially-held FFELP loans being paid off.

APPLYING THE PAYOFF

Lenders and lender servicers are reminded that each commercially-held FFELP loan that a borrower requests to consolidate will be paid off individually. Therefore, the lender or lender servicer should not apply the payment across the board to all of the borrower's loans. Rather, the payment roster that accompanies the payoff should be used to ensure that the payment is applied to the correct loan(s).

UNDERPAYMENTS AND OVERPAYMENTS

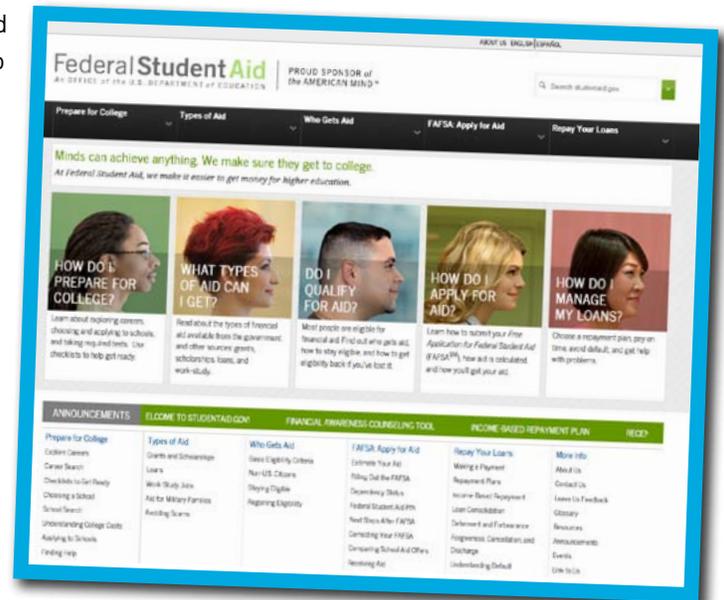
Refer to the Electronic Announcement dated [February 14, 2012](#), for more information on handling underpayments and overpayments.

The U.S. Department of Education Announces the Consolidation of FSA Websites

On July 3, 2012, the U.S. Department of Education (ED) announced that it plans to consolidate content from the following Web sites into one new Web site:

- Student Aid on the Web (www.studentaid.ed.gov)
- Ombudsman Website (www.ombudsman.ed.gov)
- Federal Student Aid Gateway (www.federalstudentaid.ed.gov)

In mid-July, ED plans to launch StudentAid.gov, a streamlined, interactive Website that includes improved content. Visitors to the three sites mentioned above will be redirected to the new site, once it is available. This process will remain in place for at least one year after the new site is launched. In addition, ED will distribute additional information, including a list of commonly used links, with the launch of the new site.



Compliance Corner

QUESTION:

My school is located in an area that's not necessarily prone to disasters, but what do you recommend I do to make sure I'm prepared just in case something happens?

Answer:

On August 23, 2010, the U.S. Department of Education (ED) distributed Dear Colleague Letter (DCL) GEN-10-16 to provide guidance for students affected by a major disaster. Please be aware that this guidance is intended to supplement the information found in the Federal Student Aid (FSA) Handbook and supersedes guidance provided in previous DCLs. The regulatory relief outlined in this DCL applies to students, schools, lenders, guaranty agencies, and servicers who administer federal student aid programs under Title IV of the Higher Education Act of 1965, as amended (HEA). Title IV aid recipients and their families, who at the time of the disaster were residing in, employed in, or attending an institution located in a federally declared disaster area are eligible to receive disaster relief.

DCL: GEN-10-16 provides a detailed discussion of disaster relief as it relates to topics from school participation to missed payments for rehabilitated defaulted loans. For purposes of today's discussion, we'll address some of the more basic components for disaster relief. We suggest that you review the DCL at your convenience for more specific

questions you may have regarding the administration of federal student aid after a disaster.

Proactive Measures

One of the most important things you can do is develop a disaster recovery plan. Should you experience a disaster; a recovery plan will ensure that your school is able to establish an off-site office to continue serving your students. Part of your disaster recovery plan should include providing ED with alternate contact information for critical personnel. This information can be submitted in Box 69 of the ["Application for Approval to Participate in Federal Student Financial Aid Programs" \(E-application\)](#).

You should also have a written agreement in place that permits your students to study at another school. If your school is unable to operate after a disaster, a written agreement will allow your students to continue their studies at another school while your school focuses on reopening its doors. The requirements for the written agreement can be found at 34 CFR 668.5.

We also recommend that you review your school's record retention process before a disaster strikes. This will make your job easier should your school be impacted by a major disaster. As provided in the DCL, ED stated that schools will not be held responsible if records cannot be reconstructed. However, if your school is unable to preserve or reconstruct

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Compliance Corner

records, you must document (1) that the records were lost due to a disaster; and (2) your efforts to preserve or reconstruct the records. Furthermore, if your school is unable to perform verification due to lost records, you must document this as well. Taking preventative measures to ensure a record retention process is in place prior to a disaster will save you from having to perform a very time consuming process on the backend.

Here are a few questions you might consider asking when looking at your record retention process.

SCHOOLS THAT RETAIN PAPER RECORDS

- Are the records stored in an area that is fireproof and/or waterproof?
- Can the storage area withstand extremely high winds?
- Is the locking mechanism on the storage area sufficient to protect against theft?

SCHOOLS THAT RETAIN COMPUTER RECORDS

- Can the records be retrieved from a server located off-site?
- Are the security settings on our computers sufficient to protect the records from theft?

WHAT TO DO AFTER A DISASTER STRIKES

The most important thing you can do if your school is impacted by a disaster is to contact ED immediately. The School Participation Team can help you address concerns related to cash management requirements, deadlines and timeframes for the administration of Title IV student aid, post-withdrawal disbursements, campus security reporting, and the impact the disaster may have on the length of your school's academic year.

GEN-10-16 also provides detailed information on how to manage various aspects of the Federal Work-Study Program, Federal Perkins Loan Program, satisfactory academic progress, need analysis, and more.

RESOURCES

The following resources will help you be more prepared if disaster strikes your area.

- [Dear Colleague Letter GEN-10-16](#)
- [Electronic Announcement dated 08/25/2011](#)
- [Federal Student Aid Handbook](#)
- [Federal Student Aid Natural Disaster Contact Information](#)

Gainful Employment Corner

ELECTRONIC ANNOUNCEMENT #37

On [June 21, 2012](#), the U.S. Department of Education (ED) began releasing to schools their 2011 Gainful Employment (GE) information rates, including the 2011 GE Informational Debt Measures and GE Loan Medians for Disclosures. Schools were able to access their data on the Student Aid Internet Gateway (SAIG) Website on June 22, 2012.

Schools will receive a separate GE Notification Package for each of its GE programs. The notification package includes:

- GE Information Debt Measures "Dear President Letter" that provides the GE Program's Loan Repayment Rate, Discretionary Debt-to-Earnings Ratio, and Annual Debt-to-Earnings Ratio;
- Repayment Rate GE Detail Record File (GEDR) containing student level back-up detail used to calculate the GE Program's Repayment Rate;
- Debt-to-Earnings Ratio GE Detail Record file (GEDR) containing student level back-up detail used to calculate the GE Program's Debt-to-Earnings Ratio;
- GE Median Loan Debt Amount "Dear President Letter" that provides the GE Program's three median loan debt amounts: Title IV Loan Debt, Private Loan Debt, and Institutional Loan Debt; and
- GE Employment Median Loan Debt Amount Detail Record file containing student level back-up detail used to calculate the GE Program's three median loan debt amounts.

READING THE INFORMATION

In May, 2012, ED presented GE Webinar #7 (How to Read Your GE Back-up Detail Report) which provided schools with detailed information on how to read and understand the backup information for the 2011 *GE Information Debt Measures and GE Median Loan Debt Amounts*.

As a follow-up, ED will provide additional training for schools in July 2012 including an extensive question and answer period.

In addition, ED issued [Electronic Announcement #38](#) stating it has made available the slides from GE Webinar #8, "Release of 2011 Gainful Employment Informational Rates". The slides, which are available in both PowerPoint and PDF format, are located on the [Federal Student Aid Media Files](#) page of the Information for Financial Aid Professionals (IFAP) Website.

Two-Factor Authentication: Token Distribution to Schools in Group 6

On [July 6, 2012](#), the U.S. Department of Education (ED) announced that it would begin distributing tokens and emails to schools in group 6. The Primary Destination Point Administrators (PDPA) and/or Common Origination and Disbursement (COD) Security Administrators at schools located in the following states should have received an e-mail directly from ED regarding the distribution of tokens:

- Arkansas
- Colorado
- Georgia
- Kansas
- Missouri

The PDPA or COD Security Administrator at each school is responsible for distributing the tokens and additional information 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 (TFA) or the information provided in the Electronic Announcement should be directed to TFA_Communications@ed.gov.

FISAP Materials Now Available!

The Fiscal Operations Report for 2011-2012 and Application to Participate for 2013-2014 (FISAP) were approved by the Office of Management and Budget (OMB). The FISAP form, instructions, and Desk Reference are posted to the [Information for Financial Aid Professionals \(IFAP\) Website](#). The [Technical Reference for the 2013-14](#) FISAP is now available.

The FISAP will be available on the e-Campus Based (eCB) Website by August 1, 2012.

REMINDERS

Schools that are interested in requesting funding under campus-based programs for the 2013-2014 award year must submit the FISAP and required Signature Pages through the eCB Website by 11:59 PM on Monday, October 1, 2012.

Webinar Recordings Now Available!



DIRECT LOAN RECONCILIATION AND PROGRAM YEAR CLOSEOUT: START TO FINISH

A recording of the "Direct Loan Reconciliation and Program Year Closeout: Start to Finish" Webinar is now available on the [Live Recording page](#) of the Federal Student Aid Website. A transcript and handout is also available. A recoding key is not required to view the webinar.

Direct Loan Tools

A recorded version of the instructor-led training is now available. The [training](#), located on the [Federal Student Aid Website](#), assists schools with reconciling, administering, and managing Direct Loans, includes information for both EDEXpress and non-EDEXpress software users. A transcript and handout is also available. A recoding key is not required to view the webinar.

Address for Mailing Paper Master Promissory Notes has Been Updated

The U.S. Department of Education (ED) has provided the revised address for mailing paper master promissory notes. The notice previously published by ED did not include the suite number.

The correct mailing address for borrowers and schools is: **Department of Education**
100 Capital Commerce Boulevard, Suite 160
Montgomery, AL 36117

2012-2013 Federal Student Aid Handbook

ERRATA AND UPDATES TO THE APPLICATION AND VERIFICATION GUIDE

On July 11, 2012, the U.S. Department of Education (ED) announced that it made [revisions](#) to the Application and Verification Guide for the 2012-13 Federal Student Aid (FSA) Handbook.

LOCATION	UPDATE
Chapter 2, P. AVG-18	Text has been added to clarify that child support payments made for children in the household are NOT counted on the FAFSA.
Chapter 2, P. AVG-19	Added text to the margin note to specify that Line 25 on the 2011 Form 1040 shows the tax-free Health Savings Account (HSA) contributions.
Chapter 2, P. AVG-25	Revised the reference to Question 53 to correctly reference Question 52.
Chapter 4, P. AVG-81	Added text to the margin to discuss when the IRS Data Retrieval Tool and tax transcripts are not available.
Chapter 4, P. AVG-82	Under Updating Information, added the following text for clarification: <i>All applicants selected by the Department for verification or by a school for verification of household size or number in college: A selected applicant must update the household size and number in college to be correct as of the date of verification unless the change is due to a change in the student's marital status.</i>
Chapter 4, P. AVG-82	Reworded and added text to the last two sentences for clarification purposes.
Chapter 4, P. AVG-83	In the second paragraph under Non-Filers, added text to clarify that the W-2s are to be submitted in addition to, not as a replacement for, the signed statement.

ERRATA AND UPDATES TO VOLUME 4 - PROCESSING AID AND MANAGING FEDERAL STUDENT AID FUNDS

On June 29, 2012, ED announced that it made the following [update](#) to Volume 4 (Processing Aid and Managing Federal Student Aid Funds) of the 2012-13 Federal Student Aid (FSA) Handbook.

LOCATION	UPDATE
Chapter 1 (page 4-17 and 18)	The dates and award amounts were updated in the example "Apportioning charges when a school posts all charges to the student's account during the first payment period and the student has an FSA Loan."

ERRATA AND UPDATES TO VOLUME 5 - WITHDRAWALS AND THE RETURN OF TITLE IV FUNDS

On June 25, 2012, ED announced that it made the following [update](#) to Volume 5 (Withdrawals and the Return of Title IV Funds) of the 2012-13 FSA Handbook.

LOCATION	UPDATE
Chapter 1 (page 5-4)	A correction was made to the "Timeframe for the return of Title IV funds" section to clarify when a student who remains non-Title IV eligible must be considered as withdrawn.

JUST RELEASED! VOLUME 6-MANAGING CAMPUS-BASED PROGRAMS

On July 5, 2012, ED released [Volume 6](#) of the 2012-13 FSA Handbook.

All volumes of the Handbook are located on the Information for Financial Aid Professionals (IFAP) Website.

SPECIAL ALLOWANCE RATES FOR STAFFORD AND PLUS LOANS

FOR THE QUARTER ENDING JUNE 30, 2012

The Treasury Bill (T-bill) rate for the quarter ending June 30, 2012 averaged .09%. 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%	0.18%	0.0450%	SD
3.31%	0.03%	0.0075%	
7.00%	0.00%	0.00%	
8.00%	0.00%	0.00%	
3.16%	0.03%	0.0075%	SE
3.16%	0.03%	0.0075%	SG
3.27%	0.00%	0.00%	
2.56%	0.03%	0.0075%	SH
1.76%	0.53%	0.1325%	SJ
2.36%	0.53%	0.1325%	SK

For the quarter ending June 30, 2012, the average Commercial Paper (CP) rate – as calculated by the U.S. Department of Education – was .20%. When the special allowance formula results in a negative rate on a loan first disbursed on or after April 1, 2006, the lender must remit the excess interest to ED.

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

Beginning with the quarter ending June 30, 2012, lenders were given the option to use “the average of the bond equivalent rates of the quotes of the 1-month London InterBank Offered Rate (LIBOR) in effect for each of the days in such quarter as compiled and released by the British Bankers Association” in place of the Commercial Paper Rate.

For the quarter ending June 30, 2012, the average London InterBank Offered Rate (LIBOR) rate – as calculated by the U.S. Department of Education – was .25%. 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%	0.23%	0.0575%	LA
2.36%	0.23%	0.0575%	LB
3.16% (PLUS)	0.00%	0.00%	LD
1.76% 6.80%	0.23% (4.81%)	0.0575% (1.2025%)	LE
2.36% 6.80%	0.23% (4.21%)	0.0575% (1.0525%)	LF
3.16% (PLUS) 8.50% (PLUS)	(0.27%) (5.61%)	(0.0675%) (1.4025%)	LH
5.60% 6.00% 6.80%	(4.16%) (4.56%) (5.36%)	(1.0400%) (1.1400%) (1.3400%)	LI
5.60% 6.00% 6.80%	(3.56%) (3.69%) (4.76%)	(0.8900%) (0.9900%) (1.1900%)	LJ
8.50% (PLUS)	(6.46%)	(1.6150%)	LM

* 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](#).



Industry Calendar

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.
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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)
17-19	WFAA Conference (Honolulu, HI)
29-31	PASFAA Conference (Harrisburg, PA)

NOVEMBER

14-16	SWASFAA Conference (San Antonio, TX)
27-30	Federal Student Aid (FSA) Conference (Orlando, FL)

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

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LC-INDBN
JULY 2012

