

Available in Spanish!

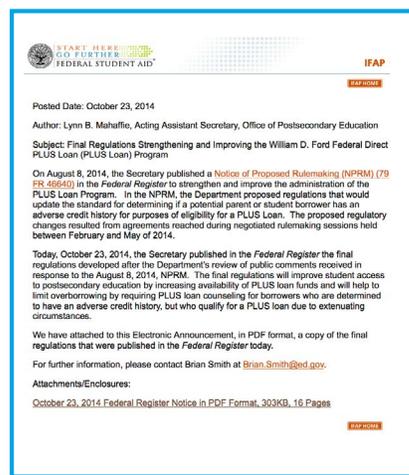
Select the Spanish link to access the publication.



INDUSTRY BULLETIN

Final Regulations Strengthening and Improving the William D. Ford Federal Direct PLUS Loan (PLUS Loan) Program

On [October 23, 2014](#), the Department of Education (ED) published an Electronic Announcement (EA) regarding the [Notice of Proposed Rulemaking \(NPRM\)](#) to strengthen and improve the administration of the PLUS Loan Program. The NPRM was published on August 8, 2014.



The Secretary published the final regulations developed after ED's review of public comments received in response to the August 8, 2014 NPRM in the Federal Register, on October 23, 2014. The final regulations will increase the availability of PLUS loan funds and will also help to limit overborrowing.

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Spotlight on Training

Did you know that we offer free training events on a variety of topics? Visit the [Training Calendar](#) on the FedLoan Servicing Website to learn more about the events or to register.



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NOV 2014

Final Regulations Strengthening and Improving the William D. Ford Federal Direct PLUS Loan (PLUS Loan) Program - continued

These final regulations will revise the student PLUS loan borrower eligibility criteria to state more clearly that the PLUS loan adverse credit history requirements apply to student, as well as parent, PLUS loan borrowers. This adjustment was made to align with the new requirements regarding adverse credit history for parent PLUS borrowers.

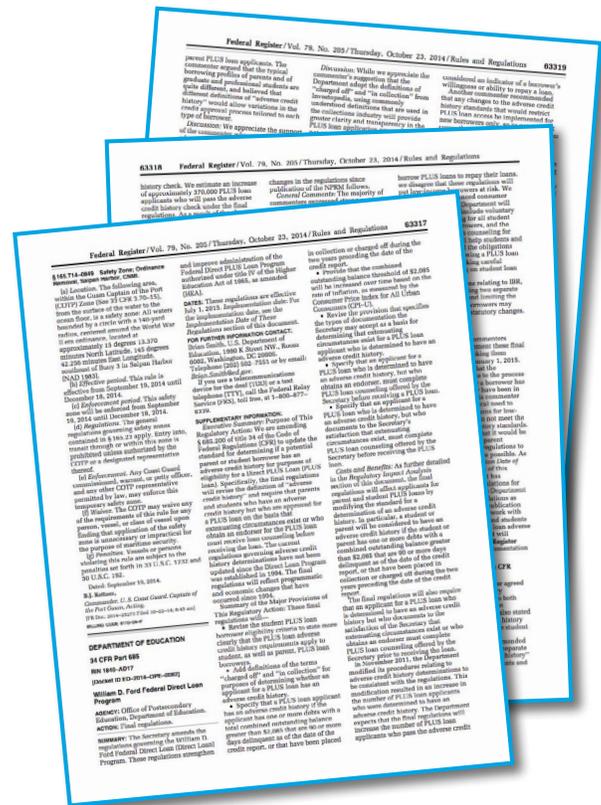
The final regulations define the terms “charged off” and “in collection” for the purposes of adverse credit history determinations. The term “charged off” is defined as a debt that a creditor has written off as a loss, but that is still subject to collection action. The term “in collection” means a debt that has been placed with a collection agency by a creditor, or that is subject to more intensive efforts by a creditor to recover amounts owed from a borrower who has not responded satisfactorily to the demands routinely made as part of the creditor’s billing procedures. These definitions were added to provide clarity to the eligibility requirements.

Additionally, the final regulations go on to specify that a PLUS loan applicant has an adverse credit history if the applicant has one or more debts with a total combined outstanding balance greater than \$2,085 that are 90 or more days delinquent as of the date of the credit report, or that have been placed in collection or charged off during the two years preceding the date of the credit report. Previously, the regulations stated that the applicant would be considered to have an adverse credit history if, as of the date of the credit report, the applicant: (1) Is 90 or more days delinquent on any debt; or (2) has been the subject of a default determination, bankruptcy discharge, foreclosure, repossession, tax lien, wage garnishment, or write-off of a debt under Title IV of the HEA during the five years preceding the date of the credit report. The new regulations are also going to retain number (2) from above. Additionally, the threshold amount of \$2,085 will be increased over time based on the rate of inflation, as measured by the Consumer Price Index for All Urban Consumers (CPI-U).

The final regulations also revise the provision that specifies the types of documentation the Secretary may accept as a basis for determining that extenuating circumstances exist for a PLUS loan applicant who is determined to have an adverse credit history. Under the new regulations, the following

may be accepted as basis for determining that extenuating circumstances exist: an updated credit report, or a statement from the creditor that the borrower has made satisfactory arrangements to repay the debt. If the applicant is approved to receive PLUS loan funds by proving that extenuating circumstances exist, or by obtaining an endorser, the applicant must complete PLUS loan counseling, offered by the Secretary, prior to receiving the funds.

To view the complete final regulations regarding the updates to the Federal Direct PLUS Loan Program, [click here](#).



Gainful Employment Regulations

On [October 31, 2014](#), the U.S. Department of Education (ED) published in the Federal Register (Vol.79/No.211) revisions to the Gainful Employment regulations. These regulations create accountability framework by measuring a program's ability to provide students with the opportunity to earn gainful employment upon program completion.

This is Part 1 in a series which will examine the recent changes to the gainful employment regulations. See below for a table of revisions and additions to the Gainful Employment regulations.

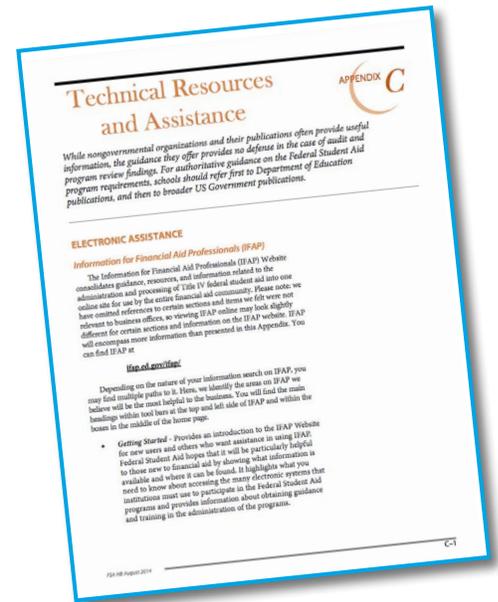
Topic	Change
Calculating the D/E Rate	The provision in 668.406 was removed which allowed a school to submit a mitigating circumstance showing for a gainful employment program that did not pass the D/E rates measure.
Definition of prospective student	The definition has been revised to exclude contact made through advertising, and to add contact made by a third party on behalf of a school.
Definition of credential level	The definition was revised to include post-baccalaureate certificates as an undergraduate credential level, and to specify the undergraduate credential levels: <ul style="list-style-type: none"> • Certificate • Diploma • Associate degree • Bachelor's degree • Post-baccalaureate certificate
Definition of Cohort period	Revised 668.402 to clarify the following: <ul style="list-style-type: none"> • The two-year cohort period is used when the number of students completing a program is 30 or more. • The four-year cohort period is used when the number of students completing a two-year program is less than 30, and • When the number of students completing a four-year program is more than 30.
pCDR (program cohort default rate)	Removed pCDR as an accountability metric.
Clarification on eligibility of gainful employment programs	Revised language in 668.403(c)(4) to clarify that a gainful employment program becomes ineligible if it (1) fails the D/E rates measure two out of any three consecutive award years for which the D/E rates are calculated, or (2) has a combination zone and failing D/E rates for four consecutive award years for which the program's D/E rates are calculated.
D/E rates not calculated or issued for a program	Revised 668.403 by adding a new paragraph that indicates if a program's D/E rates are not calculated or issued for an award year, the program will receive no results for that award year. The addition also clarifies how the Secretary will treat programs whose D/E rates have not been calculated for four or more consecutive award years.
N-size requirements and SSA earnings data	Revised 668.404(f) to indicate that the Secretary will not issue draft D/E rate for a program that does not meet the n-size requirements, or for which the Social Security Administration (SSA) does not provide earnings data.
Calculating discretionary income	Revised 668.404(a)(1) to state that when calculating discretionary income, the US Department of Education will use the Poverty Guideline for the calendar year that immediately follows the calendar year for which ED obtains earnings from SSN.
Median debt	Revised 668.404(b)(1) to clarify how median debt for a program is calculated. 668.404(d)(2) was also revised to clarify that when calculating the lesser amount of loan or costs, ED does so in the same manner as other gainful employment programs.
Loan debt	Revised 668.404(d)(1)(iii) to clarify that loan debt includes any credit for unpaid charges extended by or on behalf of the school, and owed to the school for attended in a program.

Now Available!

2014-2015 Federal Student Aid Handbook

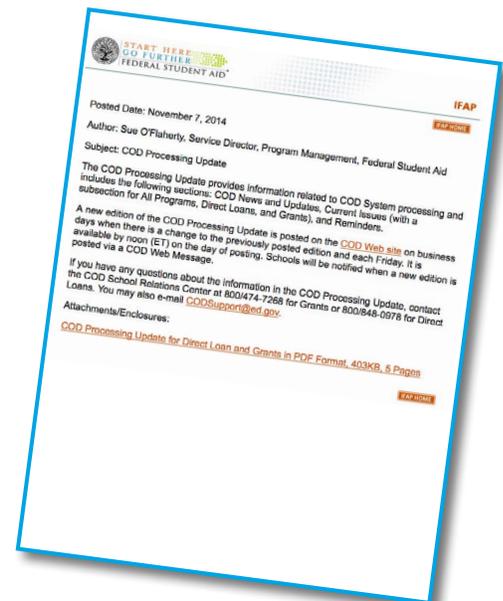
Federal Student Aid has made substantive revisions to the Application and Verification Guide of the 2014-2015 Federal Student Aid Handbook. The revisions have been added to the [Errata and Updates for 2014-2015 Federal Student Aid Handbook](#) page, and the updated PDF files are now available.

[Appendix C - Technical Resources and Assistance \[2014-2015 Federal Student Aid Handbook\]](#) is now available.



Common Origination and Disbursement (COD) Updates

The updated edition of the [COD Processing Update](#) is available on the COD Website. This resource is made available to schools for COD System processing and provides information on: COD News and Updates, Current Issues and Reminders.



150% Direct Subsidized Loan Limit

On [October 31, 2014](#), the U.S. Department of Education (ED) issued an Electronic Announcement (EA) regarding the 150% Direct Subsidized Loan Limit: Electronic Announcement #15 - Processing Tips for the Common Origination and Disbursement (COD) System Reject Edits 204, 205 and 206. In the EA, ED provides processing tips and reminders to assist schools in researching and resolving these edits for each impacted award.

COD Reject Edit 204 (Incorrect Program CIP Code Submitted):

Schools are reminded to ensure that they are reporting valid Classification of Instructional Programs (CIP) codes as found in the National Center for Education Statistics (NCES) 2010 CIP Code list; the full list can be found [here](#). More information about submitting CIP Codes can be found in [Volume II, Section 1 of the COD Technical Reference](#).

The EA provides the following notes for reporting CIP Codes:

1. In some cases, the CIP Code a school uses to report to its state organization(s) may not be the same as the CIP Code that must be submitted to the COD System.
2. Students who have undeclared majors must still have CIP Codes reported to the COD System. CIP Code 24.0102 (General Studies) is an appropriate CIP Code for such a student.
3. The COD System requires that CIP Code values reported contain the decimal point between the first two digits and the last four digits of the CIP Code, while the National Student Loan Data System (NSLDS) requires that schools report all six digits of the CIP Code without a decimal point.

This edit (204) applies to Direct Loan and TEACH Grant awards only.

COD Reject Edit 205 (Payment Period Start Date is outside the Award Begin and End dates)

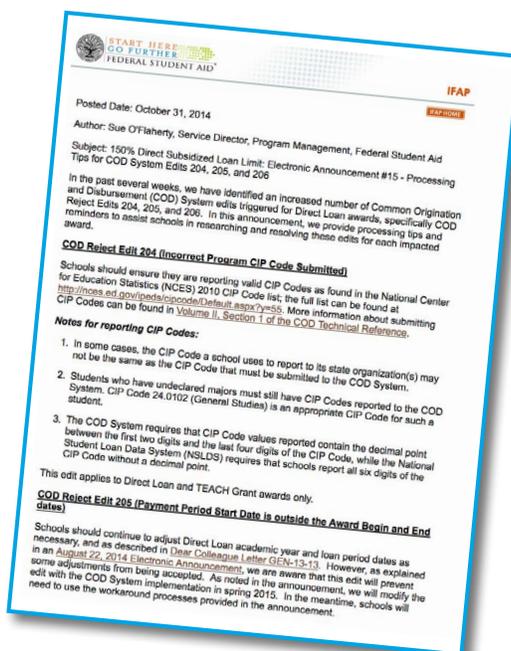
The EA reminds schools that they should continue to adjust Direct Loan academic year and loan period dates as necessary, as described in [Dear Colleague Letter GEN-13-13](#). However, as explained in an [August 22, 2014](#), Electronic Announcement, ED is aware that this edit will prevent some adjustments from being accepted. As noted in the announcement, ED will modify the edit with the COD System implementation in spring 2015. In the meantime, schools will need to use the workaround processes provided in the announcement.

This edit (205) applies to Direct Loan awards only.

COD Reject Edit 206 (The Remaining Subsidized Eligibility Period is less than zero for this award)

The EA points out that there are a number of factors that could cause this reject to be returned to a school. This reject does not mean that the borrower is ineligible for any Direct Subsidized Loans; rather, it means that the borrower is not eligible for the Direct Subsidized Loan that the school submitted to the COD System. Schools will need to evaluate each award separately, determine if the borrower is still eligible for any Direct Subsidized Loan funds, and then submit a correction if appropriate. As a reminder, the Subsidized Usage Period is generally calculated as the days in the loan period divided by the days in the academic year, but the loan amount and enrollment status also play a role. Schools should follow guidance in [Dear Colleague Letter GEN-13-13](#) for the correct reporting of loan period and academic year dates and then update and resend the rejected award, if necessary. Schools can view a borrower's Subsidized Usage Period on the Direct Subsidized Loan Usage page on the COD Web site.

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150% Direct Subsidized Loan Limit – continued

The EA provides the following notes for borrowers who have a Remaining Eligibility Period of less than one year:

1. If it is permissible for a school to award a loan for less than an academic year, the school can try adjusting the loan period to cover fewer terms/payment periods.

Note for schools with programs that use clock hours, do not use terms, or use non-standard terms where each term is not at least nine weeks of instructional time and substantially equal to every other term: Under 34 CFR 685.301(a)(10)(i), a school can only originate a loan for a loan period of less than an academic year in cases where the program or the remaining portion of the program is less than an academic year in length. For such programs, schools may not be able to shorten the loan period to cover a period of less than an academic year for borrowers facing Reject Edit 206 because minimum loan period requirements continue to apply when awarding a Direct Subsidized Loan to a first-time borrower under the 150% limit.
2. The annual loan limit exception creates a Subsidized Usage Period of one year in cases where the borrower receives a Direct Subsidized Loan in the amount of the annual loan limit for a period of less than an academic year. Borrowers who have a Remaining Eligibility Period of less than one year cannot receive a loan in the amount of the annual loan limit, even if the borrower's need/costs support receiving a loan in this amount for a period of less than an academic year. A school may need to reduce the loan amount if the annual loan limit exception is keeping the borrower from receiving subsidized loan funds for which they are eligible.
3. ED recognizes that, in some cases, a school may receive this edit due to other Direct Loan award data that is outside the school's control. As examples:
 - a. Another school's Direct Loan award data may be incorrect. In such cases, the school receiving Reject Edit 206 should contact the prior school and have the prior school correct the award information.

Note: There are cases where this may not be possible, such as a school that is closed. ED is reviewing these situations on a case-by-case basis.
 - b. Updated prior-year enrollment information is not included in the current subsidized usage calculation, as described in [150% Direct Subsidized Loan Limit Electronic Announcement #3](#). In some cases, due to timing issues between NSLDS and the COD System, prior-year enrollment information may not be included in the subsidized usage calculation. ED is actively working on correcting the data and expects to have corrections completed in December 2014.
4. In some cases, schools are encountering Reject Edit 206 based on Direct Loan award data submitted by another school, but that data may have changed after the initial reject was received. When working to resolve the reject, if a school has an accepted Direct Subsidized Loan for that borrower, the school can review its system-generated responses (particularly the SULA response, CRSU) to determine if an action of another school has changed the borrower's Subsidized Usage Period on another Direct Subsidized Loan. If a school does not have an accepted Direct Subsidized Loan for that borrower, the school can monitor changes to a borrower's Subsidized Usage Period on the Direct Subsidized Loan Usage page on the COD Web site.

This edit applies to Direct Subsidized Loan awards only.

The EA provides the following contact information:

For posted guidance and resources and other frequently asked questions related to [150%](#), refer to the [150 Percent Direct Subsidized Loan Limit Information page](#) on the Information for Financial Aid Professionals (IFAP) Web site. If you have 150%-related questions, submit them to 150Percent-Questions@ed.gov and include the name of your school in the subject line.

If you have questions about the COD System edits, contact the COD School Relations Center at [800.848.0978](tel:800.848.0978) for Direct Loans. You may also e-mail CODSupport@ed.gov.

Servicing Transition to Navient

On [October 14, 2014](#), the U.S. Department of Education (ED) issued an Electronic Announcement (EA) regarding loan servicing information, specifically the servicing transition to Navient that was completed on October 13, 2014.

The EA references an Electronic Announcement posted on [February 25, 2014](#), to the Information for Financial Aid Professionals (IFAP) Web site, in which ED informed the community that Sallie Mae was splitting into two companies—Sallie Mae and Navient. In a subsequent Electronic Announcement posted on [October 2, 2014](#), ED informed the community that effective October 13, 2014, Sallie Mae would begin servicing its own private student loan portfolio and that Navient would begin operating and servicing loans, including federal education loans.

The EA provides that on Monday, October 13, 2014, the servicing transition to the new company, Navient, was completed. Navient is now servicing the following loans:

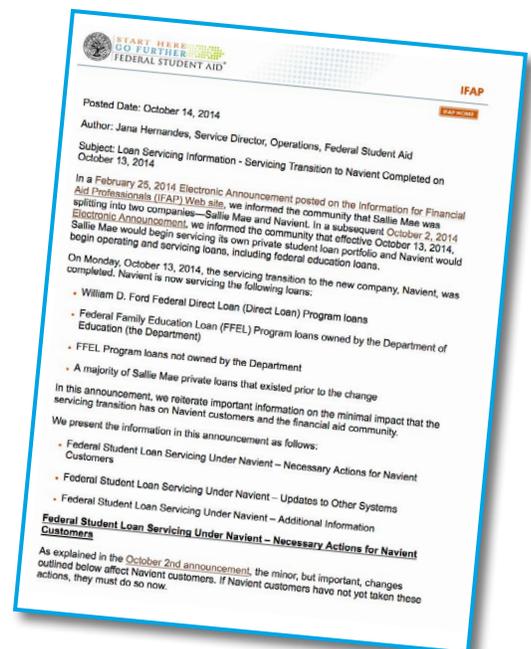
- William D. Ford Federal Direct Loan (Direct Loan) Program loans
- Federal Family Education Loan (FFEL) Program loans owned by the Department of Education (the Department)
- FFEL Program loans not owned by the Department
- A majority of Sallie Mae private loans that existed prior to the change

The EA again reminds the community of important information on the minimal impact that the servicing transition has on Navient customers and the financial aid community.

ED presented the following information in this announcement:

- Federal Student Loan Servicing Under Navient – Necessary Actions for Navient Customers
- Federal Student Loan Servicing Under Navient – Updates to Other Systems
- Federal Student Loan Servicing Under Navient – Additional Information

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Servicing Transition to Navient – continued

Federal Student Loan Servicing Under Navient – Necessary Actions for Navient Customers

As explained in the [October 2, 2014](#) EA, the minor, but important, changes outlined below affect Navient customers. If Navient customers have not yet taken these actions, they must do so now.

Necessary Actions for Borrowers

- Change the servicer's name from Sallie Mae to Navient with bank or bill paying service if used to make federal student loan payments.
- Change Website bookmarks to go to Navient's Website (www.Navient.com), as applicable.
- Make written checks payable to Navient.
- Change the addressee on mail correspondence to **Navient**.

Notes:

1. Payments made through automatic debit are continuing automatically without any action required by borrowers.
2. Telephone numbers and mailing addresses remain the same for borrowers.
3. Loan account numbers, terms, borrower benefits, and repayment plans remain unchanged.

Necessary Actions for Schools

- Change the servicer's name from Sallie Mae to Navient in systems, Websites, and contact resources, as applicable.
- Change Website bookmarks to go to Navient's Website (www.Navient.com), as applicable.
- Use Navient's e-mail address (collegeserv@navient.com) to contact Navient via e-mail.
- Change the addressee on mail correspondence to **Navient**.

Note: Telephone numbers and mailing addresses remain the same for school customers.

Federal Student Loan Servicing Under Navient – Updates to Other Systems

In addition to this Electronic Announcement for the financial aid community, ED has posted a message about Navient on StudentAid.gov/Announcements.

ED and members of its federal loan servicer team have begun updating systems and Web sites by changing "Sallie Mae" references to "Navient." ED expects that all applicable changes will have been made by December 31, 2014. Navient's contact information is now reflected accurately on IFAP and StudentAid.gov.

Federal Student Loan Servicing Under Navient – Additional Information

For borrower information about the federal student loan servicing transition to Navient in question and answer format, reference the message on StudentAid.gov/Announcements.

If you have additional questions about the transition to Navient, [click here](#).

Maximum HEAL Interest Rates Now Available for Quarter Ending December 31, 2014

Section §525 of the Consolidated Appropriations Act of 2014 (Public Law 113-76) required the Secretary of Health and Human Services to transfer the authority to administer the Health Education Assistance Loan (HEAL) Program to the Secretary of Education. This transfer was effective July 1, 2014.

In accordance with this new authority, on [October 17, 2014](#), the U.S. Department of Education (ED) published the maximum HEAL Interest rates for the quarter ending December 31, 2014. This publication also included the maximum interest rates for the three previous quarters ending September 30, 2014, June 30, 2014, and March 31, 2014. These rates, as well as other information related to ED's HEAL Program administration, will be available on the HEAL Program Information page found on ED's Information for Financial Aid Professionals (IFAP) web site.

For questions related to these rates, HEAL Program lenders or lender servicers may contact the HEAL Program Team at [844.509.8957](tel:844.509.8957) or by email at HEAL@ed.gov.

Current HEAL Program Maximum Interest Rates

Maximum Interest Rates for Quarter Ending December 31, 2014	
Maximum Variable Interest Rate for Loans Made before January 1, 1981	3.625%
Maximum Interest rate for variable rate loans executed on or after January 27, 1981 through October 21, 1985	3.625%
Maximum Interest Rate for variable rate loans executed on or after October 22, 1985	3.125%

The average bond equivalency rate for 91-day U.S. Treasury Bills during the period July 1, 2014 through September 30, 2014 was 0.024 percent.

HEAL Program Maximum Interest Rates for Previous Three Quarters

Rates for Quarter Ending	Loans Made Prior to 1/27/1981	Loans Made On or After 1/27/1981*	Loans Made On or After 10/22/1985**
September 30, 2014	3.625%	3.625%	3.125%
June 30, 2014	3.625%	3.625%	3.125%
March 31, 2014	3.625%	3.625%	3.125%

* Legislation Amended – 12 percent annual interest cap repealed – quarterly interest rate on loans made on or after 1/27/1981 through 10/21/1985, became a floating rate based on 91-day T-Bill rate plus 3 1/2 percent, rounded to the next higher 1/8 of one percent.

** Legislation Amended – variable interest rate calculation amended – quarterly interest rate on loans made on or after 10/22/1985 became a floating rate based on 91-day T-Bill rate plus 3 percent, rounded to the next higher 1/8 of one percent.

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.

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

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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