

## Summary of Select Provisions Higher Education Opportunity Act of 2008

September 25, 2008

This table summarizes changes in the Federal Family Education Loan Program affecting schools, students and their parents, borrowers, and lenders. These changes were enacted by the Higher Education Opportunity Act of 2008, which reauthorizes the Higher Education Act of 1965, as amended. Many of the changes were effective Aug. 14, 2008, the date the legislation was signed into law.

Topic	HEA Cite Affected	Issue Summary	Effective Date/Trigger Event
CDR (Cohort Default Rate) – Appeals	435(a)(3) & (5)	If a school's CDR for two consecutive fiscal years is equal to or greater than the applicable threshold that would typically lead to a loss of eligibility to participate, the school may file an appeal with ED based on "exceptional mitigating circumstances."	With transitional period, fiscal year 2012
CDR – Default Prevention	435(a)(7)	<p>A school whose CDR equals or exceeds an applicable threshold for one year must establish a default prevention task force to perform each of the following---</p> <ul style="list-style-type: none"> <li>○ Identify factors causing the CDR to exceed threshold.</li> <li>○ Establish measurable objectives and steps to improve CDR.</li> <li>○ Specify actions that the school can take to improve student loan repayment.</li> </ul> <p>The school must submit a plan to ED.</p> <p>If for a second year that the school's CDR continues to exceed the threshold, the default prevention task force must review and amend the plan submitted earlier, and submit the revised plan to ED.</p>	With transitional period, fiscal year 2012
CDR - Extended Calculation Period	435(m)(1)	Extends the CDR period for the default of an applicable loan to the second year following the fiscal year in which the loan was made, essentially making the CDR calculation apply to an additional year of data.	FY 2009, but with transitional period, impact effective FY 2012
CDR– Threshold Increase	435(a)(2)(iii) & (iv)	The CDR threshold that triggers the loss of a school's eligibility to participate in Title IV changes from 25% to 30% effective for fiscal year 2012 and each succeeding year.	With transitional period, fiscal year 2012
Consumer Education Information	433A(a)	Guarantors must work with their schools to develop and disseminate high-quality educational programs and materials to provide training to students and families in budgeting and financial management, including debt management and other aspects of financial literacy. The guarantor may use programs existing on the date of Aug. 14, 2008, to satisfy this requirement. Nothing prohibits a lender or loan servicer from providing outreach or financial aid literacy materials as described as a guarantor requirement.	Aug. 14, 2008
Consumer Reporting Agencies	430A	Makes FFELP loans subject to the provisions of the Federal Credit Reporting Act.	Aug. 14, 2008

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Default – Disclosure Requirements	428(k)	<p>After receiving a default claim, the guarantor must provide notices to the defaulted borrower on two separate occasions. The notices must be written in simple and understandable terms describing at a minimum:</p> <ul style="list-style-type: none"> <li>○ The borrower's options for removing the loan(s) from default.</li> <li>○ The fees and conditions associated with each of those options.</li> </ul>	Aug. 14, 2008
Default Reduction Program – Loan Rehabilitation	428F(a)(1)	When a defaulted loan is rehabilitated, the lender or the purchasing lender or the guarantor must request the consumer reporting agency to which the default was reported to remove the default from the borrower's credit record.	Aug. 14, 2008
Default Reduction Program – Loan Rehabilitation	428F(a)(5)	A borrower may rehabilitate a defaulted loan only one time per loan.	Aug. 14, 2008
Default Reduction Program – Loan Rehabilitation	428F	The guarantor must provide financial and economic educational materials to a borrower who rehabilitates a defaulted loan.	Aug. 14, 2008
Disbursement – Delayed Delivery	428G(b)(3)	<p>Current rules require a school to delay delivery to a first-year student who is a first-time Stafford borrower for 30 days, unless the school has a cohort default rate of less than 10 percent for the three most recent years for which such rates have been published.</p> <p>On the effective date, only schools with CDRs of 15 percent or more for one or more of the applicable cohort years will be required to delay delivery of Stafford loan funds to such students.</p>	Oct. 1, 2011
Disbursement – Multiple Disbursement for Single-Term Loans	428G(b)(4)	<p>Current rules generally require a school to deliver Stafford and PLUS loans in multiple (two or more) installments. If the school's CDR is less than 10 percent for the three most recent years for which such rates have been published, the school is permitted to deliver loans made for a single term (one semester, trimester, for example) in a single disbursement.</p> <p>On the effective date, only schools with CDRs of 15 percent or more for one or more of the applicable cohort years will be required to issue loans for a single term in multiple disbursements.</p>	Oct. 1, 2011
Discharge – Disability Reinstatement of Loans That Were Discharged	437(a)(2)	Provides that ED may prescribe rules by which borrowers of loans discharged under the new or existing disability provisions may be required to reaffirm the debt if, after the loan discharge, the borrower receives another Title IV loan or has earned income in excess of the poverty line, or in other instances identified by ED.	July 1, 2010

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Discharge - Extended Disability	437(a)(1)	Provides that, in addition to death and previous total and permanent disability loan discharges, a student-borrower may have loans discharge if he or she is unable to engage in any substantial gainful activity due to a medically determinable physical or mental impairment that can be expected to result in death, that has persisted for a continuous period of not less than 60 months, or that can be expected to persist for a continuous period of not less 60 months.	July 1, 2010
Eligible Lender – Eligible Financial Institutions	435(d)(1)(A)(ii)(IV)	Existing rules require an eligible lender not have as its primary consumer credit loan function the making or holding of loans made to students and provides a short list of criteria under which certain financial institutions that may be exempted from that requirement. HEOA adds a new exemption for financial institutions with assets of less than \$1 billion.	Aug. 14, 2008
Eligible Lender - Prohibited Inducements	435(d)(5)	<p>Codifies into statute some existing regulatory lender inducement prohibitions, and revises some of those already in effect. Also adds new requirements. An eligible lender must not:</p> <ul style="list-style-type: none"> <li>○ Offer directly or indirectly prizes, stock or other securities, travel, tuition payment or reimbursement, information technology equipment at a less-than-market value, or additional financial aid funds to the school or any employee of the school. These prohibitions are in addition to those already explained in subsection 3.4.C of the <i>Common Manual</i>.</li> <li>○ The prohibition against unsolicited mailings of loan application materials is explicitly applied against either postal or electronic mailings, and expressly prohibits such mailings to students and families of secondary and postsecondary students. Lenders may continue to mail unsolicited loan application materials to a student or parent borrower who previously has received loans under Title IV from that lender.</li> <li>○ Enter into any consulting arrangement or otherwise enter into a contract for services with any financial aid office employee/aid-related employee at a school.</li> <li>○ Provide compensation to an employee of a school for that employee's participation in a lender advisory board, commission or group, except that the lender may reimburse the school employee for reasonable expenses incurred in providing that advisory/commission/workgroup service to the lender. (Previously, lenders were prohibited from soliciting the services of school personnel to serve on advisory boards, and similar groups, and were prohibited from reimbursing travel expenses for such services.)</li> <li>○ Perform for the school any function that the school is otherwise required to perform itself, except that the lender is permitted to perform exit counseling for the school.</li> <li>○ Provide payments or benefits to a student at a school to act as the lender's representative to secure loan applications, unless the student</li> </ul>	Aug. 14, 2008

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		<p>also is employed by the lender for other purposes, and has made all of the appropriate disclosures regarding that employment. (Regulations simply prohibit payments or benefits to a student at a school to act as the lender's agent and do not provide the option for the student to be employed by the lender and provide relevant disclosures.)</p> <p>Lenders are permitted to provide to schools the types of technical assistance provided to schools under the direct loan program. Previously, policy permitted FFELP lenders to provide assistance to schools that was comparable to that provided under DL and did not restrict such assistance to "technical assistance."</p>	
Eligible Program - Distance Education Courses	484(l)	Changes the standard for the applicability of distance education standard from distance education courses offered in whole or in part, to distance education courses offered "principally."	Aug. 14, 2008
Eligible School - Private Loan Contingent on FFELP Volume	487(e)(5)	A school may not request or accept from any private loan provider any funds to be used for private lending to the school's students or family members of the school's students in exchange for any promise of providing concessions to or promises of a specified number of loans made under Title IV, or a specified loan volume, or a preferred lender arrangement.	Aug. 14, 2008
Eligible School - Types of Assistance From Lender to School	487(e)(6)(B)	<p>A school may not accept from a lender any assistance in staffing a call center.</p> <p>The school may accept from the lender assistance with any of the following:</p> <ul style="list-style-type: none"> <li>o Professional development training for financial aid administrators.</li> <li>o Providing educational counseling materials, financial literacy materials, or debt management materials to students and borrowers, provided those materials disclose to the recipient the lender who developed and provided the materials.</li> </ul>	Aug. 14, 2008
Eligible School As Lender Audit Requirement	435(d)(8)	A school that serves as a school-as-lender, as well as any lender that is serving as a trustee for a school or an organization that is affiliated with a school, must have an annual audit performed to confirm that the school or the lender affiliate is using income (special allowance, interest received from students and ED, proceeds of any sale, for example) to provide need-based grants, and that the school is not using more than a reasonable portion of the proceeds to apply to administrative expenses. The audit must confirm that the school or lender is using the proceeds to supplement "and not supplant" federal and non-federal funds that otherwise would be directed to need-based grant programs.	Aug. 14, 2008
Eligible Student - Alternate Ability to Benefit	484(d)(4)	A student may demonstrate ability to benefit from a course of study if he or she successfully completes at least six credit hours, or the equivalent of six credit hours of coursework that are applicable to a degree or certificate offered by the school.	Aug. 14, 2008

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Eligible Student - Rehabilitation After Drug-Related Offenses	484(r)(2)	Requires a student who has been convicted of certain drug offenses, as defined, to complete an eligible drug rehabilitation program that both includes at least two un-scheduled drug tests and for which the student passes at least two such un-scheduled drug tests to regain Title IV eligibility.	July 1, 2010
Eligible Students - U.S. Territories Provide SSNs	484(a)(4)(B)	Requires students from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau to provide SSNs as part of the original financial aid application process.	July 1, 2010
Forgiveness – Areas of National Need	428K	<p>Provides loan forgiveness of up to \$2,000 per year of service, for a maximum of \$10,000 in FFELP loans, except for some PLUS and consolidation loans, if the borrower provides a specified length of service in an area defined as being “national need” as follows:</p> <ul style="list-style-type: none"> <li>○ Child welfare workers.</li> <li>○ Dentists.</li> <li>○ Early childhood educators.</li> <li>○ Foreign language specialists.</li> <li>○ Highly qualified teachers serving students who have limited English proficiency, low-income communities, underrepresented populations.</li> <li>○ Individual employed in applied sciences, technology, engineering or mathematics.</li> <li>○ Librarians.</li> <li>○ Nurses.</li> <li>○ Nutrition professionals.</li> <li>○ Medical specialists.</li> <li>○ Mental health professionals.</li> <li>○ Public sector employees.</li> <li>○ Occupational therapists.</li> <li>○ School counselors.</li> <li>○ Speech-language pathologists and audiologists</li> <li>○ Superintendents, principals, other education administrators</li> </ul> <p>Each term is defined in statute. Loan forgiveness funding is subject to appropriations and forgiveness is granted on a first-come, first-served basis.</p> <p>The borrower must be employed full time in the defined area of need, and must not be in default on the loan for which he or she is seeking loan forgiveness.</p> <p>Parent PLUS loans and consolidation loans that repaid parent PLUS loans are not eligible for this type of loan forgiveness.</p>	Aug. 14, 2008

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Forgiveness - Teachers	428J(b)  428J(c)(3)(B)(iii)  428J(g)(2)	Extends eligibility beyond teachers employed in low-income schools to those employed at “locations” that qualify under section 465(a)(2)(A) for loan cancellation in the Perkins loan program.  Permits a teacher who has special education training and who is teaching children with disabilities to obtain loan forgiveness if employed by an education service agency rather than a school or school district and to have the teacher loan forgiveness application certified by the chief administrative officer of the employing agency.  Provides that a borrower may not receive duplicative benefits for the same period of service under other provisions, specifically: <ul style="list-style-type: none"> <li>o Loan forgiveness for areas of national need (HEA Sec 428K).</li> <li>o Direct lending (HEA Sec 455(m)).</li> <li>o Loan forgiveness provisions for teachers (HEA Sec 460).</li> <li>o National &amp; Community Service Act of 1990, Title 1, subtitle D.</li> </ul>	Aug. 14, 2008
Forgiveness – Civil Legal Assistance Attorneys	428L	Provides for loan forgiveness of Title IV loans (excepting defaulted loans, parent PLUS loans and consolidation loans that include parent PLUS loans) in an amount of not more than \$6,000 per year, or an individual aggregate of \$40,000 per borrower for attorneys who are continually licensed to practice law and who provide civil legal assistance as full-time employees of either of the following: <ul style="list-style-type: none"> <li>o Nonprofit organizations that provide legal assistance to low-income individuals without a fee.</li> <li>o Protection or advocacy systems or programs with respect to issues of civil law and that receive funding under one of several federally funded programs.</li> </ul> Loan forgiveness funding is subject to appropriations, and forgiveness is granted on a first-come, first-served basis.	Aug. 14, 2008
Guarantor Inducements – Performing School Functions	428(b)(3)(C)-(D)	A guarantor may not perform — or pay any party to perform — any function the school is required to perform under Title IV, except that it may perform exit counseling on behalf of the school. Some interpret statutory changes to also permit the guarantor to perform entrance counseling on behalf of the school  The guarantor is permitted to provide technical assistance to a school that is comparable to technical assistance provided by the direct loan program to DL schools.	Aug. 14, 2008
Income-Based Repayment	428(b)(9)(A) 428C(c)(3)(C) 493C(b)(1)	A borrower who has a partial financial hardship may repay his or her loan under an income-based repayment plan. This repayment plan is not available on a defaulted loan, for a parent PLUS loan, or a consolidation loan that repaid a parent PLUS loan.	July 1, 2009

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In-School Deferment	428(b)(1)(Y)	In addition to existing methods of obtaining in-school deferment information, permits lenders to confirm borrower enrollment status on NSLDS for in-school deferment purposes, provided the school requests the lender to do so.	Aug. 14, 2008
Institution of Higher Education - Definition	101(b)(2)(B) 102(b)(1)(A)	Adds to the definition of an institution of higher education a school where the students will be dually or concurrently enrolled in both the postsecondary institution and a secondary school. Also adds to the definition of an eligible proprietary institution a school that provides baccalaureate programs in liberal arts since Jan. 1, 2009.	July 1, 2010
Lender Disclosure – Before Loan Disbursement	433(a)	<p>To the long list of pre-disbursement lender disclosure requirements, HEOA adds that the lender must provide statements of or describing each of the following:</p> <ul style="list-style-type: none"> <li>○ For unsubsidized Stafford or Grad PLUS loans, that: <ul style="list-style-type: none"> <li>(1) The borrower has the option to pay the interest that accrues on the loan while the borrower is enrolled at least half time.</li> <li>(2) If the borrower does not pay the accruing interest, when and how often the interest will be capitalized.</li> </ul> </li> <li>○ For loans made to parent PLUS borrowers, that: <ul style="list-style-type: none"> <li>(1) The parent has the option to defer PLUS loan payments while the student for which the loan was obtained is enrolled at least half time.</li> <li>(2) If the parent does not pay accruing interest, when and how often it will be capitalized.</li> <li>(3) The parent may be eligible for deferment if that parent is enrolled at least half time at an eligible school.</li> </ul> </li> <li>○ A description of the types of repayment plans available.</li> <li>○ A summary of circumstances under which the borrower may obtain forbearance on the loan.</li> <li>○ A description of loan forgiveness options and the requirements to obtain forgiveness.</li> <li>○ An explanation of costs the borrower may incur during repayment or in the collection of the loan, including fees that may be charged to the borrower such as late fees and collection costs.</li> </ul>	Aug. 14, 2008
Lender Disclosure - Before Repayment	433(b)	<p>At or prior to the start of repayment for Stafford and PLUS loans, the lender must provide the following additional disclosures:</p> <ul style="list-style-type: none"> <li>○ The scheduled date on which the deferment/grace period on the PLUS loan will end. (Lenders previously were required to disclose the date on which repayment was scheduled to begin.)</li> <li>○ The estimated balance on the PLUS loan on the date that the deferment/grace period is scheduled to end. (Lenders previously were required to disclose the estimated loan balance on the date on which repayment was scheduled to begin.)</li> <li>○ Information on any special benefits that the lender offers that are</li> </ul>	Loans first disbursed on or after Aug. 14, 2008

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		<p>contingent on borrower behavior, such as interest rate reductions when a borrower makes a certain number of full, on-time payments, or a reduction of interest rate if the borrower subscribes to an automatic payroll or checking account reduction method for making loan payments.</p> <ul style="list-style-type: none"> <li>○ If the lender provides any special repayment benefits, the lender must disclose limitations on the benefit and the reasons that a borrower may lose the benefit. The lender also must disclose methods by which the borrower may regain those benefits, if applicable.</li> <li>○ If the lender offers a repayment benefit that reduces the borrower's interest rate, the lender must provide examples of how the interest rate reduction would affect the borrower's repayment amount and length of repayment. At the borrower's request, the lender also must provide information regarding the effect of the interest rate reduction on the borrower's payoff amount and time for repayment.</li> <li>○ A description of all repayment plans available to the borrower and a statement that the borrower may change from one plan to another during the repayment period.</li> <li>○ The number, amount, and frequency of required payments based on a standard repayment plan, unless the borrower has requested another type of repayment option. (Previous law did not specify anything beyond the number, amount and frequency of payments.)</li> <li>○ The amount of interest already paid on the loan, if the borrower has already paid interest.</li> <li>○ A description of the options that the borrower has to avoid default and an explanation of any fees associated with any of those options.</li> <li>○ A list of resources of which the lender is aware that are available to the borrower to assist with loan repayment and/or provide repayment advice. Examples of such resources include the ED's student loan ombudsman, nonprofit organizations, advocates and counselors.</li> </ul>	
Lender Disclosure – Consolidation Loans	428C(b)(1) (F)	<p>When the lender provides the consolidation application to the applicant, it must disclose, in simple, understandable terms:</p> <ul style="list-style-type: none"> <li>○ Whether consolidation will cause the borrower to lose benefits, such as deferment and forgiveness, on his FFELP or direct loans.</li> <li>○ That the applicant will lose all interest-free periods available on a Perkins loan, such as during periods of at least half-time enrollment, grace and periods of deferment.</li> <li>○ That the applicant no longer will be eligible for Perkins loan cancellation.</li> <li>○ The types of repayment plans that are available.</li> <li>○ The option to prepay the consolidation loan or to repay on a shorter schedule, and to change repayment plans.</li> </ul>	July 1, 2009

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		<ul style="list-style-type: none"> <li>○ That borrower benefit programs may differ between lenders.</li> <li>○ The consequences of default.</li> <li>○ That by applying for the consolidation loan, the borrower is not obligated to accept the loan.</li> </ul>	
Lender Disclosure – During Repayment (Borrower Having Difficulty Making Payments)	433(e)(2)	<p>If the lender has received an indication from the borrower that he or she is having difficulty making loan payments, the lender must send information to the borrower in simple and understandable terms, and must disclose the following:</p> <ul style="list-style-type: none"> <li>○ A description of the repayment plans available to the borrower, including instructions as to how the borrower may request a change</li> <li>○ A description of forbearance requirements, and information as to how the borrower may request forbearance. The lender also must advise the expected costs of the forbearance period.</li> <li>○ A description of the options by which the borrower may avoid default and any fees or costs that might be associated with those options.</li> </ul>	Loans with first payments due on or after July 1, 2009
Lender Disclosure – During Repayment (During Delinquency)	433(e)(3)	<p>At 60 days of delinquency, the lender must disclose to the borrower each of the following:</p> <ul style="list-style-type: none"> <li>○ The date on which the loan will default, if no payment is made.</li> <li>○ The minimum payment the borrower must make to avoid default.</li> <li>○ A descriptions of borrower options to avoid default, including an explanation of any fees that might be incurred in with such options, and a description of forbearance and deferment options and the requirements for obtaining each.</li> <li>○ Loan discharge options for which the borrower may be eligible.</li> <li>○ A list of resources of which the lender is aware that are available to the borrower to assist with loan repayment and/or provide repayment advice. Examples of such resources include ED’s student loan ombudsman, nonprofit organizations, advocates and counselors.</li> </ul>	Loans with a first day of delinquency on or after July 1, 2009
Lender Disclosure – During Repayment (Periodic)	433(e)(1)	<p>The lender must provide a statement to each borrower during each “payment installment time period” for which a payment is due. The statement must be in simple and understandable terms, and must disclose all of the following:</p> <ul style="list-style-type: none"> <li>○ The original principal amount.</li> <li>○ The current principal balance.</li> <li>○ The interest rate on each loan.</li> <li>○ The total interest paid.</li> <li>○ The aggregate amount repaid, including interest, fees, and principal.</li> <li>○ A description of each/any fee that the borrower has been charged for the most recently preceding installment time period.</li> </ul>	Loans with first payments due on or after July 1, 2009

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		<ul style="list-style-type: none"> <li>○ The date by which the borrower must make the next payment in order to avoid additional fees.</li> <li>○ The amount of the next payment and the amount of fees to be repaid.</li> <li>○ The lender's or loan servicer's address and toll-free number for payment information and billing error purposes.</li> <li>○ A reminder that the borrower is permitted to change repayment plans and instructions as to how the borrower may make such a request.</li> </ul>	
Lender Disclosure – Forbearance	428(c)	<p>At the time a lender grants a forbearance to a borrower, the lender must provide information to assist the borrower in understanding the consequences of interest capitalization on the loan's principal and on the total interest the borrower will pay over the life of the loan.</p> <p>Existing policy requires the lender to contact a borrower for whom a forbearance has been processed at least once each six months during the forbearance period to notify the borrower of:</p> <ul style="list-style-type: none"> <li>○ The amount of unpaid principal.</li> <li>○ The fact that interest will continue to accrue during the forbearance.</li> <li>○ The option to discontinue the forbearance at any time.</li> </ul> <p>HEOA adds the following to the list of information that must be provided:</p> <ul style="list-style-type: none"> <li>○ The amount of interest that accrued since the last statement.</li> <li>○ The amount of interest that will be capitalized and when that will occur.</li> <li>○ The option to pay the accrued interest before it is capitalized.</li> </ul>	Aug. 14, 2008
Lender Disclosure - Loan Sale/Transfer/Assignment	428(b)(2)(F)(1)	<p>Previously, when a lender sold or otherwise transferred or assigned a loan to another holder, either the selling or the buying lender was required to notify the borrower of the transaction, and provide the borrower with the name of the new holder, the name and address of the party to whom payments must be made, and the telephone numbers of the current and new holder.</p> <p>HEOA now requires that both lenders provide the previous notifications, and also requires that the lenders provide to the borrower the effective date of the transfer, the date the current lender/servicer will stop accepting payments, and the date on which the new lender/servicer will begin accepting payments.</p>	Aug. 14, 2008
Lender Disclosure – Special Rules for PLUS and Unsubsidized Loans	433(d)	<p>This provision has existed in statute for some time, waiving the requirement that the lender provide to the borrower certain projected monthly repayment amounts if the lender, in lieu of those projections, provides to the borrower general projections assuming different levels of borrowing and showing the effects of capitalization.</p> <p>The new requirement explicitly requires that these projections disclose to the borrower the cost of capitalizing interest and paying the interest as it accrues.</p>	Aug. 14, 2008

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Lender Disclosure – Timing of Before Repayment Disclosure	433(b)	<p>The lender must provide certain information not less than 30 days prior to the date that the first payment on the loan is due, and not more than 150 days prior to that first payment due date.</p> <p>Previously, lenders were required to provide the disclosure not more than 240 days and not less than 30 days prior to the first payment due date.</p>	Loans with first payments due on or after July 1, 2009
Lender Disclosure - Deferment	428(b)(1)(Y)	When granting a deferment to an unsubsidized Stafford loan borrower, the lender must provide the borrower with information regarding the impact of interest capitalization on the loan's principal and on the total amount of interest the borrower will pay during the life of the loan.	Aug. 14, 2008
Loan Limits -Additional Unsubsidized	428H(d)(2)(A)(II)  428H(d)(4)(A)(iii)	<p>Annual loan limits are \$7,000 for students enrolled in coursework necessary for enrollment in a graduate or professional program or coursework necessary for a professional credential or certification that is required for employment as a teacher in an elementary or secondary school. Eligible students must fall into one of the following classifications:</p> <ul style="list-style-type: none"> <li>o Graduate or professional students (by definition independent).</li> <li>o Independent undergraduate students who have undergraduate degrees.</li> <li>o Dependent students who have undergraduate degrees and whose parents are unable to obtain PLUS loan funds.</li> </ul> <p>Annual loan limits are \$6,000 for undergraduate students enrolled in preparatory coursework necessary to enroll in a degree or certificate program.</p> <p>Annual loan limits are \$7,000 for undergraduate students enrolled in coursework necessary for a professional credential or certification that is required for employment as a teacher in an elementary or secondary school.</p>	Loans first disbursed on or after July 1, 2008
Military Benefit - Consolidation Loans Active Duty Military No Interest Accrual	428C(a)(3)(B)(i)(V)	A borrower who has consolidated his or her loan under FFELP and is not otherwise eligible to reconsolidate that loan may consolidate under the direct loan program to obtain the benefit of no interest accrual on the consolidation loan or some portion of the consolidation loan during periods of active-duty military service.	Aug. 14, 2008
Military Benefit - Estimated Financial Assistance	480(a)(2)(C)	<p>Excludes veterans' education benefits as defined in 480(c) and any national service education award or post-service benefit under Title I of the National Community Service Act of 1990 from "estimated financial assistance." Previously, education benefits paid under U.S.C. Title 38, Chapter 30 were excluded in some cases. From 480(c), veterans' education benefits are those issued under any of the following provisions:</p> <ul style="list-style-type: none"> <li>o Chapter 2, United States Code, title 10: Reserve Officer Training Corps scholarship.</li> </ul>	July 1, 2010

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		<ul style="list-style-type: none"> <li>○ Chapter 106, United States Code, title 10: Selective Reserve.</li> <li>○ Chapter 107, United States Code, title 10: Selective Reserve Educational Assistance Program.</li> <li>○ Chapter 2, United States Code, title 37: Reserve Officer Training Corps Program.</li> <li>○ Chapter 30, United States Code, title 38: Montgomery GI Bill—active duty.</li> <li>○ Chapter 31, United States Code, title 38: Vocational Rehabilitation.</li> <li>○ Chapter 32, United States Code, title 38: Post-Vietnam Era Veterans' Educational Assistance Program.</li> <li>○ Chapter 35, United States Code, title 38: Dependents Educational Assistance Program.</li> <li>○ Public Law 97–376, section 156: Restored Entitlement Program for Survivors (or Quayle benefits).</li> <li>○ Public Law 96–342, section 903: Educational Assistance Pilot Program.</li> </ul>	
Military Benefit - Interest Rate	428(d)	Borrowers covered under section 207 of the Servicemembers Civil Relief Act are eligible for a reduced interest rate. The lender may not charge more than 6 percent on any loan incurred prior to the servicemember's entry into military service, or if a joint obligation of a servicemember and spouse (such as a spousal consolidation loan) on a loan jointly owed by the servicemember and his or her spouse on their FFELP loans. The reduced interest rate is applicable from the date the servicemember is "called to military service."	Aug. 14, 2008
Military Benefit – Lender Servicing RE: Special Allowance	438(g)	If the lender is charging a service member a lesser interest rate under the provisions of the Servicemembers Civil Relief Act (SCRA), the "applicable" interest rate for purposes of special allowance billing is the rate under the SCRA.	Loans first disbursed on or after July 1, 2008, to borrowers who otherwise qualify under the SCRA
Military Benefit - Readmission Policies for Servicemembers	484C	Requires schools to readmit a servicemember if that servicemember/student gives advance notice to the school, or the appropriate military official provides notice to the school, that the servicemember/student must be absent from the school due to a legitimate military reason. The cumulative length of all such military service-related absences may not exceed five years, except in some circumstances, such as a servicemember's injury or illness from a service-related incident. The servicemember/student must submit a notice to the school of his or her intent to re-enroll. That notice must be presented to the school not later than three years after the completion of service.	Aug. 14, 2008

Topic	HEA Cite Affected	Issue Summary	Effective Date/Trigger Event
Military Benefit – Tuition Reduction to In-State Rate	135	Prohibits public institutions from charging more than the resident in-state tuition rates to active-duty service members and their families. Applies to service members whose residency or permanent duty station is located in a state, and allows for continuation of this benefit if the service member is later assigned to a location outside the state.	Periods of enrollment beginning after July 1, 2009
PLUS Loans – Grace and Deferment	428B(d)(1)	<p>If the graduate/professional student PLUS borrower is enrolled at least half time, repayment can be deferred during the in-school period and/or for the six-month period that follows.</p> <p>If the parent-borrower requests — and the parent-borrower or the student for whom the loan was obtained is enrolled at least half time — the PLUS loan may also be deferred for the period during which the parent-borrower or the student is enrolled at least half time, and/or for the six-month period that follows.</p>	Loans first disbursed on or after July 1, 2008
PLUS Loans – Interest Capitalization	428B(d)(2)	The interest that accrues on a PLUS loan during an initial period of in-school deferment or the permitted six-month grace period may be paid monthly or quarterly; if not paid it will be capitalized no more frequently than quarterly. Capitalized interest will not exceed the annual loan limit.	Loans first disbursed on or after July 1, 2008
Preferred Lender Arrangement - Definition	151(8)	Preferred lender arrangement is an agreement between a lender and a school or a school-affiliated organization by which the lender provides or issues education loans to the students attending a school or the families of students attending a school. The school or school-affiliated organization recommends, promotes or endorses the education loan products of the lender. Preferred lender arrangements may include loans made under the FFELP or private education loan programs.	Aug. 14, 2008
Preferred Lender Arrangement – School and School-Affiliated Organization Responsibilities	152(a)(1)	<p>Schools and school-affiliated organizations that participate in preferred lender arrangements must disclose on their Web sites and in all relevant informational materials each of the following:</p> <ul style="list-style-type: none"> <li>o The maximum amount of grant and loan aid available to students under HEA Title IV.</li> <li>o A statement that the school or school-affiliated organization is required to process a loan application under the FFELP for any eligible lender selected by the student.</li> <li>o Specific Truth-in-Lending disclosures regarding private education loan arrangements.</li> <li>o Other disclosure determined by ED.</li> </ul>	Aug. 14, 2008

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Preferred Lender Lists	487(h)	<p>Regulations already require some information disclosures if schools use preferred lender lists. HEOA adds to those requirements as follows:</p> <ul style="list-style-type: none"> <li>○ Why the school chose to enter into a preferred lender list with each lender on its list.</li> <li>○ Ensure that not fewer than three of the FFELP lenders on the list are unaffiliated (old requirement) and that not less than two of the private lenders on the list are unaffiliated (new requirement).</li> <li>○ The preferred lender list must indicate whether any lender on the list is affiliated with any other lender on the list and describe the details of that affiliation. (ED is required to provide information to schools regarding lenders and their affiliations, and to update that information regularly. Schools are required to use the most recent such list in the development of their preferred lender list materials.)</li> <li>○ A school previously was required to disclose the method and criteria the school used in constructing its preferred lender list. HEOA requires that this disclosure include benefits that the lender may provide, such as the payment of origination or other fees on behalf of the borrower, competitive interest rates or other competitive terms or conditions of FFELP loans or private loans, high-quality servicing of such loans, and/or additional benefits beyond standard terms and conditions or provisions.</li> </ul> <p>In compiling the preferred lender list, a school must act with a duty of care and duty of loyalty to the school's students or the families of the school's students.</p>	Aug. 14, 2008
School Code of Conduct	487(e)	<p>Schools participating Title IV loan programs must develop and adhere to a code of conduct that contains, at a minimum, certain mandated criteria. (Criteria are listed in detail 487(e).) General code criteria must include provisions that the school will not:</p> <ul style="list-style-type: none"> <li>○ Participate in any revenue-sharing agreement with a lender.</li> <li>○ Permit an officer or employee of the school who works in the financial aid office or anyone who has responsibilities related to education loans to accept gifts from a lender, servicer or guarantor of student loans.</li> <li>○ Participate in contracting arrangements for consulting or contractual work for compensation, except in limited circumstances.</li> <li>○ Accept staffing assistance from any lender except as approved by ED under certain circumstances.</li> <li>○ Receive compensation for participation on a lender's or guarantor's advisory board, except that the school may accept reimbursement of reasonable expenses.</li> </ul>	Aug. 14, 2008

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		<p>Standard materials, activities and programs on issues related to a loan, default aversion, default prevention, professional development or financial literacy are not considered "gifts." Food, refreshment, and training and informational materials provided as a part of a training session are not considered gifts.</p> <p>Philanthropic contributions to the school that are not made contingent on education loans or in exchange for any advantage related to education loans are not considered a prohibited gift.</p> <p>Entrance and exit counseling materials provided to the school are not considered a "gift" as long as the school's staff controls the counseling, and the counseling does not promote the products and/or services of any lender.</p>	
School Disclosure - Additional Annual Disclosure Requirements for Schools	485(a)	<p>Schools are required to provide additional information in their annual disclosures to enrolled students and to prospective students. In addition to existing requirements, HEOA adds the following:</p> <ul style="list-style-type: none"> <li>o Plans the school may have for improving academic programs.</li> <li>o School policies and sanctions related to copyright infringement by students.</li> <li>o Data regarding student body diversity.</li> <li>o Placement/employment statistics for graduates of the school's degree or certificate programs.</li> <li>o Types of graduate and professional degree programs in which the graduates of the school's four-year programs enrolled.</li> <li>o Fire safety report.</li> <li>o Retention rates for certificate- and degree-seeking students who are first-time, full-time undergraduate students.</li> <li>o School policies related to vaccinations.</li> </ul> <p>The statute provides some exclusions from graduation rate calculations for students who leave the school to serve in the armed forces, official church missions, or with a foreign aid service of the federal government.</p>	<p>Aug. 14, 2008</p> <p>Exclusions for reporting effective Aug. 14, 2008</p>

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School Disclosure – Campus Crime/Safety Disclosure	485(f)	<p>Schools are required to add to existing reporting new data that includes:</p> <ul style="list-style-type: none"> <li>○ The law enforcement authority of campus security staff.</li> <li>○ How campus security staff work with local and state law enforcement.</li> <li>○ Policies that encourage the reporting of crimes committed on campus to appropriate authorities.</li> <li>○ Campus policies with respect to emergency response and evacuation procedures, the communication measures used to notify the campus community of significant emergencies, for example.</li> </ul> <p>The school now also is required to test emergency response and evacuation procedures annually.</p>	Aug. 14, 2008
School Disclosure – Drug-Related Violations	485(k)	<p>At enrollment, the school must notify students in conspicuous ways that they may lose eligibility for certain types of financial aid if convicted of certain drug offenses while receiving that aid.</p> <p>Schools also must notify students who lose financial aid due to their conviction on drug-related charges that the aid has been lost and how they may reinstate their eligibility for financial aid.</p>	Aug. 14, 2008
School Disclosure - Entrance Counseling	485(l)	<p>Entrance counseling is required for both Stafford and Grad PLUS loan borrowers. The school must provide counseling prior to or at the time of loan disbursement to a first-time borrower. The school must obtain a borrower acknowledgement that he or she received the entrance counseling materials. Written materials must have some acknowledgment signed and returned to the school; on-line counseling must provide some method by which the borrower acknowledges receipt of the information.</p> <p>Schools must ensure that entrance counseling information is provided in simple and understandable terms, and must enhance existing entrance counseling materials as follows:</p> <ul style="list-style-type: none"> <li>○ The effects of accepting the loan on eligibility for other types of financial aid.</li> <li>○ How interest accrues and is capitalized when not paid by the borrower.</li> <li>○ That the student has the option to pay accruing interest on any unsubsidized loan while in school.</li> <li>○ A definition of half-time enrollment during regular and summer terms, and an explanation of the consequences of not maintaining at least half time enrollment.</li> <li>○ An explanation of the importance of contacting appropriate school offices if the student intends to withdraw.</li> <li>○ That the student must repay the loan in full, even if the student does not</li> </ul>	Aug. 14, 2008

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		<p>complete the program or if the student does not complete the program in the regular time allotted for program completion.</p> <ul style="list-style-type: none"> <li>○ Add to the consequences of default information regarding federal delinquent debt collection procedures.</li> <li>○ Information on the NSLDS and how the student may access records.</li> <li>○ Name and contact information for a party whom the student may contact with questions about rights, responsibilities, loan terms and conditions.</li> </ul>	
School Disclosure - Exit Counseling Changes	485(b)	<p>Exit counseling is required for both Stafford and Grad PLUS loan borrowers. The school must provide counseling prior to the student's completion of the course of study or at the time that the student is leaving school.</p> <p>Schools must enhance existing exit counseling materials as follows:</p> <ul style="list-style-type: none"> <li>○ In addition to listing the repayment options available to the student, the school must include a description of the different features of the repayment options and the difference in interest paid and total payments under each.</li> <li>○ Schools must include with their exit materials an ED publication that describes federal programs that may be available to assist a student borrower who is experiencing financial hardship.</li> <li>○ Expand information to inform the borrower of options to prepay a loan, to request a shorter repayment term, and to request changes to the repayment schedule itself.</li> <li>○ Expand the explanation of the likely consequences of default to include information about delinquent debt collection procedures.</li> <li>○ Expanded information regarding loan consolidation, including information about the effect on interest to be paid over the longer repayment period, a statement that consolidation loan benefits may vary from lender to lender, that the student may lose certain rights by consolidating, including all or part of a grace period, deferment benefits, and loan cancellation or discharge options.</li> <li>○ Information regarding tax benefits that may be available to borrowers</li> </ul> <p>Notice of the availability of the NSLDS and how the borrower can use the information found there.</p>	Aug. 14, 2008
School Disclosure – Fire and Safety Standards	485(i)	<p>Schools with on-campus housing must make an annual report regarding fires that occurred on campus, fire drills, fire safety systems, fire policies such as those related to the use of open flames, heating devices or other portable electronic devices, smoking in on-campus buildings.</p>	Aug. 14, 2008

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School Disclosure – Missing Persons	485(j)	<p>Schools with on-campus housing must publish a policy that provides that:</p> <ul style="list-style-type: none"> <li>○ Each student may designate a person who can be notified by the school if that student is determined to be missing.</li> <li>○ Provides a confidential way for students to register contact information.</li> <li>○ Establishes campus notification and response rules if the student is missing 24 hours.</li> </ul>	Aug. 14, 2008
School Disclosure - Transferring Credit	485(h)	<p>Schools must disclose in clear and understandable terms their policies related to transfer credits for work completed at another postsecondary school, and must publish a list of schools with which it has agreements for the transfer of academic credits.</p>	Aug. 14, 2008
Voluntary Flexible Agreements (VFAs)	428A(a)(3) (A)-(B)	<p>Working with the guarantors who operate under a VFA, ED must provide annual reports to the authorizing committees regarding the effect the VFA had on program integrity, program and cost efficiencies, delinquency prevention and default aversion, including a comparison to outcomes for those guarantors. The report also must include the outcomes of consumer education programs and the availability and delivery of financial aid. Each such report must include a description of each VFA and the performance goals established by the Secretary; a list of the guarantors operating under VFAs; the statutory, regulatory, and any other waivers applicable to each of those guarantors; a description of the standards by which each of those guarantors' performance under the VFA was assessed and the degree to which each agency achieved those standards; analysis of the fees paid to the Secretary and the costs and efficiencies achieved under each VFA; and identification of promising practices that could be used by other guarantors.</p>	Aug. 14, 2008