

May 1999

## NEWS FROM OSFA



### What's new?

**OSFA Transition Update** - Through cooperative efforts among EDS, OSFA, private consultants, and other state agency staff, OSFA continues moving forward to meet targeted transition goals. Major pieces of infrastructure, technology, and programmatic operations are already in place, bringing the vision of a new OSFA closer to reality.

**'New' look for Outlook** - Along with the 'new' OSFA vision, the OSFA Outlook will be taking on a whole 'new' look. OSFA personnel have been asked to contribute ideas for a new graphic design as well as a new name. Next month's newsletter will include changes from the current format design with the content focussing on student financial community issues.

### Master Promissory Note

Master Promissory Note (MPN) applications are now available. Attached to the OSFA Outlook is a copy of the current order form. OSFA is also ready to print pre-printed MPN's. You may order the following four types:

- Master Promissory Note
- MPN/Continuous
- MPN/Instruction Booklet
- MPN/School Certification

OSFA has successfully tested Master Promissory Note via CommonLine Version 4 and FGLP proprietary application (010F and 011F) with several lenders and schools.

The borrower letter sent for each guarantee has also been modified to reflect differences between the Common Application and the Master Promissory Note.

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## **From The Director of OSFA**

The Future of Student Lending and the Future of OSFA, a speech OSFA director C. Wayne Hood gave May 14, 1999, to the InTuition Choice Fund User Group, on recent developments in the student financial aid community is reproduced here for your information.

This morning I would like to spend some time reviewing some recent developments that I believe are extremely important to our mission of providing low-cost, high quality loans to America's students. In my comments today, I will share my perspectives on these developments and I will also share my thoughts on what I think the developments mean to the student loan industry of which we are all a part and how they relate to the changes we are making to the Florida Agency.

After I complete these comments, I want to share with you information on our recent accomplishments at the Office of Student Financial Assistance.

First, my thoughts on the current state of the student loan programs. As you all know, Congress completed the reauthorization of the Higher Education Act last year in legislation that was signed in a high-profile ceremony by President Clinton and which passed the House and Senate by virtually unanimous votes. This political consensus--unfortunately rare in Washington--would suggest that there is broad agreement on what the student loan programs should look like for both the short and long term. Unfortunately there is no consensus in the Loan Industry in FFELP or Direct Lending.

Unfortunately, such a perception would be wrong. In fact, student loan providers of all types, including those involved in the Federal Direct Loan Program, are looking anxiously at Washington and industry developments. Everyone that I talk to expects that Congress will again enact major changes in the student loan programs in the next five years. Interestingly, when you ask people in Washington why additional major legislation change is possible, one answer you get is: The Higher Education Amendments of 1998.

In a minute I will discuss a few of the provisions in the 1998 reauthorization that set the stage for Congress to again look at the overall structure of the student loan programs before the next reauthorization, now expected in 2002. First; however, I thought I would share with you what changes I think we may see:

1. A "merger" of Direct Loans and FFEL into a single program combining elements of both, such as origination of loans by the Direct Loan program with sale of the loans to private holders at the time the borrower enters repayment;
2. A fundamental change in how borrowers receive and send information regarding their student loans, brought about by increased use of information technology and stronger leadership at the Department of Education; and
3. Major changes in repayment options for borrowers, corresponding to the public demand that college remain (or become) affordable.

What is behind these ideas? The 1998 reauthorization made major changes to the student loan programs while at the same time authorizing two major studies that could serve as the catalyst for legislative change. First, the legislation reduced lender return on FFEL loans by 50 basis points. While this yield reduction has been difficult, it has prompted some lenders to increase price competition in the hopes of gaining market share to make up on lost per-unit return. Congress is now monitoring fierce price competition in the student loan marketplace and, prompted by the Department of Education, is asking itself whether price discounting should be viewed as evidence that return remains too high.

Second, the reauthorization bill established a new guaranty agency-financing model. The new model was intended to provide stability to guarantors at a time of stable or declining loan volume while increasing incentives for guarantors to prevent borrowers from going into default. In fact, the new model appears to have prompted increased competition between guarantors and led directly to fee discounting which, in turn, could undermine the long-term viability of the new financing model. Some in Congress are now wondering if

funding provided to guarantors in the reauthorization is higher than necessary. (Speaking for Florida, the new financing model does not provide an adequate and clearly not excessive funding stream).

Third, the reauthorization established a "Performance Based Organization" within the Department of Education to administer the Title IV student aid programs. The PBO is expected to re-engineer data systems considered obsolete and inefficient, but also to bring the benefits of modern information technology to students using the federal student aid programs.

As I am sure you know, Greg Woods has been selected as the first "Chief Operating Officer" of the PBO and he is well underway with the task of modernizing the delivery system. Woods has already posted an executive summary of the "Blueprint for Modernization" on the Internet and he is enjoying support from the higher education community.

Fourth, the reauthorization bill authorized six "Voluntary Flexible Agreements" between guaranty agencies and the U.S. Department of Education. VFAs in essence permit waivers of statutory and regulatory provisions to permit experimentation with better ways of performing the guaranty agency and other program functions. VFAs in reauthorization were supported by some, but not all guaranty agencies.

ED is now in the process of deciding how the VFA authority will be implemented. In Florida, we see VFA authority as something worth exploring and we will be studying the guidelines for VFAs closely once they are published later this spring. We are aware; however, that while VFAs may create opportunities for agencies to create internal efficiencies and improve services for students, some agencies may see them as creating marketing opportunities. In fact, because of concerns, some lenders see VFAs as potentially disruptive of the FFEL program. In fact; however, only time will tell whether VFAs will prove to be a good thing or a bad thing.

Please be assured that as VFA authority is implemented, Florida will be working closely with our students, schools, and financial partners to decide if we pursue a VFA and, if we do what we address in it. I would welcome any suggestions any of you may have on this important subject.

Supplementing these four provisions in the 1998 reauthorization are two other major initiatives that come from the Department of Education and the FFEL community:

First, the National Performance Review (NPR), led by Vice President Gore, announced "Access America for Students". The initiative is intended to create a new way to look at the delivery of student aid and other government benefits for students. The initiative is viewed as positive by many. Some schools and some FFEL loan providers have raised concerns; however, because a so-called "Student Account Manager" (SAM) is depicted in some descriptions as handling all interactions between the student and student aid, effectively undermining the traditional roles of the financial aid administrator and FFEL loan providers. FFEL interests are working with Greg Woods and others at ED to make sure they understand that FFEL loan providers support limiting the role of the SAM in administering title aid. Financial Aid administrators need to be aware that SAM changes could eliminate aid positions too.

Second, a group of FFEL loan providers have worked to establish ELM Resources. It aims to reduce the complexities in the student aid delivery process. ELM Resources simplifies the processes by having the school, guarantor, and lender go through ELM. The lenders involved with ELM believe that the system works well, although many would like to see an open, common delivery system. Lenders hope that ELM will be a basis of future modernization systems. We are looking closely at ELM and assessing the benefits working with ELM may produce for Florida students but are concerned with the excessive charges ELM asks for membership. On the other hand Florida colleges can easily participate in the same manner through the Choice Fund Network.

Congressional consideration of the legislative changes I discussed at the beginning of my talk will not occur in a vacuum. If they occur, it will be because of the recommendation produced by two study groups formed under the 1998 reauthorization. These two study groups are the study groups on the use of alternative indices for

determining lender yield on FFEL loans and the study group on the use of market mechanisms in the student loan programs. Both study groups should be monitored closely because their recommendations, if they reflect a consensus of the agencies and groups represented on them, are likely to be looked to by Congress in determining the future structure of the student loan programs.

The 1998 reauthorization of the Higher Education Act directed the Secretary of Education and the Comptroller General to convene a study group to address the use of alternative indices for determining lender yield. The group, consisting of governmental officials, student representatives, school representatives and members of the FFEL community are now working on the study.

The alternative indices study group is now holding its initial meetings. As you may know, the FFEL industry strongly supports the use of LIBOR as the reference rate for determining lender yield. The Alternative Indices study group; however, may consider a variety of options, including allowing lenders to borrow federal funds if financial markets are such to make the issuance of bonds and other student loan related financing difficult.

FFEL loan providers have agreed that they would prefer if the loan were based on the LIBOR or Commercial Paper rate to help stabilize the yield. Currently, the 91-day Treasury bill fluctuates greatly during difficult financial times, making financing difficult on lenders.

Currently the group is discussing lender funding issues and gathering data. The next meeting of the group is in early June. Thus far, the group has met twice. A final report is expected at the end of summer.

In addition to the alternative indices study group, a second study group was authorized under the reauthorization legislation. This second study group also convened by the GAO and the Department of Education, will consider the "market-mechanisms" for determining return to student loan lenders.

At the rumored recommendation of Don Feuerstein of the Department of Education, the same representatives participating on the study of the use of alternative mechanisms will also participate on the second group. The "market-based mechanisms" group report is expected shortly before the 2000 elections.

The study on market mechanisms resulted, in part, from congressional interest in exploring the use of auctions as a means of determining a fair lender return. During Senate consideration of the Higher Education Act reauthorization, an amendment was offered to test the auction concept. The amendment was defeated; however Congress decided to study "market-mechanisms".

The market mechanisms study group is expected to look at an auction of the right to make student loans, an auction of student loans originated by the government, and also other alternatives designed to "increase market forces". The group will also be looking at income-contingent repayment, as required in the statutory framework for the study.

Supplementing the ED-GAO study of market-mechanisms will be a study of the same topic carried out by the Congressional Budget Office (CBO) per a request from Senator Pete Domenici (R-NM). CBO will deliver the report late this summer or early fall. It is expected to influence the content of the ED-GAO report.

Depending on whether the two ED-GAO studies reflect a consensus, legislation based on them may be considered as early as 2000, well before the end of the current reauthorization.

How inevitable is legislation relating to lender yield? Please note that the current T-bill based borrower interest rates expire on June 30, 2003, at which point the borrower interest rate will once again become 10-year Treasury bond plus one percent.

Before I turn to Florida issues, I would like to mention two more developments:

First is the incidence of mergers in the financial service industry. As you well know, several major FFEL loan providers, including some here in Florida, have merged with others, creating giant lenders. For example the

merger of NationsBank and Bank of America will create one of the top five originators. The mergers create positives and drawbacks for lenders. As a larger organization, these companies are able to compete in more marketplaces nationwide creating a more recognizable name. By participating in the national market the lender must interface with more guarantors and more schools, which creates more delivery difficulties. It is believed that the future successful lending organization will include everything under one roof--origination, servicing, and guaranteeing the loan.

Second is increased interest in information technology, our goal in Florida. School expectations are rising. To remain attractive to schools and students, student loans must fully embrace Internet technology and provide borrowers with increased opportunity to access information on their student loan and to conduct transactions, like receiving a deferment, on-line. The future will belong to those organizations that understand the information revolution now underway and know how to take advantage of it.

I would now like to turn to what we are doing here in Florida and how the federal issues relate to our changes and goals at "the NEW OSFA".

I have mentioned the need to improve technology and I am pleased to be here today to welcome customers to the Choice Fund Network (CFN), a technologically advanced delivery system created for Florida colleges. OSFA has from its very beginning supported both the concept and the actual program to the extent we have been able to do so by;

- Providing the necessary interfaces with CFN for purposes of receiving applications for guarantee and providing Notices of Guarantee, and
- Encouraging both schools and lenders to consider such a service.

We have been supportive because the resulting delivery sub-system makes it easier for both schools and lenders to serve your (and our) borrowers. If there ever was a "win - win" situation, this is one. We have worked closely with InTuition and CFN to make it work, and will continue to do so.

As you undoubtedly know, OSFA is in the process of transitioning from a third-party servicer, EDS, for administrative and computer support of the Florida Guaranteed Loan Programs to an entirely "in-house" operation. The decision to bring processing "in-house" was made for both fiscal and service level reasons.

Given the three-month window available to take this action, the transition is being accomplished in several phases:

1. The initial phase involves moving the existing OSFA/EDS system from the EDS computer complex in Plano, Texas to the State's Northwest Regional Data Center in Tallahassee. In this phase, we are doing little more than replicating the processing capability in our own computer facility using state employees and consultants. Every attempt is being made to minimize disruption and the amount of change required for each constituent group, i.e., students, schools, lenders, servicers, collection agencies, etc. For example:
  - P.O. Boxes for payments, requests for deferment, forbearance, etc. are staying the same;
  - Phone numbers provided to most constituents are remaining the same;
  - EDS facilities, furniture, equipment have been retained;
  - EDS employees, to the extent they desire to do so, are becoming state employees as of July 1; several other key EDS staff will be available to us indefinitely on a consultant basis until state employees are thoroughly trained;
  - With minor exceptions, the manner in which constituents exchange data with us is being replicated as well. Although some old technologies used by a few institutions will no longer be supported, newer technologies, such as access via the Internet, have been added. These alternatives have been communicated to all Florida Schools and lenders and their servicers.
2. The initial transition is progressing mostly on schedule, and with time to make up the slight variances by the planned implementation date. For example:
  - All required new hardware is in place and tested;

- All new communications lines are in and most are fully tested;
  - An expanded telephone system is in place;
  - All systems and application software have been loaded to the new computer facility;
  - A "dry run" is under way to load the "live" data files as of the end-of-April processing cycle on the relocated databases.
  - Once loaded, this data will be used for extensive testing throughout the balance of May.
  - A new organizational structure, integrating functions currently split between EDS and OSFA has been devised and will be implemented in stages from the middle of May to the end of June. Some OSFA personnel began moving into the EDS facility today.
3. The balance of the transition schedule is as follows:
- Thursday, May 27 - Last day we will process in Plano.
  - Friday, May 28 - EDS begins transferring data files reflecting end-of-May processing cycle to NWRDC.
  - Saturday, May 29 - OSFA begins loading live data into databases.
  - Sunday, May 30 - OSFA and EDS staff begin functional and acceptance testing.
  - Thursday, June 3 - Acceptance testing concludes.
  - Monday, June 7 - Processing resumes.
  - Testing continues through June.

This schedule, while very ambitious, is quite achievable, based upon our current implementation status. At most, the resumption of processing might slip to Monday, June 14. The balance of June will be spent stabilizing the system and transferring EDS staff knowledge to replacement OSFA personnel, prior to the end of EDS' contract responsibility.

The initial transition is only the beginning of our overall plan for overhauling OSFA and making it the kind of agency that Florida needs and deserves. We recognize that the current system, even moved to the new computing environment, is an old technology with limited functionality. It must be replaced if OSFA is to be competitive in today's student loan industry. Thereafter, we will begin almost immediately upon resumption of processing, four important initiatives:

1. An enhancement of data quality, to make our loan records more reliable for borrowers, schools and lenders (and their servicers);
2. A Business Process Reengineering of processing elements that promises to provide short-term efficiencies and improved effectiveness, even within the existing systems environment;
3. An evaluation of system requirements to make OSFA's processing and recordkeeping capabilities ready for Year 2000, both figuratively and literally, including:
  - An analysis of current practices in comparison with what other guarantors are doing, to achieve a "best practices" benchmark;
  - An assessment of existing software systems and software development level-of-effort to achieve that level of functionality and service capacity;
  - Initiation of a procurement process for either acquiring existing guarantor software or developing a custom processing system capable of supporting OSFA goals and objectives.
4. Perhaps most importantly, an "attitude reengineering" to instill a new philosophy of exceptional service to our constituents.  
This effort will include:
  - Meaningful consultation with schools, lenders, and servicers before decisions affecting them are made;
  - Increased operational flexibility that attempts to meet special needs of our partners, rather than a "one size fits all" mentality;
  - Timely notification of upcoming events and sufficient lead time for implementation of new requirements;
  - Improved communication with all constituents;

- Greater sensitivity to the pressures upon schools and lenders on the "front-line" (this might include, with your permission of course, OSFA staff spending some time in your offices dealing with students and parents and our own policy and procedural requirements);
- An "open door" policy on the part of all senior OSFA staff, allowing us to keep attuned to your concerns and issues;
- A more visible OSFA presence at state, regional, and national events for student loan professionals, including active participation in the several initiatives for increased commonality of forms, policies, and procedures within the student loan industry.

Admittedly, this is an ambitious agenda, one that will not be accomplished overnight. However, it is an agenda to which my colleagues and I in the Florida Department of Education and the Office of Student Financial Assistance are dedicated. In partnership with the student aid community in Florida, we will be successful.

Here are some facts about OSFA - very sound agency!

1. Seventh largest originator of education loans.
2. Fifty-seven active lenders.
3. Eight servicers.
4. Two hundred and sixteen colleges and schools.
5. Growth in 98/99 of 12% sales - est. \$700,000,000 in FY99.
6. Default rate of 10.1% in 97 (down 7.34%).
7. We administer \$200,000,000 in scholarships for Florida students.

A short list of issues we are considering with our Florida partners.

1. Blanket guarantees for lenders.
2. Easier contracts for lenders and schools.
3. Reduction of the 1% guarantee fee.
4. The Florida guarantee in other states.
5. Partnering with other agencies.
6. Web site technology improvements.
7. Scholarships for Florida schools from our loan revenue.
8. Technology assistance for Florida students, based on our revenue.

The New OSFA appreciates its customers and is here to serve. We can give you the assistance you want and we are transiting to new technology with your help. New reauthorization rules allow us to use our revenue on Florida students. Lets keep Florida loans at Florida schools and Florida student with Florida loans.

Thank You

## **Cohort Default Rate**

OSFA is in full swing reviewing and responding to schools' FY 1997 Draft Data Challenges for those student loans that fall within its jurisdiction. Draft Data Challenge is the process of correcting erroneous data included in the draft cohort default rates. After the release of the draft cohort default rates, schools are provided the opportunity to review and, if necessary, correct data that will be used to calculate the official cohort default rates. It is important to note that if a school fails to submit a draft challenge, it will be unable to correct certain data errors after the release of the official cohort default rates.

A cohort default rate is the percentage of a school's student borrowers who enter repayment on certain Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Loan) Program loans during a particular fiscal year and default or meet other specified conditions before the end of the next fiscal year. Both OSFA's IOC (Institutional Oversight & Compliance Unit) and CMU (Contract Management Unit) staff are facilitating responses to school's draft data challenges by indicating whether or not OSFA's findings agree with the schools' allegations and why. Any questions regarding draft cohort rate can be directed to Rhonda Forbes or Jean B. Perkins with OSFA's IOC at 850-488-7043.

# STATE PROGRAMS



## Update on the Florida Bright Futures Scholarship Program

The last two months have been very eventful in the life of the Bright Futures Program. Here are some of the highlights.

The Bright Futures Advisory Group met on Friday April 23 to review the improvements in electronic communication for eligibility evaluations this year and to discuss implementation of the 7<sup>th</sup> semester evaluation for year 2000 high school graduates. The unanimous recommendation of the group was to make final Bright Futures awards based on 7<sup>th</sup> semester grade and test score criteria. Students who do not meet requirements at the end of the 7<sup>th</sup> semester may be reevaluated at the end of the 8<sup>th</sup> semester. This means that students and parents can make more informed decisions regarding what college to attend, and financial aid offices will not have to repackage aid after the scholarship awards are announced. This recommendation will be taken to Commissioner Gallagher for final approval.

The 1999 Florida Legislature made no changes to the statutes governing the Bright Futures Program.

The improved transcript submission system (called the Practice System) for FASTER users is very busy. Forty-five Districts have submitted over 70,000 transcripts for unofficial evaluation prior to sending them to the Production System for final evaluation. The new On-line System for private high schools and other non-FASTER users was complete on May 10 and except for a few minor start-up problems, is working well. High school guidance counselors are very happy to have an evaluation report to assist them in their counseling activities.

The Bright Futures toll-free phone (888-827-2004) has a dedicated guidance counselor and postsecondary officer line to make our staff more readily accessible to you. Please let us know if it is helpful.

1999 Bright Futures brochures have been mailed to public and private high schools. The brochures are very general in nature and are to be used primarily to increase student awareness of the program. New brochures for year 2000 will be produced soon.

Bright Futures posters for middle schools and high schools have been developed by DOE's Graphics Office. These eye-catching posters are currently being printed and will be mailed to the schools just before the beginning of the fall term.

Q & A's for renewal, reinstatement and restoration students were mailed at the end of March. Copies were sent to all postsecondary institution Financial Aid Directors for your information.

The 1998-99 Eligible Student Listing has been suspended from the Internet. If you need any information on 1998-99 students, please call our toll-free number and one of our program specialists will be happy to assist you. The 1999-2000 Eligible Student Listing will be available June 1, 1999. We expect the list to be fully populated by the end of July.

There has been a slight delay in producing the Grade and Hour reports due to programming data conversions. The reports should be completed and available to postsecondary institutions the first week of June.

Thanks to all of you for your recommendations and cooperation. This summer is going to be the best yet for Bright Futures students and their schools!



This index is to assist participants in easily identifying articles of interest .

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	Lender Update
❖	School Update
	Consolidation
	All Participants

## Federal Updates

### ❖ House of Representatives Approves House Concurrent Resolution (H. Con. Res. 88)

On May 4, 1999, the House of Representatives approved a House Concurrent Resolution (H. Con. Res. 88) that calls for a \$400 increase in the maximum Federal Pell Grant Program and increases in the campus-based programs. Even though House Concurrent Resolutions are not binding, they express the desire of the House of Representatives for certain actions to occur.

H. Con. Res. 88 states that the Congress and the President, should, working within the constraints of the balanced budget agreement, make student scholarship aid the highest priority for higher education funding by increasing the maximum Pell Grant awarded to low income students by \$400 and increasing other existing campus-based aid programs that serve low-income students prior to authorizing or appropriating funds for any new education initiative.

### ❖ Distribution of 1999-2000 EDEExpress, Version 5.2

On May 6, 1999 the Department announced the release of the 1999-2000 EDEExpress for Windows, Version 5.2. This version is an upgrade to Version 5.1 and contains the Pell module (Origination only) for the 1999-2000 cycle. The Department completed distribution of Version 5.2 to all participating EDE institutions mid-May.

If you have any questions regarding this matter, please call Pell Customer service at 800-474-72688, option 2, or send an email to [#PELL\\_SYSTEMS@ed.gov](mailto:#PELL_SYSTEMS@ed.gov).

### Redesign of IFAP Home Page

The Department of Education announced that OSFA's Customer Support Branch is planning a "Facelift" for the Information for Financial Aid Professionals (IFAP) website (<http://www.ifap.ed.gov>). IFAP has been available for a little over a year, and the Department thinks it is time to refresh and update the site to ensure that it continues to be useful and attractive.

The Department would like the financial aid community to help redesign the IFAP. Please provide feedback on the general subject areas listed below and any comments you may have that will assist in improving IFAP:

- How can the Department improve IFAP?
- What items/features would you like to see remain on the HomePage?
- What items/features would you like added to the HomePage?
- Is there a particular format that you find appealing and easy to use, that could be adapted to IFAP?

Please forward your ideas to the Customer Support Branch at: [CSB@ed.gov](mailto:CSB@ed.gov) or by fax at (202) 260-4199.

### ❖ Update on Recipient and Financial Management System for 1999-2000

This message for the Department gives you the current status on the new processing system known as Recipient and Financial Management System (RFMS), for the Federal Pell Grant program, and announces that the Department will give updates on May 17 and 26.

The Department has completed the development phase and is now conducting a comprehensive test of the system and its interchanges with trading partners. Overall testing has gone well. The next step is to conduct beta tests with ten schools, as well as validate system Y2K compliance. The system will start up is planned for May 26, 1999.

All schools should receive the 1999-2000 EDEExpress Pell software by May 21. You will be able to send batches of origination records by May 26. The origination record establishes a student's eligibility and annual Pell Grant award in the new RFMS.

The Department will publish weekly status reports on the RFMS start up. You will find them in the

- Title IV wide Area Network (TIVWAN)
- The Information for Financial Aid Professionals Website
- Listserves: FINAID-L, FINNET-L, MEDAID-LI, and BURSAR-L.

### ❖ **Some Edit II Files Sent to Wrong Mailboxes**

On April 15, 1999, 1,538 Edit II files were inadvertently re-sent to school mailboxes. These Edit II files contain FISAP data and Edit error messages as of 01/31/99. These are the same edit files that were sent to school mailboxes in February. Schools receiving this file should ignore it and not import it to their FISAP software. If the file has already been imported, call (301) 565-0032 to request a Year-to-Date file.

### ❖ **1999-2000 Student Financial Aid Handbook**

Two Core Sections of 1999-2000 SFA Handbook Now on IFAP - IFAP - May 17, 1999. The Department is pleased to announce that the two "core" sections of *the 1999-2000 Student Financial Aid Handbook* has been posted on IFAP in PDF format.

- **Student Eligibility:** This section contains the information traditionally found in Chapter 2 of the Handbook and now includes material that in previous years was published in *The Verification Guide*, the *EFC Formula Book*, and the *Counselor's Handbook for Postsecondary Schools*. The Department no longer issues these publications separately.
- **Institutional Eligibility and Participation:** This section contains, as traditionally found in Chapter 3 of the Handbook, numerous subsections covering eligibility, cash management, general participation, recordkeeping and disclosure, student consumer information, participation requirements, etc.

In addition to these two quite lengthy sections, the Department has also posted the State Grant Programs Reference, which contains information on the Leveraging Educational Assistance Partnership Program (LEAP), the Robert C. Byrd Honors Scholarship Program, and the Paul Douglas Teacher Scholarship Program. These sections have been sent to be printed and will be mailed in approximately one month.

The remaining three program-specific sections of the SFA Handbook will follow as soon as each is completed; these sections are Campus-Based programs Reference, Federal Pell Grant Program Reference, and Direct Loan and FFEL Programs Reference. These sections are expected to be completed and posted within the next four to six weeks. Paper copies of these sections will be mailed as soon as they are printed.

### ❖ **1999-2000 Veterans Status Match**

The Department of Education has received questions from a few financial aid administrators about problems with the VA Status Match. The Department confirmed that there was a minor problem with the VA Status Match for records processed from 1999-2000 startup until March 10, 1999. Although the Department believes the error affected very few applicants, they wanted to inform you of the situation. The problem involved applicants who indicated they are veteran but that VA incorrectly identified them as still being in active duty. An active duty status generates a VA match flag of 4 on the SAR/ISIR. Not all transactions processed before March 11, 1999 with a VA match flag of 4 are in error. In most cases, the applicant was confirmed correctly as still on active duty.

The Central Processing System (CPS) does not change a student's dependency status on the SAR/ISIR based on a match flag of 4. However, a student in active duty status is not considered a veteran for Title IV aid purposes, unless the student provides documentation to the school showing release from active duty prior to June 30, 1999.

For applicants processed by the CPS prior to March 11, 1999 who incorrectly received match flag 4, the FAA can collect from the students, their DD214 that states the conditions of release. The FAA can disburse aid if the DD214 reflects an honorable condition of release. If a DD214 is not available from the student, or if it reflects a dishonorable condition of release, an updated match flag can be obtained and the appropriate CPS edits will be applied to the student's SAR/ISIR.

**❖ Conversion to Edconnect 32-Bit Software**

The Department of Education announced May 18, 1999, that if you process data on a PC or if you process data on a mainframe system and you TRANSMIT all your data through Title IV WAN using a PC and Edconnect software, you must convert to Edconnect for Windows 32-bit software by June 15, 1999.

If you have not received Edconnect for Windows 32-bit software or if you have questions concerning this issue, please call Title IV WAN customer service at 1-800-615-1189 or via electronic mail at: [T4WAN@NCS.COM](mailto:T4WAN@NCS.COM).

**ED Announcement, Student Financial Aid year 2000 Project Status as of May 21, 1999**

The Office of Student Financial Assistance Programs (OSFAP) announced that OSFAP systems, which deliver and administer student assistance, are Year 2000 ready. However, this achievement alone does not assure the delivery of student aid. Trading exchange testing with the large population of OSFAP customers will further reduce the risk of a Year 2000 failure in the delivery of student assistance. OSFAP encourages each institution (school or agency) to test their data exchanges with the following systems during the windows of opportunity listed below. Testing plans and test cases can be found at <http://www.ed.gov/offices/OCIO/year/b2a.html>.

Scheduled Dates for Institution Testing

NSLDS		July 12 - Aug 20
CPS	April 12 - May 21	Aug 9 - Sept 20
DLOS	May 31 - July 12	July 12 - Aug 20
Pell Origination	April 12 - May 21	
Pell Disbursement (ESOA & Data Request)		June 12 - Aug 20

**ED Announcement: Federal Perkins/NDSL Loan Assignment Acceptance Notices - Delay**

The Department is currently unable to provide confirmation in response to some of your Perkins/NDSL loan submissions for assignment since late last year.

Your institution may have submitted ED553 forms for assignment to the Student Loan Processing Center (SLPC), Greenville, Texas and not yet received a status on the submission. Modifications currently being made to the computer system have resulted in delays in acceptance for some loans submitted to ED.

A new item #60, "Collection Costs Repaid", has been added to the ED Form 553, which required a change in the calculations. Unfortunately the system is not yet fully operational. ED anticipates a completion date of June 30, 1999 to complete these new changes. Once the system is fully operational, the SLPC will send out confirmation notices. In the interim, preliminary screenings are being done and any errors detected will be referred to your institution for correction.

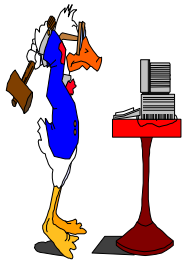
If the system modification is further delayed beyond June 30, 1999, unfortunately, you will be provided new instructions.

## **ED Announcement - Application Status Checks and School Code Changes Are Going Toll-Free.**

OSFA's Federal Student Aid Information Center is phasing out use of the toll (commercial) phone line for application status checks, duplicate Student Aid Report requests, changes to the institutions listed on the Student Aid report, and all other services.

Students may call toll-free 1-800-FED AID (1-800-433-3243) for all of the services formerly offered on the toll line. Application status checks and duplicate Student Aid Report requests can now be made quickly and easily through an automated phone feature (select option 1). All services that are offered by the Federal Student Aid Information Center, from application assistance to loan tracking will now be offered on this one number.

## **TIPS**



### **Helpful Tips**

#### **❖ 1999-2000 Year-to-Date ISIR Requests**

This tip from CPS Customer Service highlights a specific function of EDE --- 1999-2000 Year-to-Date ISIR Requests. Schools occasionally need Year-to-Date (YTD) ISIR data files to receive the records processed before they became operational for daily ISIRs, or to rebuild a database after a hardware failure or a natural disaster. This tip explains how to submit YTD requests to the CPS for processing

To request a YTD ISIR file, you must be enrolled with Title IV WAN and productional for automatic ISIRs, for 1999-2000. You will need to use your EDconnect software to connect to the CPS to submit your YTD request.

For further information, please contact CPS Customer Service at 1-800-330-5947, or e-mail at [CPS@NCS.COM](mailto:CPS@NCS.COM).

#### **❖ Using the Verification Worksheet**

This tip highlights a feature in the EDEExpress 1999-2000 software: Using the Verification Worksheet. The Verification Worksheet Tab helps you to verify or correct inconsistent or illogical financial information on ISIRs. From this tab, you can also create ISIR corrections based on the verified information. To use this tab, you must have the student's ISIR loaded in EDEExpress.

If you have any questions regarding this process, please contact CPS Customer Service at 1-800-330-5947, option 2 or via e-mail at [CPS@NCS.COM](mailto:CPS@NCS.COM).

#### **❖ Repair and Compact Utilities**

This tip highlights functionality in the 1999-2000 EDEExpress software: Repair and Compact Utilities. To maintain data integrity, "clean up" unused records, and in some cases resolve database errors, you should regularly run the repair and compact utilities on your 1999-2000 EDEExpress database. You can run these utilities from within EDEExpress or within Access 97. You should always run the repair utility first, followed by the compact utility. Ensure you have a reliable backup before running these utilities. You should also check with your technical support staff to determine if these utilities are already being performed regularly.

If you have any questions, please contact CPS Customer Service at 1-800-330-5947, option 7, or via e-mail at [CPS@NCS.COM](mailto:CPS@NCS.COM).

## ❖ Creating Pell Queries

This tip from CPS Customer Service highlights functionality in the Pell module of the 1999-2000 EDEExpress: Creating Pell Queries. Pell Query functionality has been added to the 1999-2000 EDEExpress with Version 5.2. As you begin using the Pell module to complete processes such as ISIR import and origination record entry, you may need to define queries to produce reports on specific Pell students.

## CORRESPONDENCE



### Federal Registers and Dear Colleague Letters

#### **Dear Guaranty Agency Director - Disaster Letter 99-10: Tornadoes in Oklahoma, May 4, 1999**

On May 4, the Federal Emergency Management Agency designated the following counties in Oklahoma to be disaster areas that qualify for federal assistance under FEMA's Individual Assistance program because of tornadoes that occurred May 3-4: Caddo, Cleveland, Creek, Grady, Kingfisher, Lincoln, Logan, McClain, Oklahoma, Pottawatomie, and Tulsa. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of those counties.

#### **Dear Guaranty Agency Director - Disaster Letter 99-11: Tornadoes in Kansas - May 5, 1999.**

On May 4, the Federal Emergency Management Agency designated Sedgwick County in Kansas to be a disaster area that qualifies for federal assistance under FEMA's Individual Assistance program because of tornadoes that occurred May 3-4. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of that county.

#### **Dear Guaranty Agency Director, Disaster Letter 99-12: Tornadoes in Texas - May 7, 1999.**

On May 6, the Federal Emergency Management Agency designated Bowie County in Texas to be a disaster area that qualifies for federal assistance under FEMA's Individual Assistance program because of tornadoes that occurred May 4. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of that county.

#### **Dear Guaranty Agency Director, Disaster Letter 99-13: Flood in Missouri - May 7, 1999.**

On May 5, the Federal Emergency management Agency designated four more counties in Missouri as disaster areas that qualify for federal assistance under FEMA's Individual Assistance program because of flooding and severe storms that began April 3. The most recent letter about this disaster was "Disaster letter 99-09" dated April 21. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of the following counties (new counties in bold): **Andrew, Iron, Macon, Madison, Osage.**

## ❖ Dear Colleague, Ann-99-4: Fiscal Officer Training.

This letter describes a nationwide series of Fiscal Officer Training workshops, provides the agenda, sites and dates for the workshops; explains the registration procedures; and provides logistical information for these workshops.

**Dear Guaranty Agency Director, Disaster Letter 99-14: Tornadoes in Oklahoma - May 10, 1999.**

On May 7, the Federal Emergency Management Agency designated five more counties in Oklahoma as disaster areas that qualify for federal assistance under FEMA's Individual Assistance program because of tornadoes that occurred May 3-4. The most recent letter about this disaster was "Disaster letter 99-10" dated May 4. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of the following counties (new counties in bold): Caddo, **Canadian**, Cleveland, **Craig**, Creek, Grady, Kingfisher, **Le Flore**, Lincoln, Logan, McClain, **Noble**, Oklahoma, **Ottawa**, Pottawatomie, and Tulsa.

**❖ Dear Colleague, DLB-99-26, May 1999.**

The Department of Education is moving the loan origination processing system from the current location in Plano, Texas, to the Virtual Data Center in Meridian, Connecticut. The move requires that the loan origination system be unavailable to Customer Service Representatives in Montgomery on Friday, May 14, 1999.

**Dear Guaranty Agency Director, Disaster Letter 99-15: Severe Weather in Tennessee - May 14, 1999.**

On May 12, the Federal Emergency Management Agency designated the following counties in Tennessee to be disaster areas that qualify for federal assistance under FEMA's Individual Assistance program because of severe storms, tornadoes, and flooding starting May 5: Ceatham, Chester, Davidson, Decatur, Dickson, Hardeman, Hardin, Henderson, Hickman, Houston, Humphreys, Lawrence, McNairy, Perry, Stewart, White, and Williamson. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of those counties.

**❖ Dear Colleague, DLB-99-27 - May 1999.**

There is an error in Direct Loan Bulletin 99-18, which provided information about Year 2000 testing with the Loan Origination Center. In the second column on page two of the bulletin, please change the heading from For 00-01 Software to For 99-00 Software.

**Dear Guaranty Agency Director, Disaster Letter 99-16: Severe Weather in Colorado - May 18, 1999.**

On May 17, the Federal Emergency Management Agency designated the following counties in Colorado to be disaster areas that qualify for federal assistance under FEMA's Individual Assistance program because of severe storms and flooding starting April 29: Bent, El Paso, Larimer, Otero, and Weld. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of those counties.

**❖ Dear Colleague, P-99-4, Action Letter #7 - April 27, 1999.**

This letter will provide additional information regarding the new Recipient Financial Management system (RFMS). RFMS is designed to report and request funds for the Federal Pell Grant Program. The second step in the new RFMS process is the submission of the disbursement record.

**❖ Dear Colleague, DLB-99-28: Correction to the 1999-2000 Technical Reference - May 19, 1999.**

The Department has learned of an error in the 1999-2000 Technical Reference concerning the academic Year start and end dates for the Full Loan Origination Export. The Technical Reference incorrectly states that these fields are required only for Stafford loans and not for PLUS loans. They are actually required for all loans.

**Dear Guaranty Agency Director, Disaster Letter 99-17: Severe Weather in Iowa - May 24, 1999.**

On May 21, the Federal Emergency Management Agency designated the following counties in Iowa as disaster areas that qualify for federal assistance under FEMA's Individual Assistance program because of severe storms, tornadoes, and flooding that began May 16: Black Hawk, Bremer, Buchanan, Clayton, Delaware, Dubuque, Fayette, Harrison, Jones, and Linn. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of those counties.

**Federal Register, Department of Education, Notices of Interest Rates - October 1, 1998 through June 30, 1999 - April 30, 1999.**

The Chief Operating Officer for the Office of Student Financial Assistance Programs announces the interest rates for the period October 1, 1998, through June 30, 1999, for loans first disbursed on or after October 1, 1998, under the William D. Ford Federal Direct Loan (Direct Loan) Program and the Federal Family Education Loan (FFEL) Program.

**Federal Register, Agency Information Collection Activities: Proposed Collection: Comment Request, May 3, 1999.**

This Federal Register was published in compliance with the requirement for opportunity for public comment on proposed data collection projects, the Health Resources and Services Administration publishes periodic summaries of proposed projects being developed for submission to OMB. Comments are invited on: (a) whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Written comments should be received within 60 days of this notice.

**Federal Register, Department of Health and Human Services - Submission for OMB Review - May 3, 1999.**

The Health Resources and Services Administration published this abstract of information collection request under the review by the Office of Management and Budget. Proposed Project: Health Education Assistance Loan (HEAL) Program: Lender's Application for Insurance Claim Form and Request for Collection Assistance Form (OMB No. 0915-0036) -- Revision.

This clearance request is for a revision of two forms that are currently approved by OMB. HEAL lenders use the Lenders Application for Insurance Claim to request payment from the Federal Government for federally insured loans lost due to borrower's death, disability, bankruptcy, or default. The Lenders Application for Insurance Claim form (HRSA form 510) has been revised to reflect information necessary to approve a claim and identify supporting documentation submitted with the claim request. The request for Collection Assistance form (HRSA form 513) is used by HEAL lenders to request federal assistance with the collection of delinquent payments from HEAL borrowers. No changes are proposed to the form. Written comments and recommendation should be sent within 30 days of this notice.

**Federal Register, 38 CFR Part 21, Claims and Effective Dates for the Award of Educational Assistance, Final Rule, May 4, 1999.**

This document amends the educational assistance and educational benefit regulations of the Department of Veterans Affairs (VA). It establishes a standard for determining what constitutes a formal claim, an informal claim, and an abandoned claim that can be applied uniformly to the educational assistance programs VA administers. In addition, it establishes less restrictive effective dates for awards of educational assistance; establishes uniform time limits for acting to complete claims; and states VA's responsibilities when a claim is

filed. This rule will result in a more uniform adjudication of claims for educational assistance under each of the education programs that VA administers. Effective June 3, 1999.

**❖ Federal Register, Notice of Proposed Information Collection Requests - May 5, 1999.**

The Acting Leader, Information Management Group, Office of the Chief Information Officer, invites comments on the proposed information collection requests as required by the Paperwork Reduction Act of 1995. Interested persons are invited to submit comments on or before July 6, 1999 in regards to the Compact for Reading Evaluation and the Carl D. Perkins Vocational and Applied Technology Education Act (Public Law 101-392)--Financial Status Report--SF 260.

**❖ Federal Register, Department of Education, Notice, May 5, 1999.**

On February 8, 1999, the Department of Education Published in the Federal Register (64 FR 6178) a closing date notice for applications from institutions that wish to be designated as eligible institutions under the following programs: Strengthening Institutions, American Indian Tribally Controlled Colleges and Universities, Alaska Native and Native Hawaiian Serving Institutions, and Hispanic-Serving Institutions (HSI). The first three programs are authorized under title III of the Higher Education Act of 1965, as amended (HEA). This program is authorized under Title V of the HEA. The purpose of this notice is to provide additional time for institutions that wish to compete for new grants under these programs to obtain designation as eligible institutions.

The closing date for eligibility applications is now May 17, 1999 for institutions that wish to apply for new grant awards under these programs. The Department has announced a closing date of May 24, 1999 for applications for new grant awards under the Strengthening Institutions, American Indian Tribally Controlled Colleges and universities, Alaska Native and Native Hawaiian Serving Institutions Programs, and plans to announce a closing date of June 25, 1999 for the HIS Program. Because of time constraints, the Department does not guarantee that it will be able to notify an applicant for designation as an eligible institution of its status before the May 24, 1999 and June 26, 1999 grant award closing dates.

**❖ Federal Register, Expanded Approval of "Ability-to-Benefit" Tests and Passing Scores - Notice - May 5, 1999.**

The Secretary adopts, for students with disabilities, the list of "ability-to-benefit" tests and passing scores on those tests approved under section 484(d) of the Higher Education Act of 1965, as amended (HEA), and 34 CFR Part 668, Subpart J.

**❖ Federal Register, Hispanic-Serving Institutions Program - Notice - May 7 1999.**

This Federal Register is a notice inviting applications for new awards for Fiscal Year 1999. The purpose of the program is to provide grants and related assistance to eligible Hispanic-Serving institutions of higher education to enable them to improve their academic quality, institutional management, and fiscal stability and thereby increase their self-sufficiency and expand their capacity to serve Hispanic students and other low-income individuals. Deadline for transmittal of applications is June 25, 1999.

**❖ Federal Register, Submission for OMB Review, May 7, 1999.**

The Acting Leader, Information Management Group, Office of the Chief Information Officer invites comments on the submission of OMB review on the Equity in Athletics Disclosure Act. The Equity in Athletics Disclosure Act amended the Higher Education Act of 1965 to require coeducational institutions of higher education that participate in any program under Title IV of the Higher Education Act of 1965 and have an intercollegiate program, to annually make available upon request a report on institutional financing and student and staff participation in men's and women's intercollegiate athletics. Interested persons are invited to submit comments on or before June 7, 1999.



**❖ Federal Register, American Meteorological Society's Industry, Government Scholarship, and Fellowship Program, Notice - May 10, 1999.**

The National Weather Service issues this notice to announce its intention to continue funding without competition a graduate fellowship through the American Meteorological Society's (AMS) Industry/Government Scholarship and Fellowship Program, unless qualification statements are submitted as a result of this notice. The recipient of the fellowship award chosen by the AMS will receive \$14,000 toward the cost of the first year graduate study in the atmospheric, oceanic, or hydrologic sciences.

**Federal Register, Advisory Council on Education Statistics, Notice of Meeting - May 10, 1999.**

This notice sets forth the schedule and proposed agenda of a forthcoming meeting of the Advisory Council on Education Statistics. This notice of this meeting is required under Section 10(a)(2) of the Federal Advisory Committee Act. This document is intended to notify the general public of their opportunity to attend. The meeting was held on May 20 and 21, 1999.

**Federal Register, Submission for OMB Review, May 13, 1999.**

The Acting Leader, Information Management Group, Office of the Chief Information officer invites comments on the submission for OMB review as required by the Paperwork Reduction Act of 1995. Interested persons are invited to submit comments on or before June 14, 1999 on the Graduate Assistance in Areas of National Need (GAANN) Program Assessment Instrument. This date collection is the basis of the GAANN Program Assessment, which will report on the status and accomplishments of the GAANN program as a whole. Results will be reported to the GAANN community and program staff and to the Secretary in order to respond to Government Performance and Results Act requirements.

**Federal Register, 38 CFR Part 21, Increase in Educational Assistance Rates, Final Rule - May 14, 1999.**

By statute the monthly rates of basic educational assistance payable to reservists under the Montgomery GI Bill--Selected Reserve must be adjusted each fiscal year in accordance with a statutory formula. The Veterans Benefits Act of 1998 provides a rate increase of approximately 20% that supersedes the otherwise applicable statutory annual adjustment for Fiscal Year 1999 (October 1, 1998, through September 30, 1999). The regulations governing rates of basic educational assistance payable under the Montgomery GI Bill--Selected Reserve are changed to show the rates indicated in the Act for Fiscal Year 1999. By statute, regular annual adjustments to these rates will resume commencing with Fiscal Year 2000. This final rule is effective May 14, 1999.

**❖ Federal Register, Federal Work-Study Programs, Notice - May 19, 1999.**

The Secretary gives notice to institutions of higher education of the deadline for an institution to submit a written request for a waiver of the statutory requirement that an institution must use at least five percent of its total FWS Federal funds granted for the 1999-2000 award year (July 1, 1999 through June 30, 2000) to compensate students employed in community service jobs.

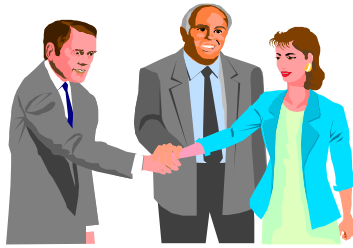
**❖ Federal Register, Federal TRIO Programs, Notice - May 20, 1999.**

This Federal Register is a notice inviting applications for new awards for Fiscal Year 1999. The TRIO Dissemination Partnership Program grants to enable TRIO projects to work with other institutions and agencies that are serving low-income and first-generation college students but that do not have TRIO grants. The purpose of the grants is to replicate or adapt successful TRIO program components, practices, strategies, and activities at institutions and agencies that do not have a Federally funded TRIO project. For fiscal year 1999, applicants are encouraged to design projects that focus on the invitational priorities summarized in the Priorities section of this application notice. Deadline for transmittal of application is August 6, 1999.

**Federal Register, Notice of Proposed Information Collection Requests, Notice, May 25, 1999.**

The Acting Leader, Information Management Group, Office of the Chief Information Officer, invites comments on the proposed information collection requests as required by the Paperwork Reduction Act of 1995. Interested persons are invited to submit comments on or before July 26, 1999 on the Lender's Participation Questionnaire (LPQ) for New Lenders and Lender's Request for Payment of Interest and Special Allowance.

## **CELEBRITIES**



### **OSFA New Employees**

The Office of Student Financial Assistance would like to take this opportunity to welcome all of our new members to the team.

**Julia Canty - Word Processor System Operator (Collections)**

Julia brings quite a bit of knowledge to OSFA and a great willingness to learn. She has had training in Word Processing and a certificate in Accounting from Lively Vocational Technical School. She also holds a

certificate in KeyPunch from the FAMU CETA TRAINING PROJECT.

Prior to coming to the Department of Education she worked for the Department of Labor as a (OPS) Staff Assistant. Julia is a native of Havana, Florida and she is the proud mother of two lovely daughters, Cheryl and Natosha. In her spare time she enjoys fishing and spending time with family and friends.

### **OSFA EMPLOYEE OF THE MONTH**

As mentioned in the Transition Updates which is provided on a weekly basis, OSFA employee's and participants have been asked to send in nominations for OSFA Service Awards. Please fax (850-488-3612) or e-mail (theriat@mail.doe.state.fl.us) your recommendations. We want to be sure that our people are providing service to you and your comments help tie our people to our service goals.

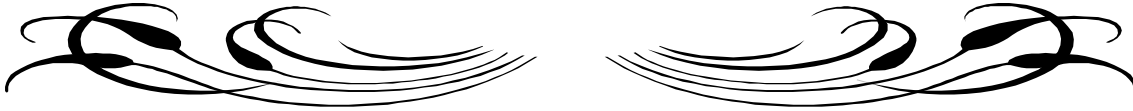
Congratulations to the following:

OSFA Service Awards for April

Pam Krohn	Dannie Rittman	Yvette Holzworth	Sandra Sidwell
Reitha Scott	Barbara Dombrowski	Tangela Collins	April Arias

# QUESTIONS AND ANSWERS

## OSFA's Q&A



**Question:** Can spouses consolidate their separate Federal Consolidation Loans into one Federal Consolidation Loan without the need for either spouse to have borrowed a new loan after their separate Federal Consolidation Loans were made?

**Answer:**

Letter from the United States Department of Education, Policy Development Division

The rules for determining a spouse's eligibility to borrow under the Federal Consolidation Loan Program are the same as the rules for determining the eligibility of an individual borrower. Thus, each spouse would be subject to the restriction in 34 CFR 682.201©(4). That provision of the regulations states that a borrower's eligibility to receive a Federal Consolidation Loan terminates upon the receipt of a Federal Consolidation Loan, except if the borrower later borrows additional loans or decides to include previous loans not included in the Federal Consolidation Loan during the 180-day period following the date the Federal Consolidation Loan was made.

**Question:**

Can a Consolidation loan be cancelled? If so, is there a time frame/deadline by which a cancellation request by the borrower can be honored?

**Answer:**

Letter from the United States Department of Education, Policy Development Division

Because of the complications involved and the resulting risks to the integrity of the Federal Family Education Loan (FFEL) Program, the Department does not permit the cancellation of a properly made FFEL Consolidation Loan. An FFEL Consolidation Loan applicant is made well aware of the benefits and disadvantages of consolidation. The applicant weighs those factors before deciding to consolidate his or her loans. Once a FFEL Consolidation Loan is made (again, assuming it was properly made, including all required information having been made available to the applicant) it is not reversible.

***Through our commitment  
to excellence and our  
dedication to our  
customers, we will be the  
best student financial  
assistance program in the  
nation.***

**OSFA**