



# OSFA OUTLOOK

Office of Student Financial Assistance • Florida Department of Education

December 1997/January 1998

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

**OSFA**

## ■ COMMON MANUAL UPDATES

On September 18, 1997 the *Common Manual* Governing Board approved a modification to the Preclaims Assistance Time Frames chart in Chapter 8, section 8.1.J. of the *Common Manual*.

Definitions have been added to the chart headings which will assist lenders in understanding and complying with the preclaims assistance time frames established by each *Common Manual* guarantor.

The Office of Student Financial Assistance distributed this update to participants dated January 2, 1998.

**If you have not received the above mentioned update or should you have questions or concerns, please call, Policy and Customer Service Unit at (850) 921-8948.**

## ■ Tax Benefits Implementation Guidance

The IRS issued IRS Notice 97-73 for postsecondary institutions to use as guidance on reporting requirements implementing the Tax Reform Act of 1997. This guidance was issued after consultations with the Washington-based higher education associations and after the Department of Treasury and Education, and the IRS, conducted public forums on the proposed reporting requirements.

For the tax year 1998, schools receiving payments for qualified tuition and related expenses must file an information return to the IRS for every student for which payments were made and must send a similar statement to students.

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If 1998 tuition reimbursements or refunds equal or exceed the payments made on behalf of the student, then the school is not required to file an information return. Also, the school does not have to file an information return for those students whose “tuition and related expenses were waived in their entirety or paid entirely with scholarships.”

Schools should provide reports on enrolled students for academic terms beginning in 1998. A school may determine each term’s enrollment by utilizing:

- (1) 30 days after the first day of the academic term;
- (2) A date during the term on which enrollment data must be collected for purposes of the Integrated Postsecondary Education Data System administered by the Department of Education; or
- (3) A date during the term on which the institution must report enrollment data to the State, the institution’s governing board or some other external governing body.”

Schools must use “Form 1098-T, Tuition Payments” and must send the information to the IRS by March 1, 1999 for tax year 1998. The same information provided to the IRS must also be provided to each student along with the phone number for the school’s official contact to answer any questions.

**■ Termination of Eligibility of 66 Foreign Medical Schools/Medical Programs**

The U.S. Department of Education sent a letter October 24, 1997, to inform the education community that the Administrative Actions and Appeals Division terminated the eligibility of the 66 foreign graduate medical schools/programs to participate in all of the Title IV, HEA student financial assistance programs, effective July 21, 1997.

The terminations are the result of formal proceedings initiated pursuant to 34 CFR 600.41(a)(1) and Part 668, Subpart G, by letters that were sent to the schools on July 23, 1997. Those notices also imposed emergency actions against the schools. The schools did not request hearings in the termination actions, and, therefore, the terminations became effective.

A list of the of the terminated graduate medical schools/programs is attached to the notice from the Department. For questions or additional information, including copies of any correspondence or documents in this matter, please contact the Office of Student Financial Assistance, Eligibility and Compliance, (850) 488-7043.

**■ Increase to Aggregate Loan Limits for Certain Health Professions Students**

In the Dear Colleague Letter, GEN-97-14, the Department of Education announced an increase in the FFEL and Direct Loan aggregate loan limits to \$189,125 for certain health professions students affected by the phaseout of the HEAL Program.

As of July 1, 1996, eligible health professions students who were unable to borrow HEAL loans because of the phaseout of the program were allowed to borrow an increased amount in unsubsidized loans under the FFEL and Direct Loan programs. According to the DCL, some of these students have reached the aggregate loan limit. The increase in the aggregate loan limits for eligible health professions students is necessary to accommodate the increased annual unsubsidized loan limits.

Note that not all health professions students are eligible for the increased annual loan limits. Schools should review the guidance provided in the Dear Colleague Letter’s, GEN 97-4 and GEN-96-14 to determine if the school may participate at the higher limits and if so, which of their students are eligible.

## ■ Cost of Higher Education

The Commission on the Cost of Higher Education final report is not expected to be delivered to Congress until the latter part of January, which is over a month after the December 11, 1997 deadline. The commission was established last summer by Congress to examine increases in college costs and to make recommendations in time for the reauthorization of the Higher Education Act. The Commission is expected to make recommendations to the Congress and the Administration, postsecondary institutions, parents, and students. Some of the recommendations expected to be included in the final report are:

- ◇ Schools should redouble efforts to control costs and conduct efficiency reviews.
- ◇ The issue of academic freedom and tenure should be reviewed.
- ◇ Efforts to impose cost controls by the government would not work because postsecondary education is so diverse.
- ◇ A “Baldrige type” award, similar to that given by the Department of Commerce to private sector business, should be established to recognize school efforts and projects that keep costs down.
- ◇ Schools should clarify their cost structures--where income comes from and where those dollars are spent and make that information more widely available.
- ◇ The financial aid delivery system needs repair.
- ◇ The FFELP and Direct Loan delivery systems should continue.
- ◇ A review should be implemented of the recently enacted tax bill’s benefits and showing to what income groups those benefits accrue.
- ◇ Public information efforts on the availability of student aid should be implemented.
- ◇ The need and efficacy of various federal regulations should be examined with a view to elimination or modification of those that are redundant or unnecessary with a possible regulatory scheme that differentiates among types of postsecondary institutions.
- ◇ The FAFSA should be simplified.
- ◇ Families and students share a responsibility for financing their education.

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

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## Federal Updates

### ❖ SSCR Implementation Process

On December 9, 1997, Elizabeth Hicks, Deputy Assistant Secretary provided a letter regarding questions that have arisen regarding a November 14, 1997 letter sent to several schools signed by Lynn Alexander of the National Student Loan Data System (NSLDS) addressing the implementation of the NSLDS’ Student Status Confirmation Report (SSCR) process. The purpose of the letter was to alert college presidents that their institution may not have done everything necessary to implement the new SSCR process.

In some cases the records show that institutions have not signed a Title IV WAN agreement for direct electronic receipt of SSCRs. In other cases records show that the main campus has a Title IV WAN agreement, but some additional locations that also process financial aid, file a paper SSCR, or originate loans (by designating on the form a suffix code for receipt of loan funds) do not have an agreement.

At its option, the additional location may choose to designate the main campus as the SSCR processor, however, the additional location must indicate on the Title IV WAN agreement that its main campus will

act as “the third party processor” for SSCRs. Alternatively, a main campus or an additional location may choose a third party servicer and so designate on the Title IV WAN agreement.

These locations are now required to separately enter into a Title IV WAN Agreement in order for the Department to fully implement the electronic SSCR process.

The Dear Colleague Letter GEN-97-9, dated August 1997, discusses the new SSCR implementation process.

#### ■ **ED Resumes Direct Loan Consolidation**

The Department of Education resumed accepting applications for Direct Consolidation Loans effective, December 1, 1997. The Department had suspended consolidation loan activity when its contractor had problems resulting in a backlog several months ago.

#### ■ **Title IV Changes**

The Department of Education has sent Congress a list of changes for Title IV of the Higher Education Act (HEA) which have been approved by the Office of Management and Budget (OMB). Additional recommendations are expected when the Administration announces its FY-99 Budget. The HEA Reauthorization Proposals approved by OMB pertain to the Pell Grant Program, Student Loan Programs, Campus-Based Flexibility Proposals, Need Analysis and Delivery System and, also, the Gatekeeping and Oversight.

For detailed information on the above proposals, please see the NASFAA Newsletter, January 12, 1998, Volume XXX, No. 2 or [www.nasfaa.org/doclib/html/home/weekly/n1011298.html](http://www.nasfaa.org/doclib/html/home/weekly/n1011298.html).

#### ❖ **Federal Work Study Program Budget Increase**

President Clinton announced January 9 at a Texas high school that his upcoming FY-99 budget, which is to be released early next month, would contain a \$70 million increase in the Federal Work-Study program. The President indicated this action would meet his goal of having one million work-study students a year earlier than originally planned.

#### ❖ **Income Protection Allowances Increased**

The Department of Education has increased the Income Protection Allowances for certain categories of students for the 1998-99 award year. The recently enacted FY 1998 appropriations bill provides for a maximum Federal Pell Grant award of \$3,000 and the following maximum Income Protection Allowances for 1998-99.

- The maximum IPA for a dependent student is 2,200.
- The maximum IPA for an independent student without dependents other than a spouse is:
  - \* \$4,250 for an unmarried student;
  - \* \$7,250 for a married student if only the student is enrolled at least half-time; and
  - \* \$4,250 for a married student if both the student and spouse are enrolled at least half-time.

The Income Protection Allowances for the parents of dependent students, and for independent students with dependents other than a spouse are unaffected by the recent appropriations legislation.

#### ❖ **Fiscal Year 1999 Budget and Appropriations**

President Clinton informed the press about several aspects of his education budget proposal for FY 1999, which is reported to include an increase of only \$1.5 billion for Department of Education programs.

These proposals are reported to include:

- ♦ A \$70 million increase in FY99 for Federal Work Study;
- ♦ A \$100 increase in the Pell Grant maximum award in FY99;
- ♦ \$7.3 billion over five years for recruiting and training 100,000 new teachers;
- ♦ \$5 billion over five years for school constructions;

- ◆ \$2.5 billion over five years for school-college partnerships;
- ◆ \$2.5 billion over five years for schools in disadvantaged areas;
- ◆ \$200 million in FY99 for programs to assist Hispanic students;
- ◆ \$20 million in FY99 for setting up more than 1,300 charter schools; and
- ◆ a technology education and training initiative.

The President's budget proposal likely will recommend no FY99 funding for Federal Perkins Loan Federal Capital Contributions, with received \$135 million in FY98. This information is received just four months after high-ranking Department officials assured the higher education community in several forums that its reauthorization proposals would not recommend eliminating new Federal Capital Contributions to the Perkins Loan Program. Also, during the Hope Scholarship Tax Credit negotiations with the higher education community, the Administration promised to maintain its commitment to the Title IV need-based student aid programs.

The education community is concerned that such a proposal for Perkins Loans and the expected proposal that would eliminate funding for the State Student Incentive Grant Program could undermine the program during reauthorization.

#### **Direct Loan Consolidation Update**

This fall, the Department, Electronic Data Systems, and Price Waterhouse have collaborated to re-design and improve the direct loan consolidation process. The most important improvements made to the EDS loan consolidation process include a re-engineered loan certification process, improved data accuracy and managerial controls, and new staff and added expertise.

EDS resumed processing new applications for direct loan consolidation on December 1, 1997.

#### **Consolidation Loan Reporting on 799 Form.**

At the 1997 loan consolidation meeting held in Washington, DC, on December 19, Pam Moran indicated that the reporting guidelines which had been provided will not be effective until April 1, 1998. At that time, lenders should report as follows:

Lender fees - Part II - enter code EVAR, column D  
Special Allowance category - Part IV - enter SG, column C

Until the appropriate systems changes are made, lenders may report the affected loans as if 9% and then make the appropriate adjustments later, or lenders may delay reporting on these loans until the proper changes are in place.

#### **■ Federal Family Education Loan Program Special Allowance Rates for the Quarter Ending December 31, 1997.**

The Treasury Department has informed Patricia Newcombe, Acting Chief, FFEL Program Section, that the average of the bond equivalent rates of the ninety-one day Treasury bills auctioned during the quarter ending December 31, 1997, is 5.24 percent. This letter contains the bond equivalent rates of the 91-day Treasury Bills auctioned during the quarter and also the quarterly special allowance rates computed pursuant to section 438 of the Higher Education Act of 1965, as amended. Should you require a copy of this information, you may call the OSFA Customer Service and Policy Unit at (850) 921-8948, or the U.S. Department of Education at 1-800-433-3243.

❖ **Old Provisions Left Temporarily in Place**

The Department of Education published new regulations on November 25, 1997, that define financial responsibility for purposes of institutional participation in the Title IV programs. The rules which are contained in the new subpart L of the General Provisions (CFR 34 part 668), is effective July 1, 1998. The question has been asked why the final regulations package does not delete the old regulations defining financial responsibility found under CFR 34, part 668.15, which was proposed in the NPRM. The Department of Education decided to leave 668.15 in place temporarily due to modification it made to the NPRM.

Modification:

Under 668.175(e), the Department of Education introduced a transition year alternative for institutions that do not achieve a specified minimum composite score on the new financial ratios defined under 668.172. An institution under this alternative that meets all aspects of financial responsibility other than the new ratios, may continue to participate under certain old requirements defined under 668.15 for one fiscal year. If the institution fails the composite score standard at the conclusion of a fiscal year that began on or after July 1, 1997, but before July 1, 1998, the institution may invoke the transition year standard.

In the new subpart L which applies only to institutions, the Department decided to omit third-party servicers that perform functions for lenders or guaranty agencies from the new rules. The prior rules under section 668.15 will be modified to apply to these third-party servicers in the future.

The next issue of the *OSFA Outlook* will include a side-by-side analysis prepared by the NCHELP Program Operations Committee.

❖ **Department of Education’s Reinterpretation of the “D” Grade Requirement**

According to the Student Financial Aid Handbook, The Department now permits a school that enters into a written agreement with another school to decline to give credit for courses at the other school in which a student earns a “D” grade. The Department previously had interpreted the regulations as requiring the home school to give credit for “D” grades earned at the second school if the student would have earned credit for a “D” grade at the home school.

The Department of Education is to issue a Dear Colleague Letter announcing the change, however, this DCL has not yet been issued. The change in the Student Financial Aid Handbook can be found in chapter 3, page 135 of the 1997-98 handbook.



**Federal  
Regulations &  
Letters**

❖ **Dear Colleague Letter, GEN-97-13, Action Letter #3, November 1997**

This Action Letter describes changes to the 1998-99 application processing system, the FAFSA on the Web products, the Free Application for Federal Student Aid (FAFSA), the Renewal FAFSA, the Student Aid Report (SAR), and the Institutional Student Information Record (ISIR).

■ **Dear Guaranty Agency Director 97-G-304, November 1997**

The Office of Management and Budget has granted the Department of Education an extension for the current Guaranty Agency Claims and Collections Report (ED Form 1189) until September 30, 1998. Attached to this letter is the form with the new expiration date. This form must be used for submissions received at the Student Loan Processing Center on or after January 1, 1998. Any submission received on or after January 1, 1998 must be on this form regardless of the time period of the activity.

Agencies should continue to use the current instructions for reporting on the form. The form is to be filed using the overnight delivery service available from the U.S. Postal Service. This is the only delivery service that may be used.

■ **Dear Colleague Letter, GEN-97-14, 97-L-199, 97-G-305, December 1997**

Effective July 1, 1996, the Department increased the annual loan limits on unsubsidized student loans in the Federal Family Education Loan (FFEL) Program and the William D. Ford Federal Direct Loan (Direct Loan) Program for certain health professions students who are unable to borrow HEAL Program loans because of the phaseout of that program. However, the Department did not, at that time, increase the aggregate loan limits in the FFEL and Direct Loan programs for those borrowers.

For those health professions students who are eligible to receive the increased annual unsubsidized amounts based on the criteria described in previous “Dear Colleague” letters GEN-96-14 and GEN-97-4, the new aggregate loan limit for unsubsidized loans will be \$189,125 less the aggregate amount of any subsidized loans made to the student.

**Dear Guaranty Agency Director, Disaster Letter 97-23, Typhoon Keith in the Northern Mariana Islands, December 1997.**

On December 8, President Clinton declared the Commonwealth of the Northern Mariana Islands to be a disaster area because of damage caused by Typhoon Keith beginning November 2. Following the President’s declaration, the Federal Emergency Management Agency designated the islands of Rota, Saipan, and Tinian in the commonwealth to be covered under FEMA’s disaster assistance programs. Guaranty agencies and lenders are authorized to use the Department’s disaster-related forbearance policies to assist FFEL borrowers who are residents of those islands.

**Dear Guaranty Agency Director, Disaster Letter 97-24, Typhoon Paka in Guam, December 30, 1997.**

On December 17, President Clinton declared the U.S. Territory of Guam to be a disaster area because of damage caused by Typhoon Paka Beginning December 16. Guaranty agencies and lenders are authorized to use the Department’s disaster-related forbearance policies to assist FFEL borrowers who are residents of Guam.

■ **Dear Guaranty Agency Director, New notices for Administrative Wage Garnishments, December 1997.**

On February 1, 1994, the U.S. Department of Education disseminated procedures, via a “Dear Guaranty Agency Director” letter on administrative wage garnishment developed by the National Council of Higher Education Loan Programs (NCHHELP) that were approved by the Department for use by all guaranty agencies. In order to clarify the bases under which a student loan debtor may object to the enforceability of the debt or the amount of the administrative wage garnishment order, and the standards for review of those objections, all guaranty agencies are required to replace the “Notice Prior to Wage Withholding” and “Request for Hearing for Exemption” notices that the Department disseminated in the February 1, 1994 “Dear Guaranty Agency Director” letter with the new documents attached to the December 1997 letter. In a subsequent letter, the Department postponed the implementation date until later notice.

■ **Dear Treasury Offset Coordinator, December 1997.**

This letter to guaranty agencies concerns the certification tape an letter agencies must submit to the Department between December 5 and December 10, 1997.

■ **Dear Colleague Letter, DLB-97-46, December 1997**

In response to school requests, the Loan Origination Center is making blank PLUS loan endorser forms available for school use. If you have Federal Direct PLUS applicants who are likely to have an adverse credit history, you may choose to give endorser forms to the parents to submit with their original Federal Direct PLUS Application and Promissory note.

■ **Dear Colleague Letter, DLB-97-47, December 1997**

The Loan Origination Center (LOC) is preparing for the next round of disbursement records that is scheduled from 12/20/97 through the end of January 1998. The LOC has been processing disbursement batches in a 24 hour turnaround time for all institutions. New software enhancements will be ready this month to support what is now called the disbursement peak season.

■ **Dear Colleague Letter, DLB-97-48, December 1997**

DLB-97-48 announces the availability of a new reconciliation report for 1995-96 and 1996-97 loan records from the Loan Origination Center. This new report is the "LOC" Transactions for Which School Has Not Sent Data Report," also known as the 748 Report.

■ **Dear Colleague Letter, DLB-97-49, December 1997**

For the 1998-99 academic year, the Department reports that the Direct Loan reconciliation process has been completely redesigned to better ensure a school's proper management of the Direct Loan funds and to make the process less burdensome for schools. An important change for schools is that the Loan Origination Center (LOC) will initiate the reconciliation process for the 1998-99 academic year and all future years. The current data match process will continue for all prior years.

■ **Dear Colleague Letter, DLB-97-50, December 1997**

The Department of Education and Loan Origination Center (LOC) would like to thank those schools that have been patiently waiting for changes and corrections to data for academic years 1995-96 and 1996-97. The LOC is aggressively working to identify, categorize, and create solutions to data problems. The process is working and will be kept in place through July 31, 1998. Processing for 1997-98 also is going well, and there are many exciting changes under consideration for the current processes as well as for academic year 1998-99.

■ **Dear Colleague Letter, DLB-97-51, December 1997**

Loan Origination Center Holiday Schedule announcement of closing on December 24 and December 31, 1997.

■ **Dear Colleague Letter, DLB-97-52, December 1997**

The Department issued a form for schools to use if they experience problems receiving a timely response to promissory notes submitted to the Loan Origination Center. In an effort to respond more quickly to these requests, ED has redesigned this document and requests that schools use this form to replace the form that was issued earlier.

■ **Dear Colleague Letter, DLB-97-53, December 1997.**

The *Direct Loan Cash Management and Data Matching (Reconciliation) Guide*. The reconciliation process has changed somewhat, as referenced and highlighted in DL Bulletin 97-41. The new guide explains the Direct Loan concept of reconciliation and the cash management and data matching activities.

❖ **Dear Colleague, ANN-97-14, December 1997.**

This letter announces a series of Electronic Aid Office workshops to be held February through September 1998. Included is the lists of contents, sites and dates of the workshops and explains registration procedures.

**Dear Guaranty Agency Director, Disaster Letter 98-01, High Winds, Tornadoes, and Flooding in Florida, January 7, 1998.**

On January 6, the Federal Emergency Management Agency designated Hernando, Hillsborough, Osceola, and Polk counties in Florida to be disaster areas because of tornadoes and other violent weather starting December 25, 1997. 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 98-02, Severe Winter and Ice Storms, High**



**Winds, and Flooding in New York, January 13, 1998.**

On January 10, the Federal Emergency Management Agency designated Clinton, Essex, Franklin, Jefferson, and St. Lawrence counties in New York to be disaster areas because of severe winter and ice storms, high winds, and flooding starting January 5. 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 98-03, Flooding in Tennessee, January 14, 1998.**

On January 13, the Federal Emergency Management Agency designated Carter county in Tennessee to be a disaster area because of flooding that began January 6. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of the county.

**❖ Dear Colleague Letter, GEN-98-1, January 1998.**

This letter advises institutions of the potential impact of the Year 2000 computing problem and the importance of an aggressive approach to ensuring that Title IV Programs will continue unimpaired. The Department warns of serious processing errors and disruptions to student aid delivery and accountability that can result from failure of systems to provide for the upcoming change to Year 2000 and beyond. This letter reminds institutions that the Dear Colleague Letter, GEN-97-111998-99 Action Letter #2 required among other things, that institutions must be Year 2000 Compliant with regard to the processing of Title IV data no later than January 1, 1999.

**❖ Dear Colleague, GEN-98-2, Student Eligibility Issues, January 1998.**

This letter clarifies several issues regarding student eligibility policy that have arisen as a result of recently enacted legislation or as a result of questions from the student aid community.

**❖ Dear Colleague, GEN-98-3, Effect of the Solomon-Pombo Amendment, January 1998.**

Section 514 of the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1997 was enacted on September 30, 1996, as part of the Omnibus Consolidated Appropriations Act, 1997 (Public Law 104-208). This section of the Act provides that Fiscal Year 1997 and subsequent year Federal funds, including certain Department of Education funds, cannot be provided by contract or by grant to institutions of higher education that have been found to have denied or restricted access to military recruiters or have denied or restricted the establishment, maintenance or efficient operation of a Senior Reserve officer Training Corps (ROTC) unit. This section of the Act is referred to as the Solomon-Pombo Amendment. The purpose of this letter is to explain the effect of these restrictions on the student financial assistance programs authorized under Title IV of the Higher Education Act of 1965, as amended.

**❖ Dear Colleague, GEN-98-4, January 1998.**

This letter announces the staffing of the Institutional Improvement Specialist for each Case Management Team in the Institutional Participation and Oversight Service, the functions that the Specialist perform and their names and addresses.

**❖ Dear Colleague, P-98-1, Enhancements to Pell Customer Support, January 1998.**

This letter announces enhancements to the Federal Pell Grant customer support function, including expanded services available through the telephone number used to reach the Institutional Access System as well as new addresses for submission of payment data and correspondence.

**❖ Dear Financial Aid Administrator, CB-98-1, Tentative 1998-99 Funding Levels for the Campus-Based Programs, January 1998.**

This letter provides information on Tentative 1998-99 Funding Levels for the Campus-Based Programs. Enclosed is a notice of your institution's tentative funding levels for the Federal Perkins Loan, Federal Work-Study (FWS), and/or Federal Supplemental Educational Opportunity Grant (FSEOG) programs for

the award period of July 1, 1998 through June 30, 1999. These tentative funding levels were determined in accordance with 1) the Higher Education Act (HEA) of 1965, as amended; and 2) campus-based programs regulations.

❖ **Dear Financial Aid Administrator, CB-98-2, January 1998.**

Changes in the 1999-2000 FISAP for the Federal Perkins Loan, Federal Supplemental Education Opportunity Grant (FSEOG), and Federal Work-Study (FWS) Programs. The Department is planning to make certain data collection changes to the 1997-98 Fiscal Operations Report/1999-2000 Application to Participate (FISAP). Even though these proposed changes are still subject to the approval of the Office of Management and Budget (OMB), the Department is advising you of them well in advance of the distribution of the Electronic FISAP materials in July. Enclosed is a copy of the requirements for your planning purposes.

■ **Federal Register, Federal Perkins Loan, Federal Work-Study, and Federal Supplemental Educational Opportunity Grant Programs; Notice, December 2, 1997**

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 allocation reduction being applied to its Federal Perkins Loan, FWS, or FSEOG allocation for the 1998-99 award year (July 1, 1998 through June 30, 1999) because the institution returned more than 10 percent of its allocation for that program for the 1996-97 award year (July 1, 1996 through June 30, 1997). The closing date for submitting a waiver request and any supporting information or documentation is on or before February 13, 1998.

■ **Federal Register, Office of Postsecondary Education; Federal Perkins Loan, Federal Work-Study, and Federal Supplemental Educational Opportunity Grant Programs; Notice, December 8, 1997.**

The Secretary invites currently ineligible institutions of higher education that filed a Fiscal Operations Report and Application to Participate (FISAP) (ED Form 646-1) for one or more of the "campus-based programs" for the 1998-99 award year to submit to the Secretary an "Application for Approval to Participate in Federal Student Financial Aid Programs" and all required supporting documents for an eligibility and certification determination.

The closing date to participate in the campus-based programs for the 1998-99 award year, a currently ineligible institution must mail or hand-deliver its "Application for Approval to Participate in the Federal Student Financial Aid Programs" on or before January 13, 1998.

■ **Federal Register, Availability of Funds for AmeriCorps\*VISTA America Reads Projects-- Nationwide, December 18, 1997, Notice of availability of Funds.**

The Corporation for National and Community Service announces the availability of funds for fiscal year 1998 for new AmeriCorps\*VISTA (Volunteers in Service to America) program grants focusing on the America Reads initiative in all fifty States, the District of Columbia, Puerto Rico, and the Virgin Islands. The program grants are authorized under Title I, Part A of the Domestic Volunteer Service Act of 1973, as amended (Pub. L. 93-113). Project applications will be written to cover a 24 month period although grants will be awarded for a 12-month period with a renewal option. As part of this effort, the Corporation is soliciting applicants which are public or private non-profit organizations, including current AmeriCorps\*VISTA project sponsors. Approximately 35-40 grants are expected to be awarded in April 1998 with AmeriCorps\*Vista members beginning service prior to the start of the 1998-99 school year.

Applications should be submitted to the Corporation for National and Community Service, 1201 New York Avenue, NW, Mailstop 9207, Washington, DC, 20525, Attn: Kathleen Dennis. Applications must be received by 5:00 p.m., Eastern Standard Time, January 28, 1998. For further information, contact Kathleen Dennis at (202) 606-5000, Ext. 249.

■ **Federal Register, 38 CFR Part 21, Hike in Selected Reserves GI Bill Pay Rates, December 18,**

**1997, Final Rule.**

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 the statutory formula, the regulations governing rates of basic educational assistance payable under the Montgomery GI Bill-Selected Reserve for fiscal year 1998 (October 1, 1997, through September 30, 1998) have been changed to show a 2.8% increase in these rates. The final rule is effective December 18, 1997. However, the changes in rates are applied retroactively to conform to statutory requirements.

■ **Federal Register, 38 CFR Part 21, Veterans Education: Effective Date for Awards of Educational Assistance to Veterans Who Were Voluntarily Discharged, December 18, 1997, Proposed Rule.**

This document proposes to amend the educational-assistance and educational-benefit regulations of the Department of Veterans Affairs (VA). It proposes to establish effective dates of awards of educational assistance to certain voluntarily discharged veterans who are eligible for the Montgomery GI Bill--Active Duty (MGIB). The effective dates are intended to correspond with a statutory mandate for the effective rates. The proposed rule also clarifies that these veterans may not receive educational assistance for training that occurs before they pay the Federal government \$1,200. Comments must be received on or before February 17, 1998.

■ **Federal Register, Submission for OMB review; comment request, December 19, 1997**

The Deputy Chief Information Officer, 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 January 20, 1998.

## ENCLOSURES IN THIS ISSUE

Disaster Letter 97-23: Typhoon Keith in the Northern Mariana Islands

Disaster Letter 97-24: Typhoon Pake In Guam

Disaster Letter 98-01: High winds, tornadoes, and flooding in Florida

Disaster Letter 98-02: Severe winter and ice storms, high winds, and flooding in New York

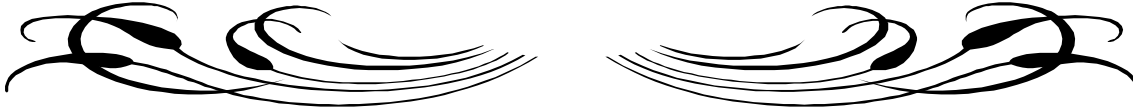
Disaster Letter 98-03: Flooding in Tennessee

Disaster Letter 98-04: Flooding in North Carolina

*NOTE: Disaster Letters 98-01, 98-02, and 98-03 are copies downloaded from <http://sfa.ope.ed.gov/L>*

# QUESTIONS AND ANSWERS

## OSFA's Q&A



### **Question:**

If a student is enrolled in a loan period which occurs in two award years, how does the school determine the correct award year.

### **Answer:**

The loan periods do not always fall neatly into one award year or another. If a student is enrolled in a loan period scheduled to occur in two award years (crossing over) the school may place this student's payment period into either award year, provided the student has a valid SAR or ISIR for the award year selected. *There is one exception.* If more than six months of the loan period occurs in a given award year, the payment period must be placed in that award year.

*Federal Student Financial Aid Handbook, Chapter 4, Page 37.*

*Federal Regulations, CFR 690.64*

- (a) If a student enrolls in a payment period which is scheduled to occur in two award years--
- (1) The entire payment period must be considered to occur within one award year.
  - (2) The institution shall determine for each Federal Pell Grant recipient the award year in which the payment period will be placed subject to the restrictions set forth in paragraph (a)(3) of this section.
  - (3) The institution shall place a payment period with more than six months scheduled to occur within one award year in that award year.
  - (4) If an institution places the payment period in the first award year, it shall pay a student with funds from the first award year.
  - (5) If an institution places the payment period in the second award year, it shall pay a student with funds from the second award year.
- (b) An institution may not make a payment which will result in the student receiving more than his or her Scheduled Federal Pell Grant for an award year.

### **QUESTION:**

Can a loan be sold or transferred prior to full disbursement?

### **ANSWER:**

YES

*Federal Regulations, 34 CFR 682.401(b)(17) (iii)*

(b)(17)(iii) The guaranty agency must allow a loan to be assigned under paragraph (b)(16)(i) of this section, following the first disbursement of the loan if the assignment does not result in a change in the identity of the party to whom payments must be made.

Higher Education Act 428(G)(g)

Sales Prior to Disbursement Prohibited.

An eligible lender shall not sell or transfer a promissory note for any loan made, insured, or guaranteed under this part until the final disbursement of such loan has been made, except that the prohibition of this subsection shall not apply if--

- (1) The sale of the loan does not result in a change in the identity of the party to whom payments will be made for the loan; and
- (2) The first disbursement of such loan has been made.