



OSFA OUTLOOK

Office of Student Financial Assistance • Florida Department of Education

February/March 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

The *Common Manual* Governing Board approved several policies to modify the *Common Manual*.

The approved policies provide clarification for Deferment Requirements for “New Borrower” and Requirements for In-School or Student Deferment. Also provided are changes to Due Diligence Schedules and Activities.

The *Common Manual* Governing Board also approved policies that create changes in policies affecting Excused Absences, Aggregate Loan Limits, Endorser Skip Tracing Requirements, and Effect of Telephone Numbers on Due Diligence Gaps.

The Office of Student Financial Assistance distributed these updates to participants on January 28 and 29, 1998. If you have not received the above mentioned updates or should you have questions or concerns, please call, Policy and Customer Service Unit at (850) 921-8948.

■ Straight Talk About College Costs and Prices

Public Law 105-18 (Title IV, Cost of Higher Education Review, 1997) established the National Commission on the Cost of Higher Education as an independent advisory body and called for a comprehensive review of college cost and prices. The statute directed the Commission to submit a report to the President and Congress by February 1998.

This report provides straight talk about college costs and about college prices. While the ultimate goal is ensuring the affordability of higher education, achieving that goal requires an understanding of what it costs colleges and universities to educate student. The report is divided into three main

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sections: the first provides a review of significant facts about higher education and the current situation with regard to higher education costs and prices. The second outlines the review and assessment of the major reasons advanced for increases in college costs and prices. The third presents the commissions convictions about the college cost and price crisis and their recommendations to keep higher education affordable.

The complete text of the January 21 report issued by the National Commission can be found on the Internet at <http://www.nasfaa.org/doclib/html/gov/gcostrpt127.html>.

■ President Clinton’s Fiscal Year 1999 Budget

On February 2, 1998, President Clinton submitted to Congress the first balanced budget in thirty years. The President stated that the “budget is not just balanced, it is balanced the right way” because it invests key programs such as education.

Title IV Program	President’s FY99 Proposal	FY98 Actual
Federal Pell Grant Program	\$7.499 Billion	\$7.345 Billion
Federal Pell Grant Maximum Award	\$3,100	\$3,000
Federal Supplemental Education Opportunity Grant Program	\$619 Million	\$614 Million
Federal Work Study	\$900 Million	\$830 Million
Federal Perkins Loan-Federal Capital Contributions	\$100 Million	\$135 Million
Federal Perkins Loan-Cancellations	\$30 Million	\$30 Million
State Student Incentive Grant	\$0	\$25 Million
TRIO	\$583 Million	\$529.7 Million
College School Partnerships	\$140 Million	New Initiative
Byrd Honors Scholarships	\$39 Million	\$39.3 Million
National Need Graduate Fellowships	\$38 Million	Not Applicable
Learning Anytime Anywhere Partnerships	\$30 Million	New Initiative
Access and Retention Innovations	\$20 Million	New Initiative
Early Awareness Information	\$15 Million	New Initiative

Funds will be used to support a new program, pilot projects, or information campaigns within these Title IV Programs.

■ Administration’s FY-99 Budget Proposes

The Administration has submitted as part of its FY-99 Budget proposal several changes that would be part of the total reauthorization package to be given to Congress later this year. The Administration’s goal for the reauthorization proposal is to ensure access to, and encourage persistence in postsecondary education, modernize and simplify the Federal student aid delivery system, support and improve student loan systems with enhanced repayment flexibility, and assure accountability of Federal funds.

■ Reauthorization Bill H.R.6

On February 25, 1998, the House Subcommittee on Postsecondary Education, Training and Life-Long Learning was scheduled to markup H.R.6, “Higher Education Amendments of 1998.” A ‘markup’ is a legislative business meeting in which a congressional committee takes an introduced bill that has been referred and makes any modifications to the bill by amendment. Often a substitute bill is offered to be used as the markup source for amendment. Once all amendments have been disposed of, the subcommittee votes to report the bill to its full committee for further consideration. After the full committee markup, a bill is sent to the House floor for consideration. A similar process is followed in the Senate.

This date was changed to March 4, 1998 however, the subcommittee did not consider the Title IV programs, which will be addressed at a full committee markup session was scheduled for March 18. The primary reason for the lack of action on Title IV markup is that the subcommittee was not ready to offer its plan for dealing with the change in the calculation of student loan interest rates. This legislation is the main source for reauthorizing the Higher Education Act of 1965.

Title IV contains the financial aid programs for students and parents under the HEA. Parts A,B,C,D, and E of Title IV provide grant, work-study, and loan assistance to students attending institutions of higher education that are eligible. Part F of the Title IV contains the need analysis formula to determine student eligibility for grants, work-study, and subsidized loan programs. Part G provides general provisions regarding Title IV such as the definitions of eligible programs, and eligible students, as well as the Campus Crime and gender equity reporting requirements and Part H contains the program integrity provisions.

On March 18, the House Committee on Education and the Workforce began its markup on H.R. 6. The committee reported the bill with a vote of 38 to 3 on March 19. The Committee revealed its Title IV changes which included its solution to the July 1, 1998 change in the calculation of student loan interest rate. During the markup the Committee voted on close to three dozen amendments with many of the amendments withdrawn.

Some of the specific changes to Title IV Student Loan Programs under H.R. 6 would be:

Changes the interest rate formula scheduled for July 1, 1998. The new rate for students will be the equivalent of the 91-Day T-Bill + 1.7 percent (6.83% in 1998) while the student is in school and the equivalent of the 91-Day T-Bill + 2.3 percent (7.43% in 1998) while in repayment, capped at 8.25 percent. The new rate for lenders will be the equivalent of the 91-Day T-Bill + 2.2 percent (7.33% in 1998) while the student is in school, and the equivalent of the 91-Day T-Bill + 2.8 percent (7.93% in 1998) while the borrower is in repayment;

Maintains the FFEL Program and the Direct Loan Program with no volume caps in either program; Eliminates the requirement that half-time students be required to borrow a new loan in order to receive an in-school deferment;

Allows students to include additional loans in existing consolidation loans within 180 days following the making of the consolidation loan; and

Allows direct loans to be consolidated into FFEL consolidation loans.

H.R. 6 also creates changes in Title IV Pell Grants, TRIO, Supplemental Education Opportunity Grants, Work-Study, Perkins Loans, Need Analysis, and Accreditation, Eligibility and Certification

■ **Economic Hardship Deferment Form**

In a letter from Patricia Newcombe dated March 25, 1998, approval for the extension of the expiration date of the Economic Hardship Deferment form has been received. The Office of Management and Budget (OMB) has granted an extension of the expiration date of the FFELP Economic Hardship Deferment Request form has been extended from February 1998 to February 1999.

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

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Federal Updates

* HEAL Defaulted Borrowers Made Public

The Health Resources and Services Administration has published a list of Health Education Assistance Loan (HEAL) borrowers who have defaulted on their HEAL loans. These defaulted borrowers are excluded from the Medicare and state health care programs as of July 31, 1997.

The list is available on the Internet (<http://www.defaulteddocs.dhhs.gov>), and will be published in an upcoming Federal Register. Information included in the Federal Register notice for the list of defaulted borrowers are Social Security numbers and last-known addresses. This will be made available on written request to relevant federal agencies and to schools, school associations, professional and specialty associations, state licensing boards, hospitals with which listed borrowers may be associated, and other relevant organizations.

■ Year 2000 Problem Web Page

The Department of Education has created a web page on the “year 2000 problems,” which can be used by Department customers and the education community. The web site (<http://www.ed.gov/y2k>) offers information about what the Department is doing to become Year 2000 compliant and what the Department customers and partners can do.

The web site also offers links to federal sites that address the problem and discusses the Department of Education strategy. Questions from postsecondary institutions about the Year 2000 problems can be sent via e-mail to: ope_y2k@ed.gov.

❖ Perkins Loans, On Again

With the response received from the higher education community and students, the Clinton Administration appears to have reconsidered its proposal to eliminate Federal Capital Contributions to the Perkins Loan Program in its Fiscal Year 1999 budget. These reports have pleased education advocates, but many are holding judgment until the President’s entire budget proposal for title IV student aid has been seen.

If the President’s budget provides only nominal funding for Perkins Loans, or if funding for another program is traded to fund the Perkins Loans, such as Federal Work-Study, most would agree that the Administration has not followed through with the commitment to the student aid programs it promised during last year’s debate on Hope Scholarships.

* IRS Issues for Student Loan Interest Deduction for Tax Year 1998

The IRS issued *Notice 98-7*, which contains Tax Year 1998 guidance to lending entities implementing the student loan interest deduction provision of last year’s Tax Reform Act of 1997. This notice describes the information reporting requirements for 1998 under 6050S of the Internal Revenue Code (as enacted by the Taxpayer Relief Act of 1997, Public Law No. 105-34, 202(c), 111 Statute 804 (the Act)) that apply to certain persons who receive payments of interest that may be deductible as qualified education loan (“student loan”) interest. The Treasury Department intends to issue regulations on the information reporting required under 6050S. Pending the issuance of those regulations, this notice describes who

must report information with respect to payments of student loan interest, and the nature of the information that will be required under 6050S for 1998.

For 1998, payees are required to report interest received only with respect to student loans that have a "covered period" ending during or after 1998. comments are requested regarding the student loan interest reporting requirements that should apply for future years. The Internal Revenue Service will issue additional guidance on the student loan interest that a taxpayer may deduct, including further guidance for determining whether a taxpayer has made a payment of interest on a student loan during the first sixty months in which interest payments are required.

For a copy of Notice 98-7 and , you may access it through the Internet at the following address: (<http://www.nasfaa.org/doclib/html/gov/gov/Girs98-7.html>). Also available is the Treasury Department's summary, report, and proposal on interest rates which can be found at <http://www.nasfaa.org/doclib/html/gov/reauthDocs/gtreaxsum.html>.

❖ **IRS Revenue Procedure 98-16, Employment taxes.**

This revenue procedure sets forth generally applicable standards for determining whether service in the employ of certain public or private nonprofit schools, colleges, universities, or affiliated organizations described in 609(a)(3) of the Internal Revenue Code performed by a student qualifies for the exception from Federal Insurance Contributions Act tax provided under 312(b)(10) of the Code (Student FICA exception). These standards are intended to provide objective and administratable guidelines for determining employment tax liability. The Student FICA exception standards were developed in response to requests for guidance by many public and private nonprofit institutions of higher education.

IRS Publication 970--Tax Benefits For Higher Education is available on the IRS website at http://www.irs.ustreas.gov/rrod/forms_pubs/pubs.html. This document will be downloaded as an Adobe Acrobat file.

* **Student Loans: What Is the Problem with Converting to the 10-Year Interest Rate Benchmark?**

The Congressional Research Service prepared a report to be used by Congress on converting to the 10-Year Treasury note rate. The following is a summary of that report: Beginning June 1, 1998, the index for setting the interest rate on federally backed student loans will be changed from the 3-month Treasury bill rate to the 10-year Treasury note rate. This adds a cost to the program for private lenders who make student loans; the cost may be sufficient to remove some of lenders from the program. More to the point, without any fundamental market-oriented change in the way the interest rate is set each year, the new index can result in a greater likelihood that the program will become unprofitable at certain points in the business cycle. The result could be a shutdown of the guarantee delivery system and assumption of all student lending by the direct governmental delivery system for student loans.

❖ **Schedules for Paper Pell Payment is Sent**

The Department of Education mailed the paper version of the Federal Pell Grant Payment and Disbursement Schedules to schools on February 13, 1998. The DCL (Dear Colleague Letter P-98-2) was posted to the Department's web site on January 30, 1998.

It seems that some schools, due to the late mailing, thought that ED had discontinued mailing paper DCL's. As of July 1, 1998, schools must be capable of accessing documents from the Department's web site. At some point after the July 1 date, ED will cease mailing paper DCL's, Federal Registers, and other documents to schools.

❖ **1998-99 Verification Guide**

The Department of Education plans to mail the 1998-99 Verification Guide to schools in mid-April. An electronic version of the Guide may be available sometime in March on the SFA BBS. The 1998-99 Verification Worksheets were published in November 1997 as an attachment to Action Letter #3 (GEN-97-13).

❖ **1998-99 Federal Student Financial Aid Handbook Available on NASFAA Web Site.**

The 1998-99 Federal Student Financial Aid Handbook is now available on the Regulatory Analysis and Assistance area of the NASFAA Web Site. <http://www.nasfaa.org>. The Handbook is in Adobe Acrobat. The handbook's eleven chapters are:

- Chapter 1 - Introduction and General Program Information
- Chapter 2 - Student eligibility and Financial Need
- Chapter 3 - Institutional Eligibility and Administrative Requirements
- Chapter 4 - Federal Pell Grant Program
- Chapter 5 - Campus-Based Programs: Common Elements
- Chapter 6 - Federal Perkins Loan Program
- Chapter 7 - Federal Work-Study Program
- Chapter 8 - Federal supplemental Educational Opportunity Grant Program
- Chapter 9 - State Grant Program
- Chapter 10 - Federal Family Education Loan Program
- Chapter 11 - William D. Ford Federal Direct Loan Program

❖ **EDCAPS/GAPS Conversion.**

The U.S. Department of Education has temporarily suspended the conversion to the Education Central Automated Processing Systems (EDCAPS) Grant Administration and Payment System (GAPS) so that they can further ensure the conversion will not result in payment processing delays. The Department's Payment Management System (PMS), which closed on February 26, is again available.

The Department has not yet scheduled the conversion to EDCAPS. Before it does, they want to be sure that the GAPS system will meet the stringent performance standards. However, the Department will provide at least four weeks notice before the transition period to provide you with adequate time to plan ahead.



**Federal
Regulations &
Letters**

❖ **Dear Colleague Letter, P-98-2, 1998-99 Pell Payment/Disbursement Schedules, January 30, 1998.**

This letter contains two sets of 1998-99 Federal Pell Grant Program Payment and Disbursement schedules - Regular and Alternative.

❖ **Dear Colleague, DLB-98-01, January 1998**

Correction of the Bank Account Number for Returning Direct Loan Excess Cash.

* **Dear Guaranty Agency Director Letter, Disaster Letter 98-05, Ice Storm in Maine, January 23, 1998**

On January 15, the Federal Emergency Management Agency designated Androscoggin, Cumberland, Franklin, Hancock, Kennebec, Knox, Lincoln, Penobscot, Piscataquis, Oxford, Sagadahoc, Somerset, Waldo, Washington, and York counties in Maine to be disaster areas because of a severe ice storm that began 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 98-06, Ice Storm in New Hampshire, January 28, 1998.**

On January 25, the Federal Emergency Management Agency designated Belknap, Carrol, Cheshire, Coos, Grafton, Hillsborough, Merrimack, Strafford, and Sullivan counties in New Hampshire to be disaster areas because of severe ice storm that began January 7. 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 Letter, GEN-98-5, Temporary Drawdown Procedures, February 1998.

Temporary procedures for drawing down Federal Direct Loan, Federal Pell Grant, and Campus-Based Program funds during the period in which the Department converts its payment system from the Payment Management System to the new EDCAPS Grant Administration and Payment System. During the transition from PMS to GAPS, February 26 through March 15, 1998, institutions will not be able to draw down Federal funds from the Department. To obtain funds before the conversion, an institution has to draw down those funds by a certain time and date.

❖ Dear Colleague, DLB-98-2, Results of Direct Loan School Audits, February 1998

This bulletin presents the results of the recent Office of Inspector General's overview audit of direct loan schools. The report summarizes issues raised in sixteen audits of schools participating in the William D. Ford Federal Direct Loan Program covering the period July 1, 1995 through March 31, 1996. The objectives of the OIG audits were to determine whether schools have properly administered the Direct Loan Program and accounted for and expended funds in accordance with program requirements. To accomplish these objectives, the auditors reviewed and evaluated the schools' internal control systems in the areas of cash management, transfer of funds, adjustments and cancellations, reconciliation's, recordkeeping and reporting, and electronic data processing.

❖ Dear Colleague, DLB-98-3, Additional Guidance on the Conversion to the Education Central Automated Processing System (EDCAPS), February 1998

The new system will be implemented on March 16, 1998. A recent *Dear Colleague Letter, GEN-98-5*, also provides guidance on temporary procedures during the conversion period. After February 26, 1998, the Department's existing Payment Management System will be unavailable. This letter is to provide additional guidance to Direct Loan schools.

❖ Dear Financial Aid Administrator, CB-98-3, Campus-Based Final Authorization Letter, March 1998.

Enclosed in this letter is the institution's final authorization letter for the Federal Perkins Loan, Federal Work-Study and/or Federal Supplemental Educational Opportunity Grant programs for the award year July 1, 1998 through June 30, 1999. Also included is the Chief Fiscal Officer copy and you are asked to disseminate this document to the appropriate office.

❖ Dear Colleague Letter, DLB-98-4, February 1998

The Direct Loan Program will be installing new software for the 1998-99 academic year beginning on Friday, February 13, 1998. In order to accomplish this task, the Loan Origination Center will be closed on that date.

*** Dear Guaranty Agency Director, Disaster Letter 98-07, Flooding in Tennessee, February 10, 1998**

On February 5, the Federal Emergency Management Agency designated Unicoi county in Tennessee to be a disaster area that qualifies for federal assistance under FEMA's "Individual Assistance" program 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 that county.

*** Dear Guaranty Agency Director, Disaster Letter 98-08, Flooding in California, February 10, 1998.**

On February 9, the Federal Emergency Management Agency designated the following 27 counties in California to be disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of storms and flooding that began February 2. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of these counties: Alameda, Butte, Calaveras, Colusa, Contra Costa, Glenn, Humboldt, Lake, Marin, Mendocino, Merced, Monterey, Napa, SanBenito, San Francisco, San Joaquin, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Sonoma, Sutter, Tehama, Ventura, Yolo, and Yuba.

❖ Dear Colleague, DLB-98-05, New Reports for Closing Out 1995-96 and 1996-97 Academic Years, February 1998.

The deadline for the processing of Direct Loan records for the 1995-96 and 1996-97 academic years is July 31, 1998. After July 31, 1998, the direct Loan Origination Center will no longer accept any loan origination records, promissory notes, or disbursement transactions (actual disbursements, adjustments and cancellations) for the 1995-96 and 1996-97 academic years. If the Loan Origination Center has not received complete and accurate records for any 1995-96 or 1996-97 loan made by a school by July 31, 1998, the school may have an institutional liability for any unbooked or erroneously booked loan.

*** Dear Guaranty Agency Director, Disaster Letter 98-09, Tornadoes and Flooding in Florida, February 17, 1998.**

On February 12, the Federal Emergency Management Agency designated Broward, Dade, and Monroe counties in Florida to be disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of tornadoes and flooding that began February 2. 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 98-10, Flooding in California, February 18, 1998.**

On February 17, the Federal Emergency Management Agency added four more counties in California to the 27 counties previously designated as disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of storms and flooding that began February 2. The previous notice to you about the California flooding was "Disaster Letter 98-08," dated February 10. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of these counties (all new counties are capitalized): Alameda, AMADOR, Butte, Calaveras, Colusa, Contra Costa, FRESNO, Glenn, Humboldt, Lake, Marin, Mendocino, Merced, Monterey, Napa, SACRAMENTO, San Benito, San Francisco, San Joaquin, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, SOLANO, Sonoma, Sutter, Tehama, Ventura, Yolo, and Yuba .

*** Dear Guaranty Agency Director, Disaster Letter 98-11, Ice Storm in Maine, February 19, 1998.**

We have learned that the Federal Emergency Management Agency has amended its major disaster declaration for Maine to include Aroostook county. The entire state of Maine now qualifies for federal assistance under FEMA's "Individual Assistance" program because of a severe ice storm that began January 5. Our previous notice to you about the Maine ice storm was "Disaster Letter 98-05," dated January 23. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist all FFEL borrowers who live in Maine and need assistance because of the ice storm.

❖ Dear Financial Aid Administrator, CB-98-4, Application for Additional FY98 FWS Allocation, February 1998.

This letter provides information on the Application for Additional Allocation of Federal Work-Study Funds for Fiscal Year 1998. This letter supplements Chapter 7 of the Federal Student Financial Aid Handbook. The Department of Education will again award an additional allocation of Federal Work Study funds for the 1998-99 award year to institutions where 50.0 percent or more of the Pell Grant recipients have either graduated or transferred to a four-year institution of higher education.

❖ **SSIG-98-1: Application for States to Participate in FY98.**

SSIG-98-1 conveys the application that each participating state must submit to receive FY98 funds for the State Student Incentive Grant Program.

❖ **Dear Colleague, DLB-98-6: Promissory Notes, February 1998.**

This letter provides instructions for ordering Direct Loan promissory notes for the 1998-99 academic year, guidance for the use of 1997-98 (Year 4) and 1998-99 (Year 5) promissory notes, and discusses the 1998-99 changes to Direct Loan promissory notes and the Borrower's Right and Responsibilities Document.

* **Dear Guaranty Agency Director, Disaster Letter 98-12: Ice Storm in Vermont, February 24, 1998.**

The Federal Emergency Management Agency has amended its major disaster declaration for Vermont so that the counties that previously qualified under FEMA's "Public Assistance" Program now qualify for federal assistance under FEMA's "Individual Assistance" program because of a severe ice storm that began January 6. Those counties are: Addison, Chittenden, Franklin, Grand Isle, Orange, and Windsor counties. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist all FFEL borrowers who live in those counties and need assistance because of the ice storm.

* **Dear Guaranty Agency Director, Disaster Letter 98-13: Tornadoes in Florida, February 25, 1998.**

On February 24, the Federal Emergency Management Agency designated the following 14 counties in Florida to be disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of tornadoes that struck on February 23: Baker, Bradford, Brevard, Clay, Columbia, Duval, Hamilton, Hardee, Highlands, Manatee, Marion, Seminole, Suwannee, and Volusia. 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 98-14: Tornadoes in Florida, February 27, 1998.**

On February 25, the Federal Emergency Management Agency designated 17 additional counties in Florida to be disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of tornadoes that struck on February 23. Previous notification about the Florida tornadoes in "Disaster Letter 98-13" that was published February 25. This letter gives a combined list of the 31 counties: Alachua, Baker, Bradford, Brevard, Citrus, Clay, Columbia, De Soto, Dixie, Duval, Gilchrist, Hamilton, Hardee, Hernando, Highlands, Hillsborough, Lafayette, Lake, Manatee, Marion, Orange, Osceola, Pasco, Pinellas, Polk, Seminole, Sumter, Suwannee, Union, Taylor, and Volusia. 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-7: Registration for the 98/99 Direct Loan EDEXpress Training - April to June of 1998, February 1998.**

This letter contains the dates, sites, and registration for the 1998-99 Direct Loan, EDEXpress Application Processing and Packaging Training for April through June 1998.

* **Dear Guaranty Agency Director, Disaster Letter 98-15: Flooding in California, March 2, 1998.**

On February 26, the Federal Emergency Management Agency added 4 more counties in California to the 31 counties previously designated as disaster areas that qualify for federal assistance under FEMA's

“Individual Assistance” program because of storms and flooding that began February 2. The most recent notice to you about the California flooding was “Disaster letter 98-10”, dated February 18. Guaranty agencies and lenders are authorized to use the Department’s disaster-related forbearance policies to assist FFEL borrowers who are residents of these counties: Alameda, Amador, Butte, Calaveras, Colusa, Contra Costa, Fresno, Glenn, Humboldt, Lake, Los Angeles, Marin, Mendocino, Merced, Monterey, Napa, Orange, Sacramento, San Benito, San Francisco, San Joaquin, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Solano, Sonoma, Stanislaus, Sutter, Tehama, Trinity, Ventura, Yolo, and Yuba.

*** Dear Guaranty Agency Director, Disaster Letter 98-16: Tornadoes in Florida, March 2, 1998.**

On February 27, the Federal Emergency Management Agency added Putnam county in Florida to the list of disaster areas that qualify for federal assistance under FEMA’s “Individual Assistance” program because of tornadoes that struck on February 23. The most recent notice to you about the Florida tornadoes was “Disaster letter 98-14” dated February 27. Here is the updated list of the 32 counties designated in Florida: Alachua, Baker, Bradford, Brevard, Citrus, Clay, Columbia, De Soto, Dixie, Duval, Gilchrist, Hamilton, Hardee, Hernando, Highlands, Hillsborough, Lafayette, Lake, Manatee, Marion, Orange, Osceola, Pasco, Pinellas, Polk, Putnam, Seminole, Sumter, Suwannee, Union, Taylor, and Volusia. 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, ANN-98-1: Expansion of ED Web Services, February 1998.

The Department of Education announced an expansion of the services and information available to the financial aid community on its Web Site. The first two areas of the “Information for Financial Aid Professionals” are now available for your use.

The IFAP Bookshelf provides access to electronic copies of a wealth of Student Financial Aid publications and Dear Colleague Letters, from 1995 to the present. The IFAP Display Case will be used to highlight new additions to our document collection as well as items of renewed or immediate interest such as Federal Register’s.

*** Dear Colleague Letter, 98-G-306/98/L/200, FFELP and the Year 2000 Computer Problem, March 1998.**

This letter advises guaranty agencies and lenders in the Federal Family Education Loan (FFEL) program of the potential impact of the “year 2000” problem and the importance of an aggressive approach to ensure that the FFEL program will continue unimpaired.

*** Dear Guaranty Agency Director, Disaster Letter 98-17: Flooding in New Jersey, March 4, 1998.**

On March 3, the Federal Emergency Management Agency designated Atlantic and Cape May counties in New Jersey to be disaster areas that qualify for federal assistance under FEMA’s “Individual Assistance” program because of flooding caused by a coastal storm that began February 4. 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, GEN-98-6, Action Letter #4, March 1998.

Implementation of the NSLDS/CPS Post-Screening process during March of 1998 and reminder of institutional responsibility to monitor student eligibility.

❖ Dear Colleague, DLB-98-8: Initial School Account Statement, March 1998.

Direct Loan Bulletin 97-49 notified schools of the new reconciliation process for the 1998-99 academic year, which involves the Loan Origination Center sending each school in the Direct Loan Program a monthly electronic file called the Direct Loan School Account Statement. For academic years 1998-99

and subsequent, this file will be generated for each school at the end of every calendar month and schools will not submit a reconciliation file to the LOC. However, schools are required to reconcile the DLSAS to their internal records. This file will not be generated for years prior to 1998-99.

❖ Dear Colleague, DLB-98-9: Transmission of Sorted 732B Report, March 1998.

The 732B Report referenced in DLB-98-5 will be re-transmitted to all schools with the next week. The report will include receipts of cash, returns of excess cash and disbursement transactions on the Direct Loan origination system from March 1, 1997, to the date the revised 732B report is created. The new version will include a sort that was absent in the original version of the report. Disbursement activity will be sorted by disbursement type, reconciliation status, and loan ID.

*** Dear Guaranty Agency Director, Disaster Letter 98-18: Flooding in California, March 10, 1998.**

On March 9, the Federal Emergency Management Agency added 5 more counties in California to the 35 counties previously designated as disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of storms and flooding that began February 2. The most recent notice to you about the California flooding was "Disaster Letter 98-15," dated March 2. Guaranty agencies and lenders are authorized to use the Department's disaster-related forbearance policies to assist FFEL borrowers who are residents of these counties (list combined): Alameda, Amador, Butte, Calaveras, Colusa, Contra Costa, Fresno, Glenn, Humboldt, Kern, Lake, Los Angeles, Marin, Mendocino, Merced, Monterey, Napa, Orange, Riverside, Sacramento, San Benito, San Bernadino, San Diego, San Francisco, San Joaquin, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Solano, Sonoma, Stanislaus, Sutter, Tehama, Trinity, Tulare, Ventura, Yolo, and Yuba.

*** Dear Colleague Letter, GEN-98-7/98-L-201/98-G-307, Provisions of Public Law 105-78, March 1998.**

On November 13, 1997, President Clinton signed Public Law 105-78, the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act of 1998. Section 609 of that Appropriations Act made changes to the Federal Family Education Loan consolidation provisions contained in section 428C of the Higher Education Act of 1965 ("HEA").

This letter describes the changes made to section 428C of the HEA by the new law, and provides guidance (in the form of responses to questions from student loan program participants) about how these changes should be implemented. It also contains information about how the Department is processing Consolidation Loan verification certificates received from FFEL lenders, and copies of the forms used in that process.

*** Dear Guaranty Agency Director, Disaster Letter 98-19: Flooding in Alabama, March 11, 1998.**

On March 10, the Federal Emergency Management Agency designated Coffee, Dale, Escambia, Geneva, and Houston counties in Alabama to be disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of flooding that began March 7. 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 98-20: Flooding in Georgia, March 12, 1998.**

On March 11, the Federal Emergency Management Agency designated Baker, Dougherty, Irwin, Miller, Montgomery, and Seminole counties in Georgia to be disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of flooding that began March 7. 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, ANN-98-2: EDExpress for Windows Training Workshops, March 1998.

This letter describes two training series on the 1998-99 EDExpress for Windows software. One on application processing and the other on packaging. Workshop schedules and registration forms are included.

❖ Dear Colleague Letter, DLB-98-10: 1998-99 Promissory Note Expiration Date Is Extended to June 30, 1999, March 1998.

The purpose of this letter is to advise you that the expiration date for the 1998-99 Direct Loan promissory Notes has been extended to June 30, 1999. Direct Loan Bulletin 98-06, advised you that the Department of Education requested that the Office of Management and Budget extend the expiration date for the Direct Loan promissory notes. OMB granted the six month extension on February 25, 1998.

❖ Dear Colleague Letter, DLB-98-11: Resolving Processing Issues, March 1998.

The purpose of this letter is to provide updated guidance on resolving the processing problems your school has at the Loan Origination Center.

❖ Dear Colleague Letter, DCL 98-L-204: Extension of Lender Audit Requirement Deadline, March 1998.

Section 428(b)(1)(U)(iii) of the Higher Education Act of 1965, as amended, requires all lenders participating in the Federal Family Education Loan (FFEL) Program to have an annual compliance audit. In transmitting the Audit Guide for these audits, the Department of Education provided that the deadline for completion and, if necessary, submission of the initial audit completed in accordance with this requirement would be September 30, 1995. The Department later, extended the deadline for submission of the audit to June 30, 1996, for any audit period in which the lender originated and/or held FFEL Program loans totaling \$5 million or less.

The act providing Fiscal Year 1996 appropriations for the Department included a provision prohibiting the Department from using funds made available under that act to enforce the lender compliance audit requirement against lenders with loan portfolios equal to or less than \$5 million.

In light of possible further legislative action by Congress, the Department has decided to again postpone the deadline for completion and, if necessary, submission of the audit until June 30, 1999, for any audit period in which the lender originated and/or held FFEL Program loans totaling \$5 million or less.

■ Dear Colleague Letter, GEN-98-8/98-L-203/98-G-308/SSIG-98-2: Title IV Changes, March 1998.

This letter provides general information concerning the forthcoming changes in Title IV program single numeric identifiers (OPE-ID) used by participating institutions of postsecondary education, third party servicers, lenders, and guaranty agencies.

*** Dear Guaranty Agency Director, Disaster letter 98-21: Flooding in Georgia, March 17, 1998.**

On March 16, the Federal Emergency Management Agency published a list of counties in Georgia that have been declared disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of flooding that began March 7. Our most recent notice to you about the flooding in Georgia was "Disaster Letter 98-20," dated March 12. 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 (combined list): Appling, Atkinson, Baker, Ben Hill, Berrien, Bleckley, Brooks, Burke, Calhoun, Candler, Clay, Coffee, Colquitt, Cook, Crisp, Decatur, Dodge, Dooley, Dougherty, Douglas, Early, Emanuel, Heard, Irwin, Jefferson, Jenkins, Johnson, Laurens, Lee, McIntosh, Miller, Mitchell, Monroe, Montgomery, Pike, Pulaski, Quitman, Randolph, Screven, Seminole, Stewart, Sumter, Talbot, Telfair, Terrell, thomas, Toombs, Treutlen, Webster, Wheeler, Wilcox, and Worth.

*** Dear Guaranty Agency Director, Disaster Letter 98-22: Tornadoes and flooding in Florida, March 17, 1998.**

On March 13, the Federal Emergency Management Agency published a list of counties in Florida that have been declared disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of tornadoes and flooding that began on February 23. The most recent

notice about the Florida disasters was “Disaster Letter 98-16” dated March 2. 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 (combined list): Alachua, Baker, Bradford, Brevard, Calhoun, Citrus, Clay, Collier, Columbia, De Soto, Dixie, Duval, Escambia, Franklin, Gadsen, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hernando, Highlands, Hillsborough, Holmes, Jackson, Lafayette, Lake, Liberty, Manatee, Marion, Okaloosa, Okeechobee, Orange, Osceola, Pasco, Pinellas, Polk, Putnam, Santa Rosa, Sarasota, Seminole, Sumter, Suwannee, Union, Taylor, Volusia, Walton, and Washington.

❖ Federal Register, Availability of the Federal Perkins Loan and National Direct Student Loan Programs Directory of Designated Low-Income Schools For Teacher Cancellation Benefits For The 1997-98 School Year, January 26, 1998.

The Secretary announces that the 1997-98 Federal Perkins Loan and National Direct Student Loan Programs Directory of Designated Low-Income Schools is now available. Under the Federal Perkins Loan and National Direct Student Loan programs, a borrower may have repayment of his or her loan deferred and a portion of his or her loan canceled if the borrower teaches full-time for a complete academic year in a designated elementary or secondary school having a high concentration of students from low-income families. In the 1997-98 Directory, the Secretary lists, on a State-by-State and Territory-by-Territory basis, the schools in which a borrower may teach during the 1997-98 school year to qualify for deferment and cancellation benefits.

■ Federal Register, Notice of the Closing Date for Receipt of State Applications for Fiscal Year 1998 Funds, February 23, 1998.

The Secretary of Education gives notice of the closing date for receipt of State applications for fiscal year 1998 funds under the State Student Incentive Grant Program. This program, through matching formula grants to States for student awards, provides grants to students with substantial financial need. The SSIG Program supports Goals 2000, the President’s strategy for moving the Nation toward the National Education Goals, by enhancing opportunities for postsecondary education. The National Education Goals call for increasing the rate at which students graduate from high school and pursue high quality postsecondary education.

❖ Federal Register, Office of Postsecondary Education, Federal Work-Study Programs, Notice, March 4, 1998.

The Secretary gives notice to institutions of higher education of the deadline for an eligible institution to apply for participation in the Work-College Program and to apply for funding under that program for the 1998-99 award year (July 1, 1998 through June 30, 1999) by submitting to the Secretary an “Institutional Application and Agreement for Participation in the Work-Colleges Program”.

To participate in the Work-College Program and to apply for funds for that program for the 1998-99 award year, an eligible institution must mail or hand-deliver its “Institutional Application and Agreement for Participation in the Work-Colleges Program” to the Department on or before April 24, 1998. The Department will not accept the form by facsimile transmission. The form must be submitted to the Institutional Financial Management Division at one of the addresses indicated in this register.

ENCLOSURES IN THIS ISSUE

Disaster Letter 98-05: Ice Storm in Maine
Disaster Letter 98-06: Ice Storm in New Hampshire
Disaster Letter 98-07: Flooding in Tennessee
Disaster Letter 98-08: Flooding in California storms, high winds, and flooding in New York
Disaster Letter 98-09: Tornadoes and Flooding in Florida
Disaster Letter 98-10: Flooding in California
Disaster Letter 98-11: Ice Storm in Maine
Disaster Letter 98-12: Ice Storm in Vermont
Disaster Letter 98-13: Tornadoes in Florida
Disaster Letter 98-14: Tornadoes in Florida
Disaster Letter 98-15: Flooding in California
Disaster Letter 98-16: Tornadoes in Florida
Disaster Letter 98-17: Flooding in New Jersey
Disaster Letter 98-18: Flooding in California
Disaster Letter 98-19: Flooding in Alabama
Disaster Letter 98-20: Flooding in Georgia
Disaster Letter 98-21: Flooding in Georgia
Disaster Letter 98-22: Flooding in Florida

Enclosures have been printed from the Department of Education's Bulletin Board (SFA/BBS).

- 34 CFR 668 Federal Requirements Summary
- 34 CFR 682 Federal Requirements Summary

QUESTIONS AND ANSWERS

OSFA's Q&A



Question: If a borrower's loan period is from 09/22/97 to 01/28/98 but the borrower did not start attending classes until 10/20/97, is the borrower eligible for the 1st disbursement of the loan?

Answer: Yes

Federal Student Financial Aid Handbook, Chapter 10, page 34.

Before each disbursement is made, a school must review the student's eligibility to ensure that he or she remains eligible for the disbursement. If a student temporarily ceases to be enrolled at least half time

before any FFEL funds are disbursed, the lender may still make a first disbursement (and subsequent disbursement) if the student resumes enrollment at least half time. The school must review the student's cost of attendance (COA) and revise it as necessary to ensure the student continues to qualify for the entire amount of the loan, even though the COA may be lower. The school must document this review in the student's file. Reaffirmation of loan eligibility requires the school to verify Pell Grant eligibility (if applicable), to establish that the student has maintained satisfactory academic progress standards, and to verify enrollment status but expects the student to resume enrollment within a time period that is less than a payment period in length, it must specifically request that the lender make the second or subsequent disbursements. Otherwise, the lender is required by law to cancel the second disbursement. If a student delays attending school but begins attendance within the first 30 days of enrollment, the school may consider the student to have maintained eligibility for the loan from the first day of the enrollment period.

Federal Regulations, §682.604(b)(2)(ii)

In the event a student delays attending school for a period of time, the school may consider that student to have maintained eligibility for the loan from the first day of period of enrollment. However, the school must comply with the requirement of paragraph (d)(3) of this section

QUESTION: Must a school obtain authorization from a student or parent borrower each year?

ANSWER: *NO*

Federal Student Financial Aid Handbook, Chapter 3, Page 72

A school must obtain authorization from a student (or parent borrower) before disbursing SFA Program funds by EFT to a bank account designated by the student or parent, using SFA Program funds to pay for allowable charges other than tuition, fees and room and board (if the student contracts with the school), holding excess SFA Program funds (credit balances), and applying SFA program funds to prior-year charges.

Federal Regulations, 34 CFR 668.165(b)(1)-(3), Student or parent authorizations

(1) If an institution obtains written authorization from a student or parent, as applicable, the institution may--

- (I) Disburse title IV, HEA program funds to a bank account designated by the student or parent;
- (ii) Use the student's or parent's title IV, HEA program funds to pay for charges described in 668.164(d)(2) that are included in that authorization; and
- (iii) Except if prohibited by the Secretary under the reimbursement method, hold on behalf of the student or parent any title IV, HEA program funds that would otherwise be paid directly to the student or parent under 668.164(e).

(2) In obtaining the student's or parent's authorization to perform an activity described in paragraph (b)(1) of this section, an institution--

- (I) May not require or coerce the student or parent to provide that authorization;
- (ii) Must allow the student or parent to cancel or modify that authorization at any time; and
- (iii) Must clearly explain how it will carry out that activity.

(3) A student or parent may authorize an institution to carry out the activities described in paragraph (b)(1) of this section for the period during which the student is enrolled at the institution.