



# OSFA OUTLOOK

Office of Student Financial Assistance • Florida Department of Education

July 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

### ■ Senate Passes HEA Reauthorization Bill

The Senate passed S. 1882 July 9 by a vote of 96 - 1. The complete text of the Floor debate will be available on the Web site of the Government Printing Office at <http://www.gpo.gov>.

The bill as introduced in the Senate was assigned the number S. 1882, but using the common parliamentary procedure on the Senate floor, that body took up for debate the House-passed HEA reauthorization bill H.R. 6, struck all the legislative language in H.R. 6 and substituted the language of the Senate-

passed S. 1882. Because of this parliamentary procedure, the HEA reauthorization bill now carries only the House designation H.R. 6.

The next step now that both the House and Senate have approved their HEA reauthorization bills, is the legislative process is for the two bodies to work in a conference committee to reconcile the differences between the two bills. The earliest the conference committee discussions is expected to begin would be later this month.

The Senate appointed the Senators listed below on July 13, to represent that body in the Conference Committee on H.R. 6. The House conferees will be named soon.

#### Republicans

Mr. Jeffords, VT  
Mr. Coats, IN  
Mr. Gregg, NH  
Mr. Frist, TN  
Mr. DeWine, OH  
Mr. Enzi, WY

Mr. Hutchinson, AR  
Ms. Collins, ME  
Mr. Warner, VA  
Mr. McConnell, KY

#### Democrats

Mr. Kennedy, MA  
Mr. Dodd, CT  
Mr. Harkin, IA  
Ms. Mikulski, MD  
Mr. Bingaman, NM  
Mr. Wellstone, MN

Mrs. Murray, WA  
Mr. Reed, RI

### In This Issue

Reauthorization.....	1
Common Manual Updates.....	2
Special Allowance.....	3
Mapping Your Future.....	4
Federal Updates.....	5
Federal Regulations and Letters.....	10
Q&A.....	18

## ■ COMMON MANUAL UPDATES

The *Common Manual* official update has been received by OSFA and distributed to participants July 13th. The update included changes made through April 1998.

This official update will replace all pages in your *Common Manual* including the green update pages. It is suggested that all pages being replaced be maintained for historical purposes. This official update includes a new tab and pages for the Common Claim Initiative which is to be inserted into Chapter Eight.

All changes to the *Common Manual* beginning May 1998 until the 1999 official update is received next year will be provided on yellow paper. These updates should be inserted into your manual and maintained until an official update is received.

POLICY UPDATE: The *Common Manual* Governing Board has approved the following changes to the *Common Manual*.

- #245 Provisions for Supplemental Claim Submission. Increases the minimum amount of a supplemental claim request to \$50 and clarifies when a lender may submit a supplement claim request. Effective: Claims originally filed by the lender on or after March 1, 2000, unless implemented earlier by the guarantor.
- #246 Supplemental Claim Form. Requires the implementation of a Supplemental Claim Form and instructions. Effective: Claims originally filed by the lender on or after March 1, 2000, unless implemented earlier by the guarantor.

These changes were approved June 18, 1998 and will be provided to participants in the near future to be inserted into the Common Manual. (Yellow Update)

- #247 Financial Responsibility Standards. Specifies the financial responsibility standards for schools as required by the new financial responsibility regulations and private letter guidance. Section 4.3 is rearranged and new subsections are added to improve the presentation of these requirements. Effective for schools that submit audited financial statements to the Department on or after July 1, 1998. Schools that do not meet the composite score standard for fiscal years beginning between July 1, 1997, and June 30, 1998, may demonstrate that they are financially responsible by meeting the existing financial responsibility standards.
- #248 Timely Refunds. Lists the conditions that must be met for refunds to be considered timely. Effective for guarantor review of a school's compliance with financial responsibility standards on or after July 1, 1998.
- #249 SSCR Reporting through NSLDS. Incorporates a school's reporting requirements resulting from the full implementation of SSCR processing through NSLDS. Effective date: SSCR roster files received by a school from the Department on or after March 1, 1997.
- #250 Noncitizen Loan Eligibility. Eliminates Title IV eligibility for aliens granted family unity status and temporary resident status. Documentation requirements for determining a student's U.S. citizen status are clarified. Effective for loan applications certified by the school on or after August 22, 1996.
- #251 Financial Aid Data for Transfer Students. Incorporates the implementation of NSLDS to assist the school in making eligibility determinations for transfer students. Effective for financial aid data requested by schools for the 1996-97 award year and thereafter.
- #252 Preparatory Coursework. Incorporates the grade level limit schools must use when determining annual loan amounts for students taking preparatory coursework. Effective for loan applications certified by the school on or after January 16, 1997.
- #253 Address Skip Tracing Requirements. Includes "individual" in the list of entities identified in the borrower's file that must be contacted by the lender to comply with address skip tracing requirements. Effective retroactive to the effective date of the *Common Manual*.

These changes were approved July 16, 1998 and will be provided to participants in the near future to be inserted into the Common Manual. (Yellow Update)

POLICY PROPOSALS: The following proposals have been submitted for review and comments which are due July 24, 1998.

- #254 FFELP Eligibility Requirements. Proposal to revise the layout of enrollment requirements and exceptions for Stafford and PLUS loan eligibility in an improved format.
- #255 Dental Internship Exception. Proposal to clarify eligibility of students serving internship and residency programs.
- #256 Verification Requirements. Proposal to rearrange and revise to clarify applicable verification requirements.
- #257 Cash Monitoring Payment Method. Proposal to revise policy to recognize the cash monitoring payment method and removes detailed information regarding the implications of such restrictions
- #258 Disclosure of Interest Rate Formula. Proposal to revise policy to add the interest rate formula to the list of items the lender must disclose to a borrower at or before the first disbursement.
- #259 Return of Loan Proceeds. Proposal to clarify a schools requirements for the calculation of a refund and return of FFELP proceeds when the student drops below half-time status.
- #260 Consolidation Loan Nondiscrimination. Proposal to incorporate Department's guidance regarding lender policies and practices that are not considered to be discriminatory.
- #261 Annual Loan Limit. Proposal to modify the definition of "Annual Loan Limit" as it applies to the student and removes references to SLS and PLUS loans.
- #262 Guarantee Disclosure. Proposal to remove procedural language from the definition of "Guarantee Disclosure."

Should you have questions or concerns, please call the Policy and Customer Service Unit at (850) 921-8948.

#### ■ **FFEL Program Special Allowance Rates**

On July 1, 1998 a letter from Patricia Newcombe, United States Department of Education was distributed to provide the Special Allowance Rates for the Quarter Ending June 30, 1998 for the Federal Family Education Loan Program. This letter also provided the maximum interest rate for the portion of a Consolidation Loan which repaid a HEAL loan.

The Treasury Department has informed the Department of Education that the average of the bond equivalent rates for the ninety-one day Treasury bills auctioned during the quarter ending June 30, 1998, is 5.13 percent.

Attachment A of this letter contains the bond equivalent rates of the 91-day Treasury Bills auctioned during the quarter. Attachments B & C contain the quarterly special allowance rates computed pursuant to section 438 of the Higher Education Act of 1965, as amended. Attachment D contains the annual maximum interest rate for the portion of a consolidation loan which repaid a Health Education Assistance Loan (HEAL) program loan computed pursuant to section 428C(d)(2) of the Act.

A copy of this letter may be requested from the OSFA Policy Unit at (850) 921-8948, fax (850) 922-1484 or E-mail [scottr@mail.doe.stste.fl.us](mailto:scottr@mail.doe.stste.fl.us).

#### ■ **Campus Card Company Closes**

On June 8th, it was reported by the Associated Press that the National College Registration Board has agreed to close down. Letters were mailed to 1.8 million high school seniors and college students in regards to its \$25 Campus Card that stated the card is the student identification card issued to all registered college students and that it was required for many of the services at colleges and universities that the student chose to attend.

NCRB agreed to repay \$67,025 to 2,681 student and parents that were collected. NCRB has turned over \$78,550 in uncashed checks, and between 5,000 and 7,000 pieces of mail held by the U.S. Postal Service is being returned.

## ■ Mapping Your Future

Mapping Your Future is a site that is sponsored by a group of guaranty agencies which includes the Florida Office of Student Financial Assistance, who participate in the Federal Family Education Loan program (FFELP) and are committed to providing information about higher education and career opportunities.

Mapping Your Future's mission is to counsel students and families about college, career, and financial aid choices through a state-of-the-art public service web site. The Web site features such items as: On-line College Applications, Financial Aid Calendar, Budget Calculator, Frequently Asked Questions, Glossary of Terms, Other Internet Resources, Scholarship Resources, and Distance Education and Technology. Mapping Your Future also provides Chat Night and On-line Student Loan Counseling.

Students and families can select information on anything from selecting a school to planning a career. Topics such as: Resume, Job Interview, Career Plan, Schools, Applying to Schools, Choosing a School, FAFSA Application, Grants, Loans, Default, Deferments, Interest Rates plus much more.

The site now offers Exit Counseling online to assist postsecondary institutions in meeting their regulatory requirements. Students are now able to receive valuable default prevention information anytime, anywhere through a new online student loan exit counseling service – available on July 27, 1998. The new exit counseling feature is an addition to the Online Student Loan Counseling services offered on Mapping Your Future. Entrance counseling has been offered on the web site for nearly a year.

NOTE: An announcement earlier this month by USDE officials at the National Association of Student Financial Aid Administrators (NASFAA) conference in Chicago cleared the way for Mapping Your Future to begin offering this service. The announcement gave approval to electronic exit counseling offered by guaranty agencies.

You may access Mapping Your Future through the Florida Department of Education Web site at: <http://www.firn.edu/doe/doehome>.

Please send us your comments to: [pilkinm@mail.doe.state.fl.us](mailto:pilkinm@mail.doe.state.fl.us).

## ■ OVERPAYMENTS AND NSLDS

Action Letter #7, July 1998, GEN-98-14, requires that postsecondary institutions report overpayments to NSLDS. Institutions have been required since January 1, 1998, to have direct access to Title IV WAN, and now a deadline for reporting historical overpayments to NSLDS is set for October 31, 1998. All new overpayments and changes must be reported within 30 days of awareness of the debt. This reporting requirement is separate and distinct from that of reporting some overpayments to the Debt Collection Service (DCS). This requirement must continue until further notice. However, there is to be no duplicate reporting: if reported to DCS, the overpayment is not to be reported to NSLDS.

In summary:

Overpayments for which the student is responsible must be reported. Only those overpayments in the Federal Pell Grant (Pell), Federal Supplemental Educational Opportunity Grant (FSEOG), and Federal Perkins Loan (Perkins) programs must be reported.

Once entered, this information will appear on any subsequent Student Aid Reports (SARs), Institutional Student Information Records (ISIRs), and will be available through the Financial Aid Transcript (FAT) functions of the NSLDS.

Please reference this Action Letter for guidance as it offers forty (40) questions and answers.

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

INDEX	
* Lender Update	
❖ School Update	
✚ Consolidation	

## Federal Updates

### ■ Department of Education Announcement on IFAP Software Problem

The Department of Education announced that they have recently experienced some problems with the various announcements, Dear Colleague letters, etc., that have been posted on IFAP [the Department's Information for Financial Aid Professionals Web Site]. Most notably,

- Some documents appear more than once.
- A note appears that reads “[Replication or Save Conflict].”
- Documents, or portions of documents, that were once available, are no longer posted.

The Department is in the process of indexing all the documents in IFAP so that your capacity to search them will be considerably enhanced. To index a document, it must temporarily be removed from the “live” area of IFAP. Once the indexing is completed, the document is moved back to the “live” area of IFAP and is visible to you. In the process of moving documents back and forth, and in the process of posting new documents, a software problem has surfaced which causes the problems outlined above. The Department is individually correcting each of the posting errors as soon as possible, and their technical support experts are also working to correct the software problem that is the root cause of these errors.

The Department expects the “fix” to be completed very soon and apologizes for any inconvenience this causes you, and thanks you for your patience as they correct the problem.

### ■ Ability to Award Additional Unsubsidized Loans

Jeff Baker, Department of Education, informed NASFAA that the Department of Education will soon publish a Dear Colleague Letter that will extend and expand the provisions by which an eligible school can award increased amounts of unsubsidized loans to health professions students.

According to Mr. Baker, the letter will allow schools that had been eligible to award the increased amounts to do so for any loan period that begins on or before June 30, 1999. Also that because of the total elimination of the HEAL program with the end of the current federal fiscal year and the small amount of insurance authority remaining for this year, eligible schools can award the increased amounts to otherwise eligible students even if they were previous HEAL borrowers. Up until now there was a restriction on these students. The new eligible students will be for the loan periods beginning on or after May 15, 1998. Mr. Baker added that schools may proceed with this information, pending the receipt of the official Dear Colleague Letter.

### ❖ Updating the Federal School Code List

Once again it is time to update the Federal School Code List (formally known as the Title IV School Code). The Federal School Code List is sent to high schools, libraries, postsecondary institutions and is also the institution list within EDEExpress, FAFSA Express, FAFSA on the Web, and is used by the MDE processors. The Federal School Code List enables a student to list your institution on their Free Application for Federal Student Aid, so your institution may receive the student's record electronically.

A letter was mailed to institutions requesting the contact name, address, and code to be reviewed for any errors or changes. If your school code, name, and address are correct, no response to the letter is necessary. However, if a change is required, please sign the letter and return it with all changes to: CPS Customer Service, Federal Student Aid Programs, Post Office Box 4208, Iowa City, IA 52244 or FAX to (319) 358-4260 no later than July 15, 1998. Information received after that date will be updated on the

Federal School Code file for 1999-2000 but will not be included in the 1999-2000 paper-based Federal School Code List.

#### ❖ **Initial Draft 1999-2000 ISIR Layout and Description**

The Department of Education issued a letter in July in regards to the 1999-2000 ISIR Layout and Description. This letter included the initial draft. The ISIR contains the information reported on the Free Application for Federal Student Aid (FAFSA), as well as key processing results and National Student Loan Data System (NSLDS) Financial Aid History information. The ISIR is transmitted electronically to postsecondary institutions and state educational agencies. The 1999-2000 ISIR draft has been completely revised to more closely match the order of the FAFSA questions and to group like data together (such as match flags and processing data).

Attached in the letter are two enclosures. Enclosure one lists the ISIR fields, by name and ISIR field number, which were added, deleted or modified. Enclosure two contains the draft ISIR layout itself.

- SAR Field # column has been added.
- Added/Modified column indicates whether the changes were added or modified.
- Justify/Signed column indicates whether the field is left or right justified and whether it is a signed numeric field.

Record length for this 1999-2000 draft is 2,640 total bytes; in 1998-1999 the record length was 2,563 bytes.

This ISIR layout is an early draft and is provided so that you can modify your systems for 1999-2000. As modifications to the Central Processing System (CPS) for the 1999-2000 processing cycle are tested during the fall of 1998, there may be further changes. The final version will be distributed as part of the *EDE Technical Reference* in December 1998. Update pages will be distributed after the 1999-2000 CPS system has been tested and put in production on 01/15/99. An electronic copy of the draft ISIR layout is also available on the U.S. Department of Education's Information for Financial Aid Professionals (IFAP) Web page: <http://ifap/ed.gov>

Note: The Comment Code text and the SAR Acknowledgment Code text will not be available until the *EDE Technical Reference* is released in December.

#### ❖ **Changes made to the Higher Education Act by Public Law 105-18**

The Department of Education issued a Dear Colleague Letter, GEN-98-11, June 1998, to Financial Aid Administrators, Registrar, and the Chief Institutional Researchers to notify institutions of the changes to the Higher Education Act of 1965, as amended (HEA), concerning an institution's disclosure of completion or graduation and transfer-out rates to current and prospective students. Public Law 105-18 entitled "1997 Emergency Supplemental Appropriations Act for Recovery From Natural Disasters, and for Overseas Peacekeeping Efforts, Including Those in Bosnia," included changes to the provisions of the HEA mandated by the Student Right-to-Know Act. Provisions of Public Law 105-18 that pertain to the calculation of completion or graduation and transfer-out rates become effective July 1, 1998, and are self-implementing. In other words, the statutory changes leave no discretion for the Secretary to propose rules for implementation of the statute. The Department of Education will publish technical amendments to the regulations in the near future to incorporate the changes made by Public Law 105-18 to the HEA.

Public Law 105-18 makes a significant change to 34 CFR 668.46 of the Student Right-to-Know regulations. It changes the definition of a cohort year to one that begins on September 1 and ends on August 31 of each year, rather than, as previously mandated, one that begins on July 1 and ends on June 30. Institutions that offer a predominant number of programs based on semesters, trimesters, or quarters will continue to establish a fall cohort based on enrollment of first-time, full-time freshmen, either as of October 15, or as of the end of the institution's add-drop period. However, beginning with the 1998-99 cohort, all cohorts will have until August 31 of the last year of 150% of normal time to graduate or complete, or transfer out of the institution.

Beginning with the 1998-99 cohort, institutions that do not offer a predominant number of programs based on semesters, trimesters, or quarters will collect cohort information from September 1 through August 31 of each year. All institutions will continue to be required to disclose completion or graduation and transfer-out rates to students by the January 1 following the end of 150% of the normal time required to complete the program.

Staff of the Department's Customer Support Branch in the Office of Postsecondary Education are trained to provide technical assistance to institutions in administering the Student Right-to-Know regulations. The telephone number and hours of operation for the Customer Support Branch are 1-800-433-7327, 9:00 a.m. - 5:00 p.m. Eastern time, Monday through Friday. After-hours calls will be accepted by an automated voice response system. Callers leaving their name and telephone number will receive a return call the next business day. You may also fax an inquiry to (202) 260-4199.

#### ■ **Spending Bill for Fiscal Year 1999**

The House Labor, Health and Human Services and Education Appropriations subcommittee approved a Fiscal Year 1999 spending bill on June 23 that would have funding for many student aid and graduate education program eliminated or coming up short.

The bill would:

- Increase the Pell Grant maximum award to \$3,150, a \$150 increase over FY98. Congress has been urged to fund a \$3,300 maximum Pell Grant in FY99.
- Eliminates funding for the State Student Incentive Grant Program and for Federal Perkins Loan federal capital contributions.
- Eliminates funding for all major graduate education programs, which also includes Byrd Honors Scholarships and Graduate Assistance in Areas of National Need.
- Provides no funding for High Hopes initiative.
- Provides no growth for SEOG and little growth for FWS.

#### \* **Interest Rates Press Release by the Department of Education**

On June 18, 1998, the Department of Education issued the following press release:

#### GOOD NEWS FOR STUDENTS: NEW, LOWER LOAN INTEREST RATES MEAN BIG SAVINGS\$

Effective July 1, interest rates on new federal student loans will drop almost a full percentage point from the current rate, saving hundreds, even thousands, of dollars for borrowers over the long term.

I am pleased that the administration's proposed student interest rate has been adopted, with bipartisan support in Congress, despite a strong lobbying effort begun last year by the banking industry to block the interest rate reduction," said U.S. Secretary of Education Richard W. Riley.

In February, Vice President Gore introduced a plan to go forward with a scheduled loan interest rate reduction promised to students in a 1993 law, while offering private lenders a reasonable return and protecting taxpayers. The low student rate was adopted as part of a temporary, three-month measure recently enacted by Congress as part of the Transportation Equity Act for the 21st Century that was signed into law by President Clinton on June 9.

For new Federal Stafford loans with a first disbursement between July 1, and September 30, 1998, the interest rate will drop from 8.25 percent to 7.46 percent during repayment (7.66 percent to 6.86 percent

while the student is in school). The new rate applies to Federal Family Education Loans (FFEL) and Federal Direct subsidized and unsubsidized Stafford loans.

Under the new rates, a typical 4-year college student with a \$12,000 average debt would save \$650 in interest over a standard 10-year repayment period. A graduate student borrowing \$60,000 would save \$3,200 in interest. [See editors' note below.]

The three-month provision will allow Congress and the administration additional time to reach agreement on a permanent interest rate change to be included in legislation reauthorizing the Higher Education Act (HEA). I urge Congress to act quickly on the reauthorization of the HEA to enact a long-term solution on student loan interest rates. Our goal is to preserve savings for borrowers striving to further their education, while offering lenders a reasonable return and protecting taxpayers at the same time," Riley said.

The administration continues to oppose provisions that would provide lenders with excessive subsidies--estimated by the administration at \$2.7 billion over the next five years--especially during this time of generally low commercial loan interest rates and record banking industry profits. In fact, the Congressional Budget Office and U.S. Treasury Department determined that these provisions could provide returns substantially higher than banks' recent surging overall profit levels. Instead, the administration has proposed to lower lender subsidies and move toward a market-based mechanism for setting interest rates for lenders.

In addition, the Administration has also called for the following as part of the HEA reauthorization:

- the High Hopes for College" initiative that would create partnerships between colleges and low-income middle schools to inspire more young people to complete secondary school and pursue a college education;
- a reduction in the student loan origination fee by one percentage point next year and eliminating these fees entirely by 2003 for the most needy students;
- an expansion in student aid eligibility for distance learning students at degree-granting schools while ensuring quality through improved accreditation;
- the Learning Anytime, Anywhere Partnership program (LAAP), a \$30 million initiative to support pilot projects that use distance learning and other technologies to deliver quality postsecondary education to students who face time and place constraints; and,
- the deferral of interest on student loans for up to three years for borrowers performing community service for low wages.

We are committed to working for passage of a reauthorization bill that broadens educational opportunities for all students and ensures that finances are not a barrier to the realization of their dreams," Riley said.

NOTE TO EDITORS: Savings were calculated using projected interest rates by the Office of Management and Budget for loans with a 10-year maturity at the new interest rate.

#### ❖ **Correcting Social Security Number (SSN) Errors**

Diane E. Rogers, Acting Deputy Assistant Secretary, Student Financial Assistance Programs, Department of Education, issued a message on June 24, 1998 that provides guidance to schools on advising applicants on how to correct Social Security Number errors and other student identifier information in the federal student aid application processing system.

Because of ED's reliance on accurate SSNs for all federal student aid applicants for the National Student Loan Data System (NSLDS), Pell Grant Recipient and Financial Management System (PGRFMS), statistical analysis of the SSN match process, and other data matches, it is critical that correct SSNs be reflected on all applicant records. Postsecondary schools are required to ensure that ED is notified of a



student's accurate SSN if the school has some documentation that the SSN the student included on his/her FAFSA or SAR/ISIR is incorrect. (See CFR 34 668.36(b)(2).

■ **Committee for Education Funding News Release on New Funding Levels - July 1998.**

Education Community Concerned Budget Precludes New  
Funding Levels for Postsecondary Programs

Washington, D.C. -- Concerned that Congress will not provide adequate funds for postsecondary and vocational education, the Committee for Education Funding (Committee), a nonpartisan coalition of over 90 organizations reflecting the broad spectrum of the education community is asking key member of Congress to seek increased funding of the Higher Education Reauthorization Act (H.R. 6.) and the Vocational Education Act (H.R. 1853). The Committee is concerned that Congress is failing to meet its obligations to fund these vital programs at the same time that need is growing.

“We are worried that H.R. 6 and H.R. 1853 may become a victim of typical Washington doublespeak,” said Kenneth McInerney Committee President and Assistant Director of Government Affairs at the National Association of Student Financial Aid Administrators. “While all of Congress has declared their support for funding higher and vocational education and increased their budgetary authorizations, in reality they aren't taking the steps needed to allocate the funds needed to meet their obligations.”

H.R. 6 contains programs vital for allowing access to a quality college education with such programs as Pell Grants, TRIO, Tribal Colleges, Perkins Loans, as well as institutional aid. H.R. 1853 provides states with resources to improve and expand vocational education and aid disadvantaged students.

The Committee is sending a letter commending the House Education and the Workforce Committee for their leadership on H.R. 6 and H.R. 1853. However, the letter points out that without providing funds for these programs, the increased authorizations will have no effect. Just one facet of H.R. 6, increasing the maximum Pell Grant award to \$5,300, would, according to Congressional Budget Office estimates, require an additional \$42.5 billion over current funding levels in the next five years. This program's authorization was increased to help ensure that qualified low and middle income American students would gain access to higher education. Unfortunately, the House has no provisions in the budget resolution for any of the billions of dollars that would be required to fund the program. Likewise, they have not budgeted funding for new vocational programs, leaving the increased authorizations for both programs unfulfilled.

“Congress has been quite clear with their public statements and authorizations that they understand that education funding is the number one federal budget priority of the American people and vital for our nation's economic success. We expect congress to keep its promise to improve educational opportunities for all Americans,” said McInerney.

The Committee for Education Funding is the largest education coalition in existence with the goal of achieving adequate federal financial support for our nation's educational system. Its members represent the broad spectrum of the education community from pre-school through post-graduate levels.

■ **Tip of the Week from CPS: Identifying SAR/ISIR Transactions**

The tip of the Week, posted June 26, 1998 from CPS Customer Service, highlights a specific feature or process in the EDEExpress 1998-99 software: Identifying SAR/ISIR transactions generated by NSLDS updates.

Beginning with the 1998-1999 processing year, NSLDS has implemented a postscreening process to assist schools in identifying students with updated aid eligibility. CPS will generate a new SAR/ISIR transaction displaying any changed information when updated information about the concerned student is reported to the NSLDS. The new transaction will display the SAR/ISIR comment code “004,” which indicates the transaction was created due to a change in NSLDS information.

You may contact CPS Customer Service at 1-800-330-5947 or via e-mail at CPS@NCS.COM. for further information and assistance.



## **Federal Regulations & Letters**

### **❖ Dear Colleague, ANN-98-4: 1998 Summer Training Calendar - June 1998.**

Enclosed in this letter is the 1998 Summer Training Calendar, which lists student financial aid training offered by the U.S. Department of Education, state agencies, professional associations, and other student aid-related organizations. This calendar is sent four times a year to financial aid administrators, fiscal officers and TRIO directors at all participating Title IV schools.

### **❖ Dear Colleague, ANN-98-5: NSLDS Workshops, June 1998.**

This letter describes a nationwide series of National Student Loan Data System (NSLDS) workshops and lists the sites, dates, and registration procedures.

### **❖ Dear Colleague, ANN-98-7: SFA BBS to be Retired July 1, June 1998.**

The Student Financial Assistance electronic Bulletin Board Service (BBS), which has served the financial aid community since spring 1995, will be retired as of July 1, 1998. Its replacement, the Information for Financial Aid Professionals (IFAP) Web site, has been operating successfully since March 5, 1998. IFAP has all the features of the BBS, and is more user-friendly, easier to access, incorporates graphics, has a more sophisticated search capability, and provides a number of direct links to other ED web sites of interest to financial aid professionals. IFAP can be accessed at <http://ifap.ed.gov>.

### **❖ Dear Colleague, DLB-98-20: Interim 732-LOS, June 1998.**

The Department has received a number of requests from schools for a current file of all 1995-96 and 1996-97 cash and loan detail records on the Loan Origination Center (LOC) database. Therefore, the Department has decided to provide an interim 732-LOS file to all schools. Schools should have received this interim 732-LOS file on June 15, 1998. If schools have any questions regarding their interim 732-LOS, please contact your LOC Customer Service Representative at 1-800-848-0978, or the Accounting and Financial Management Service at (202) 205-6466.

### **\* Dear Colleague, 98-L-206, Extension of filing deadline under DCL 98-L-202, June 1998.**

This letter is in reply to a request for an extension of the 90-day filing deadline established in Dear Colleague Letter 98-L-202 for the filing by lenders for additional special allowance payments on loans affected by the court decision on Bank of America N.T. & S.A. v. Riley, 1997 U.S. App. LEXIS 28483 (D.C. Cir. 1997), affg 940 F. Supp. 348 (D.D.C. 1996). After careful consideration, the Department of Education has decided to grant lenders an additional 60 days to request these payments. Penalty interest will not be paid on requests received during the extension period past the original April 30, 1998 cutoff referenced in DCL 98-L-202.

### **\* Dear Guaranty Agency Director, Disaster Letter 98-54: Flooding in Oregon, June 16, 1998.**

Following President Clinton's disaster declaration of June 15, the Federal Emergency Management Agency declared Crook county in Oregon to be a disaster area that qualifies for federal assistance under FEMA's "Individual Assistance" program because of flooding that began May 28. 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 98-55: Flooding in Massachusetts, June 25, 1998.**

Following President Clinton's disaster declaration of June 24, the Federal Emergency Management Agency declared Bristol, Essex, Middlesex, Norfolk, and Suffolk counties in Massachusetts to be disaster

areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of flooding that began June 13. 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-98-11: Changes to the Higher Education Act of 1965, as amended (HEA), June 1998.**

This letter informs the higher education community of changes to the Higher Education Act of 1965, as amended (HEA), made by Public Law 105-18. These changes concern an institution's annual calculation of completion or graduation and transfer-out rates under the HEA.

**❖ Dear Colleague, CB-98-9, Federal Perkins Loan Program Assignment Submission Procedures, June 1998.**

This letter provides instruction concerning the Assignment of defaulted Federal Perkins Loans and National Direct (or Defense) Student Loans (NDSLs) to the U.S. Department of Education for collection that expires June 30, 1998.

**❖ Dear Colleague, ANN-98-6, June 1998.**

The Department of Education is pleased to announce the availability of a Student Financial Assistance Programs "fax broadcast" service for postsecondary schools. When they have a high-priority message to communicate to postsecondary schools, they are now able to fax it to any school that has a fax machine and wishes to receive such a message from ED. There is no charge for enrollment in this service, which will provide institutions with a convenient way of automatically receiving important messages from ED.

Please note that ED will continue posting all Dear Colleague letters and announcements--high priority or otherwise--on the "Information for Financial Aid Professional" web site (<http://ifap.ed.gov>). The fax broadcast service will be used only in the case messages that ED believes need your immediate attention. If you wish to enroll in this service, please complete the enclosed enrollment sheet and fax the completed sheet to 1-319-358-4351. Ed hopes that you will find the fax broadcast service useful, and welcomes any comments.

**❖ Dear Colleague, DLB-98-21: Notice of Close Out Letter to School Presidents, June 1998.**

Schools recently received an interim 732-LOS file from the Department of Education's Direct Loan Origination Center (LOC). As stated in Direct Loan Bulletin 98-20, this file reflects all 1995-96 and 1996-97 cash and loan detail records on the LOC database through June 12, 1998, and provides the Department of Education's official ending cash balance for schools as of June 12, 1998.

If the interim 732-LOS reflects a positive ending cash balance of \$100 or more and/or an unbooked loan balance for the school, the Department's Accounting and Financial Management Service has mailed a letter to the President of the school reminding him or her of the Department's July 31, 1998, processing deadline for the 1995-96 and 1996-97 Direct Loan Program years. *If your school has a zero ending cash balance on the 732-LOS and no unbooked loan balance, this letter was not mailed to your school.*

**❖ Dear Colleague, DLB-98-22, Correction in the May/June 1998 Direct Loan Newsletter, June 1998.**

An error has been noted on page 2 of the May/June 1998 Direct Loan Newsletter. The information in the shadow box in the center of the page should be corrected to read as follows:

FYI -- direct Loan Schools may draw down funds through the Grant Administration and Payment System (GAPS) for 1997-98 Award Year loans until the close out of the 1997-98 Award Year, July 31, 1999.

The date at the end of the sentence was incorrect in the newsletter.

**❖ Dear Colleague - Action Letter #5, GEN-98-12, A Guide to 1998-99 SARs and ISIRs, May 1998.**

This letter transmits *A Guide to 1998-99 SARs and ISIRS*. The Guide contains information to assist in interpreting the codes that appear on the Student Aid Report (SAR), which is sent to the student, and the Institutional Student Information Records (ISIRs), which are sent directly to institutions by the Central Processing System (CPS).

**❖ Dear Financial Aid Administrator, CB-98-10(LD), 1996-97 Federal Perkins Loan Service Cancellations Payment - July 1998.**

Enclosed in this letter are two copies of the payment letter for reimbursement(s) of the Service Cancellations (Teacher/Military/Volunteer/Law Enforcement/Child/Family/Early Intervention Nurse/Medical Technician) under the Federal Perkins Loan Program for the 1996-97 award period. This year each institution will receive less than 100 percent of the reimbursement due it under Section 465 of the Higher Education Act of 1965, as amended, because of insufficient funds in the Fiscal Year 1998 Appropriation. The calculation of these cancellation payments is based on the information contained in the 1996-97 Fiscal Operation Report and edit corrections submitted by your institution. A computerized worksheet is also enclosed which shows the step-by-step calculation of your payment.

**❖ Dear Colleague, DLB-98-23, Revised Direct Loan Economic Hardship Deferment Request Form, June 1998.**

Attached to this letter is the revised Direct Loan Economic Hardship Deferment Request Form. It has been changed to reflect the 1998 update of the poverty guidelines issued annually by the Department of Health and Human Services. Please update your files and use the attached form when fulfilling students' requests. Schools may photocopy this form or download an electronic version from the Internet at: <http://www.ed.gov/DirectLoan>. The expiration date of February 28, 1998, show on all the Direct Loan deferment request forms, has been extended. Please continue to use forms with this expiration date unit notified otherwise.

**❖ Dear Colleague Letter, DLB-98-24, New Direct Loan Publication Available, June 1998.**

Enclosed in this letter is a new Direct Loan publication entitled *Direct PLUS Loans: A Guide to Federal Education Loans for Parents*. Developed by the Department of Education with input from parents and financial aid administrators, the booklet is a comprehensive guide for current and prospective Direct PLUS Loan borrowers. This new publication will be available on the Direct Loan web site at: <http://www.ed.gov/DirectLoan>. You may also contact the Loan Origination Center at 800/848-0978 for printed copies.

**❖ Dear Colleague, DLB-98-25, Electronic Distribution of the Borrower Delinquency Report, July 7, 1998.**

This bulletin follows up on Direct Loan Bulletin 97-43 that was issued in October 1997. The Borrower Delinquency Report is now being distributed electronically to Direct Loan schools over the Title IV Wide Area Network (Title IV WAN). The report is being distributed under the message classes of EDM499OP and DQBD99OP.DAT and is no longer available in hard copy.

**\* Dear Guaranty Agency Director, Disaster Letter 98-56: Flooding in Vermont, July 1, 1998.**

On June 30, President Clinton issued a major disaster declaration for Vermont. Based on the President's declaration, the Federal Emergency Management Agency designated Addison, Chittenden, Franklin, Lamoille, Orange, Rutland, Washington, and Windsor counties to be disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of flooding that began June 17. 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 98-57: Severe Weather in Ohio, July 1, 1998.**

On June 30, President Clinton issued a major disaster declaration for Ohio. Based on the President's declaration, the Federal Emergency Management Agency designated Guernsey, Muskingum, Noble, and Washington counties to be disaster areas that qualify for federal assistance under FEMA's "Individual

Assistance” program because of severe storms, tornadoes, and flooding that began June 24. 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-98-8, Announces the new 1999-2000 Recipient Financial Management System for reporting and requesting funds under Federal Pell Grant Program, July 1998.**

This letter is the first in a series that will provide information on the new Recipient Financial Management System (RFMS) that replaces the existing Pell Grant Recipient Financial Management System (PGRFMS) and will be used by institutions to report and request Federal Pell Grant student payment information beginning with the 1999-2000 award year.

**❖ Dear Colleague, DLB-98-26, Additional 732-LOS File, July 1998.**

Due to the number of requests from schools for an additional 732-LOS file, the Department will process a 732-LOS file for all schools on July 10, 1998. Schools should receive this additional 732-LOS file on July 13, 1998. This additional 732-LOS file will have the same message class as the previous 732-LOS files and will be sent as two ASCII text files: a summary file (DIS497O) and a detail file (DIS597OP).

**\* Dear Guaranty Agency Director, Disaster Letter 98-58: Severe Weather in Iowa, July 7, 1998.**

On July 2, President Clinton issued a major disaster declaration for Iowa. Based on the President’s declaration, the Federal Emergency Management Agency designated Audubon, Cass, Chickasaw, Dallas, Fremont, Guthrie, Montgomery, Page, Polk, and Pottawattamie counties to be disaster areas that qualify for federal assistance under FEMA’s “Individual Assistance” program because of severe storms, tornadoes, and flooding that began June 13. 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 98-59: Severe Weather in West Virginia - July 8, 1998.**

On July 1, President Clinton issued a major disaster declaration for West Virginia. Based on the President’s declaration, the Federal Emergency Management Agency designated Braxton, Gilmer, Jackson, Kanawha, Roane, and Wood counties to be disaster areas that qualify for federal assistance under FEMA’s “Individual Assistance” program because of severe storms, tornadoes, and flooding that began June 26. 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 98-60: Severe Weather in New York, July 8, 1998.**

On July 7, President Clinton issued a major disaster declaration for New York. Based on the President’s declaration, the Federal Emergency Management Agency designated Cattaraugus, Clinton, Erie, Essex, and Wyoming counties to be disaster areas that qualify for federal assistance under FEMA’s “Individual Assistance” program because of severe storms and flooding that began June 25. 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, DLB-98-27: Additional Information on Closing Out the 1995-96 Direct Loan Program Year, July 1998.**

The 1995-96 and 1996-97 Direct Loan Program Years will close on July 31, 1998. After July 31, 1998, the Loan Origination Center (LOC) will no longer accept 1995-96 or 1996-97 electronic transactions. Further, the LOC will not accept NEW requests for manual transactions or corrections to 1995-96 or 1996-97 loan records after July 31, 1998. This letter provides information on closing out the 1995-96 Direct Loan Program.

**\* Dear Colleague, GEN-98-13, July 1998.**

This letter announces a conference for Third Party Servicers sponsored by the U.S. Department of Education. The conference will be held August 27-28, 1998 in Arlington, VA. This conference will offer participants an opportunity to learn more about and provide comments on the Department's electronic Title IV application systems.

❖ **Dear Colleague Letter, GEN-98-14, July 1998.**

This letter announces the availability of the National Student Loan Data System (NSLDS) to accept Title IV Federal student aid overpayment information from institutions. The enclosed "Question and Answer" pages describe the policies and procedures schools must follow when reporting overpayment information to the NSLDS.

\* **Dear Guaranty Agency Director, Disaster Letter 98-61: Severe Weather in Iowa, July 9, 1998.**

On July 9, Vice President Gore announced that additional counties in Iowa would be covered under the major disaster declaration that was issued for Iowa because of severe storms, tornadoes, and flooding that began June 13. The most recent notice about the severe weather in Iowa was "Disaster Letter 98-58," dated July 7. 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 capitalized): Audubon, BOONE, CARROLL, Cass, Chickasaw, Dallas, Fremont, GRUNDY, Guthrie, HAMILTON, HARDIN, HOWARD, IOWA, JASPER, JOHNSON, KEODUK, LOUISA, MARION, MARSHALL, MILLS, Montgomery, MUSCATINE, Page, Polk, Pottawattamie, POWESHIEK, SHELBY, TAYLOR, WAPELLO, and WASHINGTON.

\***Dear Guaranty Agency Director, Disaster Letter 98-62: Fires in Florida, July 10, 1998.**

On July 10, President Clinton expanded a major disaster declaration that he had issued on June 18 for Florida. Based on the President's declaration, the Federal Emergency Management Agency designated Alachua, Baker, Bradford, Brevard, Clay, Citrus, Columbia, Dixie, Duval, Flagler, Gilchrist, Gulf, Hamilton, Hernando, Lafayette, Lake, Lee, Levy, Madison, Marion, Nassau, Okaloosa, Orange, Osceola, Pasco, Putnam, Seminole, St. Johns, Sumter, Suwannee, Taylor, Union, Volusia, and Walton counties to be disaster areas that qualify for federal assistance under FEMA's "Individual Assistance" program because of fires that began May 25. 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 98-63: Fires in Florida, July 13, 1998.**

On July 13, the Federal Emergency Management Agency added six more counties to the list of counties in Florida that qualify for federal assistance under FEMA's "Individual Assistance" program because of fires that began May 25. The most recent notice about the fires in Florida was "Disaster Letter 98-62." dated July 10. 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 capitalized): Alachua, Baker, BAY, Bradford, Brevard, CALHOUN, Clay, Citrus, Columbia, Dixie, Duval, Flagler, Gilchrist, Gulf, Hamilton, Hernando, HOLMES, JACKSON, Lafayette, Lake, Lee, Levy, LIBERTY, Madison, Marion, Nassau, Okaloosa, Orange, Osceola, Pasco, Putnam, Seminole, St. Johns, Sumter, Suwannee, Taylor, Union, Volusia, Walton, and WASHINGTON.

\* **Dear Colleague, 98-L-207, July 1998.**

This letter is to clarify the Department of Education's use of the annual interest rate versus the quarterly variable interest rate to calculate special allowance payments for the supplemental billings resulting from the court decision in Bank of America NT & SEA. v. Riley. Due to the constraints of the Interest Payment Subsystem, the Department has been processing the supplemental ED Form 799s using the annual interest rate to calculate the additional special allowance.

Once the documents are processed, the Department will manually apply a special formula to determine the difference between the payment made and amount due using the quarterly interest rate. The difference, if applicable, will be included with the subsequent penalty interest payment and could result in monies due

to or from the lenders. The Department will make every effort to ensure that these payments are processed promptly. Of course, all supplemental reports and payments may be subject to further review during a regular lender review or audit.

■ **Federal Register, Notice of Proposed Information Collection Requests, Notice, June 19, 1998.**

The Acting Deputy Chief Information Officer, Office of the Chief Information Officer, invites comments on the proposed information collection requests as required by the Paperwork Reduction Act of 1995. An emergency review has been requested in accordance with the Act (44 U.S.C. Chapter 3507(j)), since public harm is reasonably likely to result if normal clearance procedures are followed. Approval by the Office of Management and Budget (OMB) has been requested by June 25, 1998.

❖ **Federal Register, Effective Date for Awards of Educational Assistance to Veterans Who Were Voluntarily Discharged, 38 CFR Part 21, Final Rule, June 23, 1998.**

This document amends the educational-assistance and educational-benefits regulations of the Department of Veterans Affairs (VA). It establishes 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 correspond with a statutory mandate for the effective dates. The final rule also clarifies that these veterans may not receive educational assistance for training that occurs before they pay the Federal government \$1,200. Effective Date is July 23, 1998.

❖ **Federal Register, Federal Pell Grant Program, Notice, June 26, 1998.**

The Secretary announces the deadline dates for receiving documents from persons applying for grants under, and from institutions participating in, the Federal Pell Grant Program in the 1998-99 award year.

❖ **Federal Register, 34 CFR Part 685, William D. Ford Federal Direct Loan Program, Final Regulations, June 26, 1998.**

The Secretary amends the William D. Ford Federal Direct Loan Program regulations to add the Office of Management and Budget (OMB) control number to certain sections of the regulations. These sections contain information collection requirements approved by OMB. The Secretary takes this action to inform the public that these requirements have been approved and affected parties must comply with them. These regulations are effective on July 1, 1998.

❖ **Federal Register, 38 CFR Part 21, Veterans Education: Suspension and Discontinuance of Payments, Final Rule, July 1, 1998.**

This document makes changes to the Department of Veterans Affairs (VA) education regulations. It requires that a Director of a VA field station obtain recommendations from a Committee on Educational Allowances before deciding whether to suspend or discontinue payments of educational assistance when educational institutions (including training establishments) fail to meet requirements. It also establishes procedural and composition requirements for the Committees, and it establishes hearing rules for the Committees. In addition, it provides that upon the request of the affected educational institution, the Director of the Education Service will determine, on the basis of the evidence of record, appeals of a decision concerning such suspension or discontinuance of payments of educational assistance. The changes apply to the following educational assistance programs: Montgomery GI Bill--Active Duty, Montgomery GI Bill--Selected Reserve, Survivors' and Dependents' Educational Assistance, the Post-Vietnam Era Veterans' Educational Assistance Program, and the Educational Assistance Pilot Program. These changes are appropriate to ensure proper decision making. In addition, nonsubstantive changes are made for the purpose of clarification. Effective date is July 31, 1998.

■ **Federal Register, Notice of Proposed Information Collection Requests, July 7, 1998.**

The Acting Deputy Chief Information Officer, 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 September 8, 1998.

❖ **Federal Register, William D. Ford Federal Direct Loan Program; Federal Family Education Loan Program, Notice, July 8, 1998.**

The Assistant Secretary for Postsecondary Education announces the interest rates for variable-rate loans made under the William D. Ford Federal Direct Loan (Direct Loan) Program and the Federal Family Education loan (FFEL) Program for the period of July 1, 1998-June 30, 1999.

❖ **Federal Register, 34 CFR Part 668, Student Assistance General Provisions, Proposed Rule, July 13, 1998.**

The Secretary proposes to amend the Student Assistance General Provisions regulations, 34 CFR part 668, to permit a school to appeal its Direct Loan Program cohort rate or weighted average cohort rate on the basis of improper servicing or collections of the Direct Loans included in that rate. The Secretary also proposes to clarify when a school's rate is considered final.

■ **Federal Register, Submission for OMB review, Notice and request for comment, July 14, 1998.**

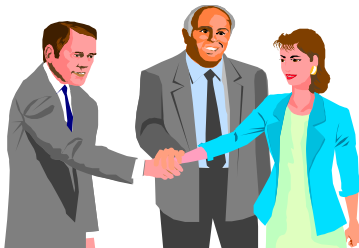
The Acting Deputy Chief Information Officer, Office of the Chief Information Officer, invites comments on the submission for OMB review as required by the Paperwork Reduction Act of 1995. Interested persons are invited to submit comments on or before August 13, 1998.

❖ **Federal Register, Department of Education, Notice, July 15, 1998.**

Notice Inviting Applications for New Awards for Fiscal Year (FY) 1999: Ronald E. McNair Postbaccalaureate Achievement Program; Upward Bound and Upward Bound Math/Science Programs. The purpose of this program is to provide grants for higher education institutions to prepare low-income, first generation college students, and students from grounderrepresented in graduate education, for doctoral study. Applications Available August 1, 1998. Deadline for Transmittal of Applications is October 2, 1998. Deadline for Intergovernmental Review is December 31, 1998.

❖ **Federal Register, 34 CFR Part 685, William D. Ford Federal Direct Loan Program, Final Rule, July 20, 1998.**

These regulations contain revised income percentage factors for the income contingent repayment plan, a repayment plan available in the William D. Ford Federal Direct Loan (Direct Loan) Program. The regulations also contain updated sample income contingent repayment amounts for single and married or head-of-household borrowers at various income and debt levels. These regulations take effect on July 1, 1998.



**OSFA New Employees**

The Office of Student Financial Assistance would like to take this opportunity to welcome a new member to the team.

**Janice Marshall - Senior Professional Accountant.**

Janice has spent the last twelve years with the Office of the Auditor's



General. Janice worked with Financial Statements for District School Board, Financial Audits for state agencies and community colleges. Also financial, operational, and compliance for community colleges.

In her position at OSFA, Janice is the budget officer which is responsible for approving purchases and preparing any financial reports. Reports and monitors OSFA's budget.

Janice & Darryll Marshall have been married for fourteen years with two beautiful children, Darryll Jr, eleven and Julia who is five. Janice and her family are lifelong residents of Quincy, Fl.

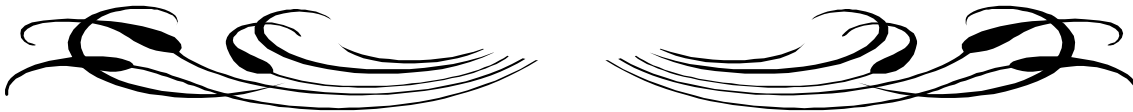
## ENCLOSURES

- Disaster Letter 98-54: Flooding in Oregon
- Disaster Letter 98-55: Flooding in Massachusetts
- Disaster Letter 98-56: Flooding in Vermont
- Disaster Letter 98-57: Severe weather in Ohio
- Disaster Letter 98-58: Severe weather in Iowa
- Disaster Letter 98-59: Severe weather in West Virginia
- Disaster Letter 98-60: Severe weather in New York
- Disaster Letter 98-61: Severe weather in Iowa
- Disaster Letter 98-62: Fires in Florida
- Disaster Letter 98-63: Fires in Florida

Enclosed copies of the Disaster Letters have been printed from the Department of Education Bulletin Board (SFA/BBS).

## QUESTIONS AND ANSWERS

### OSFA's Q&A



**Question:** A institution processes an unsubsidized loan for a student and after the disbursement is received, the institution determines that the student was eligible for a subsidized loan. The institution

recommends that the student allow the disbursement to be returned to the lender and the loan canceled to allow the institution to reprocess a subsidized loan. The student does not want to return and cancel the loan. What is the school required to do?

**Answer:** If the student did not request a subsidized loan on the loan application, the school is not required to do anything, student received the unsubsidized loan which is what was requested. If the student did request a subsidized loan, an error was made and a new application would be needed if the school and student wish to correct the error. The school must document the reason for the error and that the borrower chooses to accept the unsubsidized disbursement knowing that he qualifies for the subsidized loan.

***Federal Student Financial Aid Handbook Chapter 10, page 5***

In addition, a school cannot certify an unsubsidized Stafford Loan for a student without first determining his or her need for a subsidized Stafford Loan. If a student has need for a subsidized Stafford Loan of less than \$200, a school can choose to certify only an unsubsidized Stafford Loan that includes the amount of the student's need, rather than certifying a subsidized loan of less than \$200 and an unsubsidized loan for the remainder of the student's borrowing limit. Details on certifying loans are provided in Section 2 of this chapter.

**Question:** A lender has a borrower that requested a consolidation loan. The Consolidation Loan has been made and guaranteed by the Guarantee Agency. The borrower has now decided that he does not want the Consolidation Loan and has requested it to be canceled. Is there a recommended time frame/deadline by which a cancellation request by the borrower can be honored?

**Answer:**

***Response from U.S. Department of Education Policy Representative***

Letter dated July 24, 1998: 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 an 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.*