



## Effective July 1, 2009

July 1, 2009 is the effective date for several College Cost Reduction and Access Act (CCRAA), Higher Education Reconciliation Act (HERA), Final Rules and Higher Education Opportunity Act (HEOA) provisions. The following list provides a summary of the most important provisions to help you better understand how they affect you and help you implement the changes seamlessly.

### Higher Education Opportunity Act (HEOA)

- Income-Based Repayment (IBR) plan:
  - Added to the list of repayment plans that a lender must offer Federal Family Education Loan Program (FFELP) borrowers.
  - Includes the exception to the \$600 annual payment requirement.
  - Must be offered to eligible borrowers by FFELP consolidation lenders.
- Lenders will provide a bill or statement during repayment for Stafford, PLUS and consolidation loan borrowers.
- Lenders will provide information to borrowers having difficulty making payments.
- Lenders will provide disclosure during borrower delinquency.
- In-state tuition rates for active duty service members, their spouses or dependent children may not be more than the in-state tuition rate at public schools.
- Eliminates the \$400 minimum annual Pell Grant. No student shall be awarded a Pell Grant that is less than 10 percent of the maximum basic grant level for a single academic year, if appropriated.
- Eliminates the case-by-case basis awarding two Pell Grants. Students may receive not more than two Pell Grants during a single award year.
- Awarding of a Pell Grant is prohibited to students who are subject to an involuntary civil commitment upon completion of a period of incarceration for a forcible or non-forcible sexual offense.
- Definition of rigorous Higher Education Act (HEA) secondary school program of study changes for Academic Competitiveness Grants (ACG).
- Competitive FFELP PLUS Loan Auction Pilot Program topics include:
  - Additions to prequalification process.
  - Winning bidder penalties.
  - Insurance on exempt and lender-of-last-resort.
  - FFELP guaranty agency guarantees.
  - Required initial evaluation and reports.

### October 23, 2008 Final Rules

- Income-Based Repayment (IBR) plan topics include:
  - Disclosure requirements.
  - Exclusion of certain payment rules.
  - Administrative forbearance.
  - Definitions.
  - Rehabilitated loans.
  - Loan forgiveness.
  - Changes in payment amount.
  - Eligibility and documentation requirements.
  - Repayment terms and payment application.
  - Payment of interest and special allowance.
  - Election of IBR and calculation requirements.

- Economic hardship deferment topics include:
  - Changes to the poverty line reference from Community Service Block Grant to HHS Guidelines.
  - Elimination of debt-to-income criteria that qualifies borrowers for deferments.
  - Addition of the family size definition that aligns with the FAFSA definition.
- Military service deferment topics include (unless implemented early):
  - 180-day extension for borrowers whose active duty service includes Oct. 1, 2007.
  - Obtaining deferments after each period of service (not limited to one time only).
  - Incorporation of the HEROES Waiver to grant initial 12-month deferment without supporting documentation from the borrower or borrower's representative.
- Regarding post-active duty student deferments (unless implemented early):
  - Available for borrowers whose service includes Oct. 1, 2007, or begins on or after that date.
  - The 13-month period follows the conclusion of any applicable grace period.
  - Deferment ceases when a borrower re-enrolls on at least a half-time basis.
  - Deferment runs concurrently if borrower also qualifies for the military service deferment.
  - There is a mandatory forbearance in 12-month increments for National Guard members (who qualify for post-active duty student deferment but who do not qualify for the military service deferment).
- Eligible not-for-profit holder topics include:
  - Clarification of the definition.
  - New definitions of state or non-profit entity, special purpose entity, related special purpose entity, beneficial owner, beneficial ownership, owner of a beneficial interest, sole owner and reasonable and customary fees.
  - Clarification and addition of language regarding trustees.
  - Eligibility determination.
  - Annual certification process.
  - Change in status.

## College Cost Reduction and Access Act (CCRAA)

- The fixed, undergraduate, FFELP subsidized Stafford loan interest rate is reduced from 6.00 percent to 5.60 percent. This is effective for undergraduate, subsidized Stafford loans first disbursed on or after July 1, 2009.
- Graduate and professional student PLUS loan borrowers are eligible for the income-contingent repayment (ICR) offered in the Direct Loan program.
- Income-Based Repayment (IBR) plan implemented for borrowers demonstrating a partial financial hardship.
- Eligibility for FFELP consolidation borrowers to consolidate into the Direct Loan program if unable to obtain a consolidation loan from a lender with IBR plan terms acceptable to the borrower.
- Clarification on subsequent consolidation loans under the Direct Loan program to obtain an IBR plan if the loan has been submitted for default aversion or is already in default.
- Competitive FFELP PLUS Loan Pilot Auction Program.

## Higher Education Reconciliation Act of 2005 (HERA)

- The FFELP Stafford loan (subsidized and unsubsidized) origination fee will be reduced from 1.00 percent to 0.50 percent effective for loans for which the first disbursement of principal is made on or after July 1, 2009.

**For more information about these provisions, contact OGSLP's Policy, Compliance, and Training department at 405.234.4432 or [pct@ogslp.org](mailto:pct@ogslp.org). We're here to help!**