



Prepared by the EDFUND Government Relations Unit

Overview of the Final Rules to amend the Federal Family Education Loan, Federal Direct Loan and Federal Perkins Loan Program Regulations

Status: Final Rules were published in the Federal Register on November 1, 2007.

Implementation: Final Rules will be implemented by July 1, 2008 with the opportunity to implement certain regulations earlier at the institution's discretion.

Summary: The final regulatory package published on November 1, 2007 included final rules for issues that were included in the 2007 Negotiated Rulemaking process and some of the rules relating to the recently passed College Cost Reduction and Access Act. The Secretary has determined that it is unnecessary to conduct Negotiated Rulemaking or notice-and-comment rulemaking on these regulations. These amendments simply modify the Department's regulations to reflect statutory changes made by the CCRAA. This document provides an overview of all of the topics included in this regulatory package.

Last updated November 13, 2007

This document provides a summary of the Final Rules and is intended for informational purposes only. Readers should refer to the detail of Final Rules and US Department of Education guidance in determining all relevant issues.

Subject/ 34 CFR Section #	Final Rules	Effective Date	Comments/Discussion
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Regulations for FFEL Program			
Prohibited Inducements 682.200 682.401 Statute 435(d)(5) and 428(b)(3)	<p>Adds a definition of a school-affiliated organization</p> <p><i>A school-affiliated organization is any organization that is directly or indirectly related to a school and includes, but is not limited to, alumni organizations, foundations, athletic organizations, and social, academic, and professional organizations.</i></p> <p>Expands the definition of lender to include but is not limited to activities:</p> <p>Lender may not provide:</p> <ul style="list-style-type: none"> • Payments, prizes or financial aid funds, to a prospective borrower in exchange for applying for or accepting a FFEL loan from the lender • Payments or other benefits to a school, school-affiliated organization or to any individual in exchange for FFEL loan applications, or application referrals, or a specified volume or dollar amount of loans made, or placement on a school's list of recommended or suggested lenders • Payments or other benefits provided to a student at a school who acts as the lender's representative to secure FFEL loan applications from individual prospective borrowers • Payments or other benefits to a loan solicitor or sales representative of a lender who visits schools to solicit individual prospective borrowers to apply for FFEL loans from the lender • Payment of referral or processing fees to another lender or any other party, except those processing fees necessary to comply with 	May Implement on or after 11/1/2007	<p>State statutes, regulations, or rules that conflict with or hinder the accomplishment and execution of the Department's rulemaking relating to inducement practices are preempted.</p> <p>Includes a non-exhaustive list of examples of prohibited inducements and activities, and an exhaustive list of permissible activities.</p>

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	<p>Federal or State law</p> <ul style="list-style-type: none"> • Solicitation of an employee of a school or school-affiliated organization to serve on a lender's advisory board or committee and/or payment of costs incurred on behalf of an employee of a school or school-affiliated organization to serve on a lender's advisory board or committee • Payment of conference or training registration, transportation, and lodging costs for an employee of a school or school-affiliated organization • Payment of entertainment expenses, including expenses for private hospitality suites, tickets to shows or sporting events, meals, alcoholic beverages, and any lodging, rental, transportation, and other gratuities related to lender-sponsored activities for employees of a school or a school-affiliated organization • Undertaking philanthropic activities, including providing scholarships, grants, restricted gifts, or financial contributions in exchange for FFEL loan applications or application referrals, or a specified volume or dollar amount of FFEL loans made, or placement on a school's list of recommended or suggested lenders • Staffing services to a school, except for services provided to a participating foreign schools at the direction of the Secretary, as a third-party servicer or otherwise on more than a short-term, emergency basis, and which is non-recurring, to assist a school with financial aid-related functions <ul style="list-style-type: none"> ○ The term "emergency basis" means a state- or Federally- declared natural 		

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	<p>disaster, a Federally-declared national disaster, and other localized disasters and emergencies identified by the Secretary</p> <ul style="list-style-type: none"> • Conduct unsolicited mailings to a student or a student's parents of FFEL loan application forms, except to a student who previously has received a FFEL loan from the lender or to a student's parent who previously has received a FFEL loan from the lender • Offered, directly or indirectly, a FFEL loan to a prospective borrower to induce the purchase of a policy of insurance or other product or service by the borrower or other person • Engage in fraudulent or misleading advertising with respect to its FFEL loan activities • In-person school-required initial and exit loan counseling. <p>Lender may provide:</p> <ul style="list-style-type: none"> • Assistance to a school that is comparable to the kinds of assistance provided to a school by the Secretary under the Direct Loan program, as identified by the Secretary in a public announcement, such as a notice in the Federal Register • Support of and participation in a school's or a guaranty agency's student aid and financial literacy- related outreach activities, as long as the name of the entity that developed and paid for any materials is provided to the participants and the lender does not promote its student loan or other products • Meals, refreshments, and receptions that are reasonable in cost and scheduled in conjunction 		<p>The most recent description of the kinds of assistance the Department provides to schools in the DL Program was published in a NPRM on 8/10/1999 (64 FR 43428, 43429-43430) and can be accessed at: http://www.ed.gov/legislation/FedRegister/proprule/1999-3/081099a.html.</p>

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	<p>with training, meeting, or conference events if those meals, refreshments, or receptions are open to all training, meeting, or conference attendees</p> <ul style="list-style-type: none"> • Toll-free telephone numbers for use by schools or others to obtain information about FFEL loans and free data transmission service for use by schools to electronically submit applicant loan processing information or student status confirmation data • A reduced origination fee • A reduced interest rate • Payment of Federal default fees • Purchase of a loan made by another lender at a premium • Other benefits to a borrower under a repayment incentive program that requires, at a minimum, one or more scheduled payments to receive or retain the benefit or under a loan forgiveness program for public service or other targeted purposes approved by the Secretary provided these benefits are not marketed to secure loan applications or loan guarantees • Items of nominal value to schools, school-affiliated organizations, and borrowers that are offered as a form of generalized marketing or advertising, or to create good will • Other services as identified and approved by the Secretary through a public announcement, such as a notice in the Federal Register. <p>Guaranty agency may not provide:</p> <ul style="list-style-type: none"> • Offers directly or indirectly from any fund or assets available to the guaranty agency, any 		

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	<p>premium, payment, or other inducement to any prospective borrower, school or school-affiliated organization to secure applications for FFEL loans</p> <ul style="list-style-type: none"> • Payments or offerings of other benefits, including prizes or additional financial aid funds, in exchange for using an agency's guarantee to a <ul style="list-style-type: none"> ○ Prospective borrower ○ School or school-affiliated organization. • Payments or other benefits to a school or any school-affiliated organization, or to any individual in exchange for <ul style="list-style-type: none"> ○ FFEL loan applications or application referrals ○ Specified volume or dollar amount of FFEL loans ○ Placement of a lender that uses the agency's loan guarantee on a school's list of recommended or suggested lenders • Payment of entertainment expenses, including expenses for private hospitality suites, tickets to shows or sporting events, meals, alcoholic beverages, and any lodging, rental, transportation or other gratuities related to any activity sponsored by the guaranty agency or a lender participating in the agency's program, for school employees or employees of school-affiliated organizations • Philanthropic activities, including providing scholarships, grants, restricted gifts, or financial contributions in exchange for FFEL loan applications or application referrals, a specified volume or dollar amount of FFEL loans using the agency's loan guarantee, or the placement of a 		

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	<p>lender that uses the agency's loan guarantee on a school's list of recommended or suggested lenders</p> <ul style="list-style-type: none"> • Staffing services to a school, except for services provided to participating foreign schools at the direction of the Secretary, as a third-party servicer or otherwise on more than a short-term, emergency basis, which is non-recurring, to assist the institution with financial aid-related functions <ul style="list-style-type: none"> ○ The term "emergency basis" means a state- or Federally- declared natural disaster, a Federally-declared national disaster, and other localized disasters and emergencies identified by the Secretary • Assessment of additional costs or deny benefits otherwise provided to schools and lenders participating in the agency's program on the basis of the lender's or school's failure to agree to participate in the agency's program, or to provide a specified volume of loan applications or loan volume to the agency's program or to place a lender that uses the agency's loan guarantee on a school's list of recommended or suggested lenders • Offers, directly or indirectly, any premium, incentive payment, or other inducement to any lender, or any person acting as an agent, employee, or independent contractor of any lender or other guaranty agency to administer or market FFEL loans, other than unsubsidized Stafford loans or subsidized Stafford loans made under a guaranty agency's lender-of-last-resort program, in an effort to secure the guaranty 		

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	<p>agency as an insurer of FFEL loans</p> <ul style="list-style-type: none"> • Compensation to lenders or their representatives for the purpose of securing loan applications for guarantee • Performance of functions normally performed by lenders without appropriate compensation. • Provide equipment or supplies to lenders at below market cost or rental • Offers to pay a lender that does not hold loans guaranteed by the agency a fee for each application forwarded for the agency's guarantee • Provide mailing services or otherwise distribute unsolicited loan applications to students enrolled in a secondary school or a postsecondary institution, or to parents of those students, unless the potential borrower has previously received loans insured by the guaranty agency. • Fraudulent or misleading advertising concerning loan availability • In-person school-required initial and exit loan counseling. <p>Guaranty agency may provide:</p> <ul style="list-style-type: none"> • Assistance to a school that is comparable to that provided by the Secretary to a school under the Direct Loan Program, as identified by the Secretary in a public announcement, such as a notice in the Federal Register • Default aversion activities approved by the Secretary • Meals and refreshments that are reasonable in cost and provided in training of program participants and with workshops and forums customarily used by the agency to fulfill its 		<p>The most recent description of the kinds of assistance the Department provides to schools in the DL Program was published in a NPRM on 8/10/1999 (64 FR 43428, 43429-43430) and can be accessed at: http://www.ed.gov/legislation/FedRegister/proprule/1999-3/081099a.html.</p>

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	<p>responsibilities under the Act</p> <ul style="list-style-type: none"> • Meals, refreshments and receptions that are reasonable in cost and scheduled in conjunction with training, meeting, or conference events if they are open to all attendees • Travel and lodging costs that are reasonable to facilitate <ul style="list-style-type: none"> ○ Attendance of school staff in training or service facility tours ○ Participation in the activities of an agency's governing board, a standing official advisory committee ○ Support of other official activities of the agency • Toll-free telephone numbers for <ul style="list-style-type: none"> ○ Use to obtain information about FFEL loans ○ Free data transmission services to electronically submit applicant loan processing information or student status confirmation data • Payment of the Federal Default Fee. • Items of nominal value offered as a form of generalized marketing or advertising, or to create good will • Loan forgiveness programs for public service and other targeted purposes approved by the Secretary, provided the programs are not marketed to secure loan applications or loan guarantees • Other services as identified and approved by the Secretary through a public announcement, such as a notice in the Federal Register. 		

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	<p>Enforcement changes include:</p> <ul style="list-style-type: none"> Any formal action against a lender or guaranty agency based on a violation of the prohibited inducement provisions the Secretary will apply a "rebuttable presumption" that the activities or payments were undertaken or made by the lender or guaranty agency to secure FFEL Loan applications or FFEL loan volume Specify that a guaranty agency may not make a claim payment from its Federal Fund to a lender or request a reinsurance payment from the Department on a loan if the lender offered or provided an improper inducement to a school or other party in connection with the making of the loan Expansion of the FTC's Holder Rule as it applies to FFEL loans by essentially incorporating it into the regulations, applying it to all loans made under the FFEL Program and specifying that it applies if the lender making the loan offered or provided an improper inducement to the school or any other party in connection with the making of the loan. 		
Preferred Lender Lists 682.212 682.401	<p>Prohibits the use of a preferred lender list to deny or otherwise impede the borrower's choice of lender.</p> <p>Requires a school using a preferred lender list to</p> <ul style="list-style-type: none"> Include on the list at least three lenders that are not affiliated with each other <ul style="list-style-type: none"> A lender is 'affiliated' with another lender if the lenders are under the ownership or control of the same entity or individuals; the lenders are wholly or partly owned subsidiaries of the same parent company; 	May Implement on or after 11/1/2007	The Department believes that it is necessary at this time to establish rules to govern a school's optional use of a preferred lender list to preserve a borrower's right to choose a FFEL lender. These proposed regulations will help ensure that such lists are a source of useful, unbiased consumer information that can assist students and their parents in choosing a FFEL lender from the over 3,000 lenders that participate in the FFEL Program.

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	<p>the directors, trustees, or general partners of one of the lenders constitute a majority of the persons holding similar positions with the other lender</p> <ul style="list-style-type: none"> • Prohibit including lenders on the list that have offered, or been solicited by the school to offer, financial or other benefits to the school in exchange for placement on the list • Disclose to prospective borrowers, as part of the list, the method and criteria the school used to select any lender that it recommends or suggests • Provide comparative information to prospective borrowers about interest rates and other benefits offered by the lenders • Include a prominent statement, in any information related to its list of lenders, advising borrowers that they are not required to use one of the school's recommended or suggested lenders • Update any list of recommended or suggested lenders and any information accompanying such a list no less often than annually <p>Prohibits a school from:</p> <ul style="list-style-type: none"> • Assigning, through award packaging or other methods, a lender to first-time borrowers • Delaying certification of a borrower's loan eligibility to a lender because that particular lender is not on the school's preferred lender list. <p>A school may never refuse or delay certification of a borrower's loan eligibility because of the borrower's</p>		

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	choice of lender.		
Eligible Lender Trustees 682.200 682.602	Prohibits a FFEL lender from entering into a new ELT relationship with a school or a school-affiliated organization after September 30, 2006. ELT relationships in existence prior to that date would be allowed to continue with certain restrictions beginning 1/1/2007. <ul style="list-style-type: none"> • Must offer loans that carry an origination fee or an interest rate, or both, that are less than the fee or rate authorized • Must not have a cohort default rate greater than 10% • Must use any proceeds for need-based grants 	No new ELT relationships after 9/30/2006	<i>A school-affiliated organization is any organization that is directly or indirectly related to a school and includes, but is not limited to, alumni organizations, foundations, athletic organizations, and social, academic, and professional organizations.</i> <i>34 CFR 682.200</i>
Frequency of Capitalization 682.202	Capitalization on Consolidation Loans would be limited to quarterly, except that a lender could only capitalize unpaid interest that accrues during an in-school deferment at the expiration of the deferment.	May Implement on or after 11/1/2007	The regulations align the FFEL Program with the Direct Loan Program.
Loan Discharge for False Certification as a Result of Identity Theft 682.208 682.211 682.300 682.302 682.411	Allows a lender to suspend credit bureau reporting on a loan for 120 days while the lender investigates a borrower's claim that he or she is the victim of identity theft. Allows a lender to grant a 120-day administrative forbearance to a borrower upon the lender's receipt of a valid identity theft report as defined under the Fair Credit Reporting Act or notification from a credit bureau of an allegation of identity theft while the lender determines the enforceability of the loan. The lender can no longer collect interest and special	May Implement on or after 11/1/2007	The regulations allow lenders to comply with the Fair Credit Reporting Act and stop credit bureau reporting on delinquent loans while the lender investigates an alleged identity theft without violating the FFEL Program regulations.

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	<p>allowance payments on the loan if the lender determines that the loan is unenforceable.</p> <p>The regulations allow the lender a three-year period to submit a claim if the lender receives from the borrower a local, State, or Federal court a verdict of judgment naming the perpetrator proving that the borrower was the victim of the crime of identity theft.</p>		
Regulations for FFEL, DL and Perkins Loan Programs			
<p>Simplification of deferment process 674.38 682.210 685.204</p>	<p>FFEL lenders may grant</p> <ul style="list-style-type: none"> • Graduate fellowship deferments • Rehabilitation training program deferments • Unemployment deferments • Military service deferments • Economic hardship deferments <p>Based on information that another FFEL lender or the Department has granted the borrower a deferment for the same reason and the same time period.</p> <p>Permits the Department to grant a deferment on a Direct Loan based on deferment information from a FFEL Program lender.</p> <p>Permits schools in the Perkins Loan Program to grant deferments based on information from another Perkins Loan holder, FFEL lender, or the Department.</p> <p>Title IV loan holders may rely in good faith on the deferment eligibility determinations of other lenders, including the Department. However, if a loan holder has evidence indicating that the borrower does not qualify for a deferment, the loan holder may not</p>	<p>Loans received on or after 7/1/1993</p> <p>May Implement on or after 11/1/2007</p>	<p>The Department notes that granting a deferment under this simplified process is optional for lenders. A lender is not required to use this process when reviewing deferment requests.</p>

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	<p>grant a deferment based on another holder's determination of deferment eligibility.</p> <p>A borrower's representative may apply for a military service deferment on behalf of the borrower. Applies to both the Armed Forces deferment and the current military service deferment.</p>		A borrower's representative is a member of the borrower's family, or another reliable source. The Department did not think it was necessary to regulate a specific definition of the term "borrower's representative."
<p>Accurate and Complete Copy of a Death Certificate 674.61 682.402 685.212</p>	<p>Allows the use of an accurate and complete photocopy of the original or certified copy of the borrower's death certificate, in addition to the original or certified copy of the death certificate, to support the discharge of a Title IV loan due to death.</p>		The intent of the change is to allow a lender to accept a photocopy of the original or certified copy of the death certificate, unless there is evidence that the copy is not an accurate and complete copy of the original or certified copy.
<p>Total and Permanent Disability Discharge 674.61 682.402 685.213</p>	<p>Restructure of the disability discharge to clarify the eligibility requirements for a final total and permanent disability discharge and better describe the discharge process.</p> <ul style="list-style-type: none"> • Borrower submit a discharge application to the loan holder within 90 days of the physician certification date • Define the date of the borrower's total and permanent disability as the date the physician certifies the borrower's disability on the discharge application form • Requires a prospective three year conditional discharge period to establish eligibility for a total and permanent disability discharge beginning on the date the physician certifies the borrower is totally and permanently disabled • The Secretary reserves the right to require additional medical evidence of a borrower's total 	<p>Borrowers who apply for a discharge on or after 7/1/2008</p> <p>For Perkins Loans May Implement on or after 11/1/2007</p>	

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	<p>and permanent disability as well as an additional review of the borrower's condition by an independent physician at the Secretary's expense</p> <ul style="list-style-type: none"> • Upon final determination of the borrower's total and permanent disability, the Secretary returns any payments made, to the person who made the payments on the loan after the date the physician completed and certified the borrower's discharge on the loan discharge application 		
NSLDS Reporting Requirements 674.16 682.208 682.401 682.414	<p>Requires institutions, lenders, and guaranty agencies to report enrollment and loan status information, or any other Title IV-loan-related data required by the Secretary, to the Secretary by a deadline established by the Secretary.</p> <p>Requires a guaranty agency to report enrollment and loan status information on a FFEL program borrower or student to the current holder of any loan within 35 days of any changes to the student's enrollment status.</p>	<p>May Implement on or after 11/1/2007</p>	
Certification of Electronic Signatures on MPNs Assigned to the Department 674.19 674.50 682.409 682.414	<p>Requires an institution to create and maintain a certification regarding the creation and maintenance of any electronically signed Perkins Loan promissory note or MPN in accordance with documentation requirements.</p> <p>Requires an institution/lender/GA to retain an original of an electronically signed Perkins Loan or FFEL Program MPN for 3 years after all loans on the MPN are satisfied.</p> <p>Schools/GAs/lenders are required to cooperate with the Secretary in all matters necessary to enforce an</p>		<p>These requirements will help ensure that the Department has the evidence to enforce the loan in cases in which a factual dispute or a legal challenge is raised in connection with the validity of the borrower's electronic signature on the MPN.</p>

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	<p>assigned loan that was electronically signed, including:</p> <ul style="list-style-type: none"> • Provide testimony to ensure the admission of electronic records in legal proceedings • Provide the Secretary with the certification regarding the creation and maintenance of electronically signed promissory notes • Respond within 10 business days, to any request by the Secretary for any record, affidavit, certification or other evidence needed to resolve any factual dispute in connection with an electronically signed promissory note • Ensure that all parties have full and complete access to the electronic records until all loans made on the MPN are satisfied <p>Requires the guaranty agency to provide the Secretary with the name and location of the entity in possession of an original, electronically signed MPN that has been assigned to the Department.</p>		
<p>Record Retention Requirements on MPNs Assigned to the Department 674.19 674.50 682.406 682.409</p>	<p>Institutions participating in the Perkins Loan Program are required to:</p> <ul style="list-style-type: none"> • Retain records showing the date and amount of each disbursement of each loan made under an MPN • Retain disbursement records for each loan made on an MPN until the loan is canceled, repaid, or otherwise satisfied • Submit disbursement records on an assigned Perkins loan upon the Secretary's request <p>Requires a guaranty agency to submit the record of the lender's disbursement of loan funds to the school for delivery to the borrower when assigning a FFEL</p>		<p>These regulatory changes facilitate the process of proving that a borrower benefited from the proceeds of the loan, if the borrower challenges the validity of the loan.</p>

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	Loan to the Department.		
Loan Counseling for Graduate or Professional Student PLUS Loan Borrowers 682.603 682.604(f)(g) 685.301 685.304(a)(b)	<p>Requires entrance counseling for graduate or professional student PLUS Loan borrowers. Counseling requirements may vary, depending on whether the borrower has received a Stafford Loan prior to receipt of the PLUS Loan or not.</p> <p>Modifies exit counseling requirements for Stafford Loan borrowers. If the borrower has received a combination of Stafford Loans and PLUS Loans, the institution must provide average anticipated monthly repayment amount information based on the combination.</p> <p>As part of the process for certifying a FFEL Program Loan, to notify graduate or professional students who are applying for a PLUS Loan of their eligibility for a Stafford Loan. Institutions must:</p> <ul style="list-style-type: none"> • Provide a comparison of the terms and conditions of a PLUS Loan and Stafford Loan • Ensure that prospective PLUS borrowers have an opportunity to request a Stafford Loan <p>Different sets of information may be provided to graduate or professional student PLUS borrowers who have already received Stafford Loans, and graduate or professional student PLUS borrowers who have not received Stafford Loans.</p>	May Implement on or after 11/1/2007	Borrowers who have both Stafford and PLUS Loans may receive entrance counseling for both programs at the same time.
Maximum Loan Period 682.401 682.603 685.301	Eliminates the maximum 12-month loan period for annual loan limits in the FFEL and Direct Loan programs and the 12 month period of loan guarantee in the FFEL Program.		The Secretary believes eliminating the 12 month limit on loan periods would give schools, lenders and students greater flexibility when rescheduling disbursements.

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Mandatory Assignment of Defaulted Perkins Loans 674.8 674.50	<p>Requires assignment of a Perkins Loan if the:</p> <ul style="list-style-type: none"> Outstanding principal balance of the loan is \$100 or more Loan has been in default for seven or more years Payment has not been received on the loan in the preceding 12 months. <p>An exception to the mandatory assignment requirement if payments were not due on the loan in the preceding 12 months because the loan was in an authorized deferment or forbearance period.</p> <p>The Secretary would accept the assignment of a Perkins Loan without the borrower's Social Security Number if the Secretary has exercised her mandatory assignment authority.</p>		The Department's records show that institutions are holding more than \$400 million in uncollected Perkins Loans that have been in default for 5 years or more. Since Perkins Loans are comprised largely of Federal funds, these uncollected loans present an unreasonable risk of loss to the United States.
Reasonable Collection Costs in the Perkins Loan Program 674.45	<p>Limits the amount of collection costs a school may assess against a Perkins Loan borrower to a percent of the total principal interest and late charges</p> <ul style="list-style-type: none"> 30% for the first collection efforts 40% for second collection efforts 40% in cases of litigation 	<p>Collection agency placements made on or after 7/1/2008</p> <p>May Implement on or after 11/1/2007</p>	The lack of a cap on collection costs in the Perkins Loan Program has led to abuse, with some institutions charging collection costs of 60 percent or more.
Child or Family Service Cancellation 674.56	<p>Expands on the qualifications for a child or family service cancellation to include:</p> <ul style="list-style-type: none"> A borrower who is a full-time, non-supervisory employee of a child or family service agency 		Codifies the guidance given in Dear Colleague Letter (DCL) GEN-05-15 dated October 20, 2005.

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	<p>must be providing services directly and exclusively to high-risk children from low-income communities</p> <ul style="list-style-type: none"> Employees that provide services to the families of high-risk children from low-income communities, the services provided to the children's families must be secondary to the services provided to the high-risk children from low-income communities. 		
College Cost Reduction and Access Act			
Military Deferment 674.34 682.210 685.204	<p>Removed the current three year limit. There is no longer a limit to this deferment.</p> <p>Added 180 days after the demobilization date as an eligible timeframe for the deferment.</p> <p>Eliminated the loan origination trigger. All Title IV loans will now be eligible (Language change made to the HERA of 2005 legislation).</p> <p>Applies to FFEL, DL and Perkins.</p>	10/01/2007	A military deferment is intended to cover a borrower's loan(s) while the borrower is serving on active duty during a war, other military operation, a national emergency, or while the borrower is performing qualifying National Guard duty during a war, other military operation, or a national emergency.
Loan Repayment Following Active Duty 674.34 682.210 685.204	<p>The law added a new section to the Act that provides for a borrower who is a member of the National Guard or other reserve component of the Armed Forces, or a member of the Armed Forces in a retired status, called or ordered to active duty, and is enrolled or was enrolled within six months prior to activation, in a program of instruction at an eligible institution, an additional 13 months of deferment following the conclusion of such service, except that this deferment will end upon a student's return to school.</p>	10/01/2007	

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Definition of Economic Hardship 674.34 682.210	<p>The law changed the definition of economic hardship from income at or below 100% of the federal poverty line for a family of two to 150% of the federal poverty line as it applies to the borrower's family size.</p> <p>The law eliminated the economic hardship provision that applies to a borrower who is working full time and has a federal educational debt burden that is more than or equal to 20 percent of the borrower's <u>adjusted gross income</u>.</p>	10/01/2007	This provision has been temporarily suspended for borrowers working in a medical residency program.
Subsidized Stafford Loan Interest Rates 682.202 685.202	<p>The law lowers interest rates for a five year period for undergraduate subsidized Stafford loans for both the FFEL and Direct loan programs. The reductions apply to loans with first disbursements made:</p> <ul style="list-style-type: none"> • On or after July 1, 2008 and before July 1, 2009 at the rate of 6.0% • On or after July 1, 2009 and before July 1, 2010 at the rate of 5.6% • On or after July 1, 2010 and before July 1, 2011 at the rate of 4.5% • On or after July 1, 2011 and before July 1, 2012 at the rate of 3.4% • On or after July 1, 2012 at the rate of 6.8% 	First disbursement on/after 07/01 of the academic year	
Special Allowance 682.302	<p>Decreases lender Special Allowance Payments (SAP) by 55 basis points (bp) for Stafford and Consolidation loans made by for-profit lenders.</p> <p>Decreases lender SAP by 40 bp for Stafford and Consolidation loans made by non-profit lenders.</p> <p>Decreases lender SAP by 85 bp for Grad PLUS loans made by for-profit lenders.</p>	First disbursement on/after 10/01/2007	

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Subject/ 34 CFR Section #	Final Rules	Effective Date	Comments/Discussion
		Trigger Event	
	Decreases lender SAP by 70 bp for Grad PLUS loans made by non-profit lenders. Decreases lender SAP by 85 bp for for-profit and 70bp for non-profit lenders for parent PLUS loans that are not subject to the auctions effective for loans made after July 1, 2009.		
Origination Fees 682.305	Increased the lender paid origination fees for all loans to 1.0 percent from .50 percent of the principal amount of the loan.	First disbursement made on/after 10/01/2007	
Collection Retention 682.404	The law reduced the guaranty agency collection retention percentage from 23% to 16%.	10/01/2007	
Exceptional Performer Program 682.415	Eliminated the Exceptional Performer (EP) designation.	10/01/2007	

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