



May 18, 2004

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People News

Larry Hollingsworth is now Financial Aid Director at SWOSU-Weatherford.

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OGSLP Online News is sponsored and operated by the Oklahoma Guaranteed Student Loan Program, a division of the Oklahoma State Regents for Higher Education. OGSLP Online News provides information to schools and lenders participating in the Federal Family Education Loan (FFEL) Program. For more information contact us at 405-234-4440 (OKC), 800-247-0420, fax 405-234-4390, e-mail gslcommunications@ogslp.org, or send mail to P.O. Box 3000 Oklahoma City, OK 73101-3000. E-mail newsletters are sent to members of the OGSLP school and lender network. Copyright 2003-2008. [Disclaimer.](#)



05/18/2004

FSA News

Final Regulation Published – FERPA

The Education Department published a final regulation that provides general guidelines for accepting "signed and dated written consent" in electronic format under the Family Educational Rights and Privacy Act (FERPA). These regulations are effective May 21, 2004.

[Click here to access the final regulation.\(PDF\)](#)

Change in List of Approved "Ability-to-Benefit" (ATB) Tests

The Education Department issued a [Federal Register on May 11, 2004](#) indicating that the CTB/McGraw-Hill Test of Adult Basic Education (TABE) will no longer be acceptable after September 8, 2004 for ability-to-benefit testing.

Additional Information Regarding E-mails to 2004-05 Financial Aid Applicants

The Education Department (ED) recently issued [Dear Colleague Letter GEN-04-05](#) that provides additional information regarding e-mails to 2004-05 financial aid applicants. OGSPLP earlier advised clients of this initiative in an April 27 NewsFlash.

As you recall, ED plans to send e-mail messages to 2004-05 FAFSA filers who provided estimated income information on their applications. FSA will be asking these applicants to provide updated income information now that they have probably completed their 2003 tax returns.

Based on the feedback that ED received, the e-mailing was delayed until May 17, 2004, to incorporate many of the suggestions provided by the financial aid community. ED has modified the original e-mail selection criteria to exclude applicants who were selected for verification on their last transaction and to also exclude all first-year students (i.e., students who indicated on their FAFSA that their grade level was "0" or "1"). Graduate and professional students will also be excluded. ED will limit the e-mail selection criteria to applicants with EFCs of \$7,500 or less.

[Click here for more information about this initiative.](#)

05/18/2004

Loan Industry Update

Consolidation Loan Guidance

The Education Department (ED) provided loan consolidation guidance in [Dear Colleague Letter FP-04-05](#) to clarify earlier guidance provided in a March 15, 2004 letter to the National Council of Higher Education Loan Programs (NCHELP).

[FP-04-05](#) further clarifies the rules that govern the Federal Consolidation Loan program for borrowers who have both Federal Family Education Loan Program (FFELP) loans and other non-FFELP loans. A borrower who is seeking a FFELP Consolidation loan must obtain such a loan from his or her current FFELP holder and must include at least one FFELP loan in the consolidation. However, if the borrower certifies that he or she has sought and has been unable to obtain a consolidation loan from that FFELP holder or is unable to obtain a consolidation loan from that holder with income-sensitive repayment terms, the borrower may obtain a FFELP Consolidation loan from another FFELP lender. In that case, again, the borrower must include at least one FFELP loan in the consolidation.

The Department's guidance is effective for Loan Verification Certificates sent to loan holders beginning September 1, 2004 (previous deadline was May 1, 2004).

Treasury Issues Final Section 221 Regulations

Thanks to Shelly Repp at NCHELP for the following summary:

Seven years after passage of the Taxpayer Relief Act of 1997, the Department of the Treasury has issued final regulations relating to the deduction for interest paid on qualified education loans. An advance copy of the regulations can be found at www.treas.gov.

The final regulation contains two sets of rules because section 221 was amended after its initial enactment to eliminate a 60-month limitation period and a restriction on deductions of voluntary payments of interest, and to increase income limitations. Those changes took effect January 1, 2002 and sunset on December 31, 2010. One set of rules includes the subsequent amendments, while the other set covers only the provisions of the original act (if the subsequent amendments are not extended, this second set will govern periods after December 31, 2010). Among the provisions of the final rules are the following:

For tax purposes, borrower payments are allocated first to interest and then to principal (but see the complicating feature identified below). Interest on qualified education loans that is paid by a third party (such as a parent) is deductible by the borrower. These payments are treated as a gift by the payer to the borrower, and then as being paid by the borrower. The statute provides that a qualified education loan must be incurred to pay higher education expenses that are paid within a reasonable period before or after the indebtedness is incurred. The regulations provide that what constitutes a reasonable period of time is based on the relevant facts and circumstances, and specifically establish safe harbors for expenses paid with loans under the federal student loan programs and for expenses paid with loans disbursed between 90 days before and 90 days after the academic period. The final regulations also reserve a place for more detailed treatment of consolidation loans.

The biggest issue concerns the treatment of capitalized interest, origination fees and insurance premiums. The final regulations, as expected, state that FFELP insurance premiums are not interest for tax purposes. Capitalized interest and origination fees are deemed to be interest. However, the regulations state that they are original issue discount and seem to say that no deduction can be taken until "accrued" OID is paid. The key issue here is when capitalized interest and origination fees will be deemed to be "accrued" for tax purposes. This needs further review, though the fear is that Treasury has turned an already complicated processing issue into nightmare.

The final rules are effective May 7, 2004, though the transitional rule in the related reporting regulation published April 29, 2002 was extended by the new regulation from January 1, 2004 to September 1, 2004. Thus, lenders are not required to report payments of loan origination fees and capitalized interest for loans made before September 1, 2004.



05/18/2004

Common Manual News

The Common Manual Governing Board recently approved changes that modified policies contained in the July 2003 version of the Common Manual. These changes are identified in OGSLP's Common Manual Update, CM-84. These revisions will soon be included in the integrated version of the Common Manual. The integrated version gives you the most up-to-date policy information available. You can view the entire Common Manual including the monthly changes made since the July 2003 print date.

Additionally, you can learn how the Common Manual Policy Committee is structured by clicking here to review both current and previously released Common Manual Training Briefs.





05/18/2004

CBA's Financial Literacy Study Shows Increased Bank Support for Public School, College Programs

Excerpts from April 2004 CBA News Release

The Consumer Bankers Association's fourth annual Financial Literacy Study shows that banks have substantially increased their support for financial literacy programs in public schools and on college campuses, as well as stepped up education on predatory lending.

Out of 54 banks responding to the survey, 89 percent offer a public school financial literacy program, a 16 percent increase from 73 percent of respondents a year ago. Of those, 56 percent are the primary sponsor of such programs, up from 48 percent from last year. Other banks provide a supporting or partnership role. These programs reach an average of 142,967 students.

Bank involvement in college-based financial literacy efforts doubled to 50 percent, compared to 26 percent last year. Banks are the primary sponsors of 57 percent of such programs, a 15 percent increase from 42 percent in 2003.

Seventy-eight percent of banks have programs to target issues associated with predatory or abusive lending practices, a six percent increase from 72% in 2003. Such programs address practices such as flipping, avoiding unscrupulous lenders, excess interest rates and payday loans.

"The banking industry's commitment to improved financial literacy has grown deeper and more sophisticated in the past year," according to CBA President Joe Belew. "It is important for schools to help prepare young people to understand financial services, particularly credit, and school boards and college administrators are increasingly recognizing this challenge. Because school budgets are always tight, the hand lent by banks in their communities increasingly plays a critical role in the support of these efforts."

The complete report can be found on the CBA Web site at www.cbanet.org.



05/18/2004

Qs and As

Are you confused about all of the acronyms used in the student loan industry?

The NCHELP Program Regulations committee has updated the Glossary of Initials and Acronyms. Click here to access the glossary (PDF)



Would you like to view presentations from ED's spring conference?

You may do so at the following link:

<http://ifap.ed.gov/IFAPWebApp/currentCPresentationsYearPag.jsp?p1=ED+Conferences&p2=c>



Would you also like to view presentations from the 1st Annual Conference on Technology and Standards?

You may do so at the following link: www.pesc.org

This conference was hosted by the following: Consumers Bankers Association (CBA), Education Finance Council (EFC), National Council of Higher Education Loan Programs (NCHELP) and the Postsecondary Electronic Standards Council (PESC).




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OGSLP would like to thank the following OLAC workgroup members who worked with our staff to produce this informative piece: Jeremy Cooper-Nelnet, Donya Johnson-Educaid/Wachovia, Tricia Simpson- Nellie Mae, Lisa Sweet-Bank One, and Tanya Vittitow-OSLA.

If you have any questions, please feel free to contact Rick Edington at redington@ogslp.org or 405.234.4333 / 800.247.0420.

Click to access the OLAC Loan Dataview Template (PDF) 




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The College Access & Opportunity Act will expand access to higher education for millions of low and middle-income students by:

- Strengthening Pell Grants, student aid, student access, and minority serving institutions.
- Reducing loan costs, fees, and red tape for students and graduates.
- Removing barriers for non-traditional students.
- Empowering consumers through "sunshine" and transparency in college costs and accreditation.

Click here for the full text of the 203-page bill. (PDF) 

Click here for a summary of the bill prepared by the committee (PDF) 

The Senate has not released their Higher Education Act Reauthorization bill. We will keep you apprised of progress regarding their legislation.




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Click on the following for additional information about MYF's new release.

- [Summary of New Features \(PDF\)](#) 
- [Updated OSLC User's Guide](#) (It is recommended for schools to download the "print-friendly" version for their reference.)
- [Frequently Asked Questions \(PDF\)](#) 