

Changes in Loan Counseling Requirements Higher Education Opportunity Act*

Entrance Counseling

Previous Regulations	HEOA	Change
<p>Schools must ensure that entrance counseling is conducted with a first-time Stafford or Grad PLUS borrower prior to delivery of the first disbursement of the loan.</p>	<p>Schools must at or prior to first disbursement to first-time Stafford or Grad PLUS borrowers ensure borrowers receive simple and understandable information concerning:</p> <ul style="list-style-type: none"> • Terms and conditions of loan. • Responsibilities with respect to the loan. 	<p>Schools may now perform entrance counseling “at delivery” of the first disbursement of the loan. Previously schools were required to provide counseling “prior to the first disbursement.”</p> <p>Entrance counseling for Grad PLUS students now required by law. Previously was only a regulatory requirement.</p> <p>Schools must ensure that entrance counseling materials are in simple and understandable language, and include applicable terms and conditions, as well as borrower responsibilities.</p>

Previous Regulations	HEOA	Change
Counseling can be conducted in person, or by audiovisual or interactive means. If interactive, school must ensure borrower participates.	Counseling can be provided in person, via paper (signed and returned to school) or online (with borrower acknowledgement of receipt).	The requirement now is more prescriptive regarding borrower acknowledgement of receipt of counseling.
Permits the use of interactive electronic media for entrance counseling.	Encourages the use of interactive presentation to test borrower understanding of terms and conditions (using simple, understandable text with clear formatting).	Encourages use of quizzes and other interactive means to test borrower knowledge of loan terms and borrower responsibilities.
Not addressed.	Effect of accepting the loan on eligibility for other types of financial aid.	Schools must ensure that borrowers understand the effect of loan acceptance on their eligibility for other types of financial aid.
Not addressed.	How interest accrues and is capitalized when not paid by borrower or the federal government.	Schools must provide an explanation of capitalization of interest.
Not addressed.	Option to pay interest on unsubsidized loan while borrower is in school.	Schools must explain the option to pay unsubsidized interest while the borrower attends school.
Not addressed.	Definition of half-time enrollment at the school — during regular terms and summer school — and consequences of not maintaining half-time enrollment.	Schools must define for borrowers what constitutes half-time enrollment — during regular terms and summer school — and the consequences of not maintaining half-time enrollment.

Previous Regulations	HEOA	Change
Not addressed.	Explanation of importance of contacting appropriate school offices if borrower withdraws before completing program, so school can provide exit counseling.	Schools must ensure that they advise borrowers of office to contact prior to withdrawing so exit counseling can be scheduled.
Obligation to repay full amount even if borrower does not complete program, is unable to obtain employment, is dissatisfied with or does not receive services purchased from school.	Obligation to repay full loan amount even if borrower does not complete program or does not complete program within the regular time for program completion.	Schools must add information that borrowers must repay their loans regardless of whether they complete their programs of study within the regular time for program completion.
Consequences of default including adverse credit reporting, federal offset and litigation.	Consequences of default including adverse credit, federal delinquent debt collection procedures and litigation.	Schools must ensure their description of the consequences of loan default includes federal delinquent debt collection procedures.
Not addressed.	Information about National Student Loan Data System and how borrower can access records.	School must provide information about Student Access Web site of NSLDS.
School must ensure staff with program expertise available shortly after counseling to answer borrower questions.	Name and contact information for borrowers to ask questions about rights and responsibilities and loan terms and conditions.	School must provide contact information for staff to respond to borrower follow-up questions.

Exit Counseling

Previous Regulations	HEOA	Changes
Exit counseling required for Stafford loan borrowers who also had Grad PLUS loans.	Requires exit counseling for Grad PLUS loan borrowers.	Schools must ensure that exit counseling is conducted for or provided to each Stafford and Grad PLUS borrower.
Repayment options available.	Repayment plans available, including a description of the different features of each plan, sample information showing average anticipated monthly payments under those plans, and differences in interest paid and total payments under each plan.	Schools must ensure that exit counseling materials contain a detailed comparative analysis of the repayment features and the interest amounts and total amounts borrowers can anticipate repaying under each plan.
Terms and conditions to obtain full or partial loan cancellation or forgiveness.	Terms and conditions to obtain full or partial loan cancellation/forgiveness, plus a copy of information from U.S. Department of Education publication describing assistance programs.	Schools must meet the added requirement of including information from the U.S. Department of Education publication.
Terms and conditions to obtain deferment or forbearance.	Terms and conditions to obtain deferment or forbearance, plus a copy of information from U.S. Department of Education publication describing assistance programs.	Schools must meet the added requirement of including information from the U.S. Department of Education publication.

Previous Regulations	HEOA	Changes
Not addressed.	Explanation that borrower can prepay each loan, have a shorter repayment schedule and change repayment plans.	Schools must provide additional information in exit counseling about prepayment, accelerated repayment options and ability to change repayment plans.
Consequences of default, including adverse credit reports, federal offset and litigation.	Consequences of default, including adverse credit reports, delinquent debt collection procedures under federal law, and litigation.	Schools must ensure their description of the consequences of loan default includes federal delinquent debt collection procedures.
Not addressed.	<p>Effects of loan consolidation, including:</p> <ul style="list-style-type: none"> • Effect on total interest to be paid and length of repayment term. • Effect on borrower benefits for underlying loans, such as loss of grace periods, deferment, cancellation/forgiveness options. • Option to prepay or change repayment plans. <p>Statement that borrower benefits differ between lenders.</p>	Schools must ensure that their exit counseling includes additional information regarding the effects of loan consolidation.
Not addressed.	Tax benefits that are available to borrowers.	School must provide information about federal income tax benefits available to borrowers.

Previous Regulations	HEOA	Changes
Not addressed.	Notice of availability of National Student Loan Data System and how it can be used by the borrower to obtain loan information.	School must provide information about Student Access Web site of NSLDS.

**This table reflects USA Funds® policy advisers' interpretation of the statutory language from the Higher Education Opportunity Act regarding changes to entrance and exit counseling requirements. It does not reflect guidance from the U.S. Department of Education. The information provided above is subject to change based on future guidance from the U.S. Department of Education. Aug. 29, 2008.*