

FFELP Provisions from the College Cost Reduction and Access Act

NOTE: USA Funds® has developed this matrix to outline select major provisions of this Act and has enhanced it with provisions from the November 1, 2007, regulations where certain provisions of the CCRAA were incorporated. As we receive additional information and clarification from the Department of Education and other sources, we will publish those clarifications in USA Funds *Education Access Report* and update the matrix to reflect the most current information. Note that, for ease of reference, provisions with effective dates after July 1, 2008, have been shaded to indicate their prospective implementation.

Last revision: 11-13-2007

| Topic | Bill Cite | HEA Cite | Previous Provision Summary | Legislative Change Summary | Clarified/Expanded in Regulations | Effective Date |
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| Auction of PLUS Loan Origination Rights | Sec 701 | 499 and new | N/A – New Section | <p>Establishes a state-based auction mechanism for all FFELP parent PLUS loans beginning in 2009. These loans would be guaranteed by the Secretary, at 99 percent.</p> <p>Eligible loans are made to parent PLUS applicants who are new borrowers on or after July 1, 2009.</p> <p>If no lender wins in a state, the Secretary will identify a lender of last resort for that state.</p> | | July 1, 2009 |
| Consolidation - PLUS Loans Made Under Auction Program | Sec 701 | 499 | N/A – New Section | <ul style="list-style-type: none"> • PLUS borrower must notify current lender of the intent to consolidate and of the terms being offered by the lender with which borrower intends to consolidate. • PLUS borrower may consolidate with the other lender if the auction lender does not respond within 10 days with an agreement to match the terms and conditions of the other lender's consolidation offer. | | July 1, 2009 |

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| Consolidation Reconsolidating a Consolidation Loan | Sec 203 (b)(1) | 428C(a) (3) (B)(i)(V) | Permits a FFELP-Consolidation-loan borrower to obtain a subsequent consolidation loan in the direct-loan program <i>only</i> if the borrower wants an income-contingent repayment plan and the loan has been submitted to the guarantor for default aversion. (ED also interpreted this to apply to a FFELP Consolidation borrower who had filed a bankruptcy action with an adversary complaint.) | Now also permits a FFELP-Consolidation-loan borrower to obtain a subsequent Consolidation loan in the direct-loan program for the purposes of using the public-service loan-forgiveness program. | | July 1, 2008 |
| Deferment: Military | Sec 202 | 428(b) (1) (M) | Limits the provisions of the new military deferment to loans with first disbursements on or after July 1, 2001, and makes the provisions of the deferment loan-specific. Limits the deferred period to three years. N/A – new deferment provision | Extends by 180 days the time frame during which certain members of the military are eligible for deferment following the demobilization date. Expands the new military deferment authorized by HERA to all loans made under Title IV and eliminates the “made on or after July 1, 2001” criterion. Removes the three-year limit for deferment and extends the deferment period to include the 13 months after completing military service for borrowers who are members of the National Guard or other Armed Forces reserve (current or retired members) who are called to active duty while enrolled (or enrolled within six months of the call to active duty) at an eligible institution. The deferment expires 13 months after the military service ends or when the borrower returns to enrolled status, whichever is earlier. | 34 CFR 682.210: Provides that if a lender grants deferment based on a request received from the borrower’s representative, the lender must notify the borrower that the deferment has been granted and that he or she has the option to cancel the deferment and continue to make payments on the loan. The lender is also permitted to notify the borrower’s representative of the outcome of the deferment request. Extends the deferment end date to 180 days following the borrower’s demobilization date if the borrower is a National Guard member serving on active duty during a war or other military operation or national emergency OR performing other qualifying National Guard service during a war or other military operation or national emergency. | Oct. 1, 2007 |

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| | | | | <p>For purposes of this section, “active duty” is defined as full-time duty in the active military service of the U.S., including State duty for members of the National Guard. This does not include active duty for training or attendance at a service school.</p> | <p>Adds new deferment provisions for a period of not more than 13 months following the end of the borrower’s active duty military service if ---</p> <ul style="list-style-type: none"> ◦ The borrower is a member of the National Guard or other reserve component of the Armed Forces of the U.S. military, or is a member of such forces in a retired status; and ◦ The borrower was enrolled at the time or within six months prior to the time the borrower was called to active duty. <p>If the borrower returns to an enrolled status during the 13-month period, the post-military deferment period ends, and the borrower may be eligible for in-school deferment.</p> <p>Eliminates the July 1, 2001 “first disbursed” eligibility date for military-service deferments and eliminates the three-year maximum deferment period.</p> | |
| Dependency Override | Sec 604 | 480(d) (1)(F) (2) | Requires each financial-aid administrator to make and document a determination of the student’s independent status, even if the student is a transfer student, and the aid determination will apply to the same award year for which a determination was previously made by another financial-aid administrator. | Permits the financial aid administrator to override a student’s dependency status to independent based on a documented determination of independence that was previously made by another financial-aid administrator under the same provisions for the same award year. | | July 1, 2009 |

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| Economic Hardship— Definition | Sec 304 (a) | 435(o)(1) (A) | Currently defined as 100 percent of the poverty line for a family of two. | Redefined as 150 percent of the poverty line applicable to the borrower's family size. | 34 CFR 682.210(s)(6)(iii)(B): Incorporates the statutory change in definition of economic hardship deferment, adding language that limits the borrower's income to an amount equal to 150 percent of the poverty line applicable to the borrower's family size. | Oct. 1, 2007 |
| Estimated Financial Assistance (EFA) | Sec 604 | 479A(j) (B)(4) | | Explicitly states that special combat pay is not considered as EFA, and defines "special combat pay" as pay received by a member of the Armed Forces because of exposure to a hazardous situation. | | July 1, 2009 |
| Exceptional Performer Lenders | Sec 302 | 428(c) (1), 428l. 438(b)(5) | Authorizes claims to be paid by guarantors to EP lenders and servicers at 99 percent of the unpaid principal and interest of all loans submitted for claim payment for one year following the EP designation of the lender or servicer. | Repeals all exceptional performer provisions. | 34 CFR 682.415: The entire regulatory section regarding exceptional-performer lenders is removed. | Oct. 1, 2007. NOTE: Per initial interpretation by ED, EP designations made to servicers end 10/1/07 because the HR 2669 language specifically states "lenders" may retain the EP status for the remainder of the year. |

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| Insurance for Lenders | Sec 303 | 428(b)(1) (G) | <p>Authorizes payment of lender insurance on loans first disbursed prior to July 1, 2006, at 98 percent, except for loans that are paid at 100 percent.</p> <p>For loans first disbursed on or after July 1, 2006, the rate is changed to 97 percent.</p> | <p>Except for Lender-of-Last-Resort Loans and exempt claims, reduces lender insurance to 95 percent for loans made on or after the effective date.</p> | | Oct. 1, 2012 |
| Interest Rate Reduction | Sec 201 (a) | 427A(l), 427A(k) | <p>Current fixed, statutory interest rate is 6.8 percent for all Stafford loans.</p> | <p>Reduces borrower interest rates on subsidized Federal Stafford loans for undergraduate students as follows:</p> <ul style="list-style-type: none"> • 6 percent for loans first disbursed July 1, 2008, through June 30, 2009. • 5.6 percent for loans first disbursed July 1, 2009, through June 30, 2010. • 4.5 percent for loans first disbursed July 1, 2010, through June 30, 2011. • 3.4 percent for loans first disbursed July 1, 2011, through June 30, 2012. <p>The rate will revert to 6.8 percent for loans first disbursed July 1 2012, and after.</p> | <p>Incorporates these provisions in the Nov. 1, 2007 final regulations.</p> | Beginning July 1, 2008. |
| Loan Fee from Lenders | Sec 305 (b) | 438(d) | <p>Authorizes a loan fee of 0.5 percent of the principal amount of any loan first disbursed on or after Oct. 1, 1993.</p> | <p>Increases the current fee to 1 percent for all Part B loans.</p> <p>Also explicitly provides that the loan fee may not be collected from the borrower.</p> | <p>34 CFR 682.305a)(3)(ii)(B):</p> <p>Effective for any FFELP loan made on/after Oct. 1, 2007, the lender must pay to ED a loan fee equal to 1 percent of the principal amount of the loan.</p> | Oct 1, 2007 |

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| Loan Forgiveness: Public Sector Employees and Public Service Employees | Sec 401 | 428C | None. | <p>Borrowers who have direct loans or who have consolidated a FFELP loan into DL to take advantage of the public-service loan-forgiveness program are eligible for forgiveness on the principal balance that remains after 10 years of repayment on a loan that is:</p> <ul style="list-style-type: none"> • Not in default. • For a borrower in a public-service occupation after the borrower has made 120 monthly payments under income sensitive, standard repayment, or income-contingent repayment plans on a DL loan after Oct. 1, 2007. • For a borrower employed in the public-service position at the time of the loan cancellation and during the period for which all of the 120 payments were made. | | Oct. 1, 2007 |
| Nonprofit Holder: Definition | Sec 304 | 435(p) | None. | <p>An “eligible not-for-profit” holder means an eligible lender that requests special-allowance payments under tax-exempt provisions and that is a state or other political subdivision, or an authority, agency or other instrumentality, including entities eligible to issue bonds under certain provisions of law, or a trustee acting as an eligible lender on behalf of a state, political subdivision, authority, agency or other entity.</p> <p>An eligible not-for-profit holder may not be held or controlled by a for-profit entity.</p> <p>An eligible not-for-profit holder must have been serving as an eligible lender on the date of enactment of these provisions. A state may override these provisions and designate a new not-for-profit entity to serve a public need in that state.</p> | <p>34, CFR 682.302(f)(3):</p> <p>For purposes of qualifying for tax-exempt status with respect to payment of special allowance, the term means a lender that is a state or a political subdivision, authority, agency or other instrumentality of a state, an entity that issues bonds under certain IRS provisions, or a trustee acting as an eligible lender on behalf of a state, political subdivision, authority, agency or other instrumentality of the state.</p> <p>The lender must have been an eligible lender or an eligible lender trustee on the date of enactment of the CCRAA.</p> <p>No entity that is held or controlled by a for-profit entity can be considered to be a not-for-profit entity for these</p> | Date of enactment |

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| | | | | | <p>purposes.</p> <p>Loans sold by not-for-profit entities to for-profit entities lose their eligibility for special-allowance payments under tax-exempt provisions on the date of the loan sale.</p> | |
| Professional Judgment | Sec 603 | 479A(a) | <p>Special circumstances as currently defined may include tuition expenses at an elementary or secondary school, medical or dental expenses not covered by insurance, unusually high child-care costs, recent unemployment of a family member, the number of parents enrolled at least half-time in a degree, certificate, or other program leading to a recognized educational credential at an institution with a program-participation agreement under section 487, or other changes in a family's income, a family's assets, or a student's status. Special circumstances must include only those conditions that differentiate an individual student from a class of students rather than conditions that exist across an entire class of students.</p> | <p>Special circumstances for which a financial-aid administrator may exercise professional judgment now include any of the following additional situations:</p> <ul style="list-style-type: none"> • An independent student is recently unemployed. • A family member qualifies as a dislocated worker in accordance with the Workforce Investment Act of 1998. • The housing status of a family member changes so as to qualify that individual as "homeless" in accordance with the McKinney-Vento Homeless Assistance Act. | | July 1, 2009 |

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| Repayment: Income-Based | Sec 203 | 493C | N/A – New Section | <ul style="list-style-type: none"> • Creates a new “Income-Based” Repayment Program that allows Stafford, Grad PLUS, and some consolidation-loan borrowers (does not apply to consolidation loans used to repay parent PLUS loans) who meet the definition of Partial Financial Hardship to limit their monthly payments to 15 percent of the amount by which adjusted gross income exceeds 150 percent of the poverty line applicable to the borrower’s family size. • Requires an annual eligibility determination based on the borrower’s income. • Mandates the payment application protocol: interest, fees due, then principal balance. • Permits negative amortization, but also provides that the Secretary will pay the interest on qualifying subsidized loans for not more than three years. Permits the lender to capitalize unpaid interest when the borrower terminates the income-based repayment terms. • Extends the permissible income-based repayment period beyond 10 years regardless of size of debt. • Mandates that the Secretary shall repay or cancel a FFELP or direct loan (other than a parent PLUS loan) that, for a total of 25 years, qualifies as being economically challenged (in an economic hardship deferment, repaying under income-based or income-contingent repayment terms). | | July 1, 2009 |

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| Special Allowance Payments to Lenders | Sec 305 (a) | 438(b) (2) | Provides for special - allowance payments at previous statutory rate. | Reduces special-allowance rate by 55 basis points for for-profit lenders and by 40 basis points for eligible nonprofit lenders for Stafford and consolidation loans. Reduces special-allowance rate by 85 basis points for for-profit lenders and by 70 basis points for nonprofit lenders on PLUS loans. | 34 CFR 682.302(f): Expands on the applicable special allowance rates for loans made on or after Oct. 1, 2007, for both for-profit and tax-exempt lenders. | Oct. 1, 2007, for loans first disbursed on or after that date |