



---

FP-07-11

**Subject:** LaRS Reporting Changes for Lenders

**Summary:** This letter provides initial guidance to FFEL lenders on reporting changes to the quarterly Lender's Request for Payment of Interest and Special Allowance (LaRS) as a result of the College Cost Reduction and Access Act and the Third Higher Education Extension Act of 2007.

Dear Colleague:

On September 27, 2007, President Bush signed the College Cost Reduction and Access Act (CCRAA), and on October 31, 2007, the Third Higher Education Extension Act of 2007. Both Acts made changes to provisions of the Higher Education Act (HEA) relating to payments made to or from Federal Family Education Loan (FFEL) Program lenders. Therefore, changes are required to the manner by which FFEL lenders complete the quarterly Lender's Request for Payment of Interest and Special Allowance (LaRS). This letter provides initial guidance on some of those changes.

### **LaRS Part I – Origination Fees and Lender Fees**

The lender fee on loans for which the first disbursement is made on or after October 1, 2007 has increased from 0.5% to 1.0%. This change affects all loan types – Stafford, PLUS, and Consolidation. The LaRS edits for Column C, Fee Percent, have been changed to reflect the fee increase. The online form will display the new fee percent.

### **LaRS Part II – Interest Benefits**

There are no new reporting changes to Interest Benefits at this time.

### **LaRS Part III – Special Allowance Payments (SAP)**

Except for loans that are eligible for the 9.5 percent minimum SAP rate under 34 CFR 682.302(e)(5), the CCRAA reduced the special allowance subsidy that is paid on all FFEL loans (Stafford, PLUS, and Consolidation) for which the first disbursement is made on or after October 1, 2007. For most loan holders the SAP rate is reduced by 55 basis points for Stafford and Consolidation loans and 85 basis points for PLUS loans. However, for loans held by certain "eligible not-for-profit holders", as defined in section 435(p) of the amended HEA, the SAP rate for Stafford and Consolidation loans is reduced by 40 basis points and for PLUS loans the SAP rate is reduced by 70 basis points.

830 First St. N.E., Washington, DC 20202  
[www.FederalStudentAid.ed.gov](http://www.FederalStudentAid.ed.gov)  
1-800-4-FED-AID

Note that all lenders must use the SAP reporting codes provided below for loans first disbursed on or after October 1, 2007. However, since the SAP payment rate depends on whether the loan holder is an eligible not-for-profit holder, payment will also be based on another code that we will set in the demographic profile of approved non-for-profit holders. Information and guidance on the procedures that will be implemented for a loan holder to request designation as an eligible not-for-profit holder will be provided in a subsequent communication.

*The new LaRS special allowance categories for loans first disbursed on or after October 1, 2007, are:*

- **CI** – For all Stafford Loans that are in an in-school, grace or deferment period;
- **CJ** – For all Stafford Loans that are in repayment (other than in deferment);
- **CK** – For all Consolidation Loans; and
- **CM** – For all PLUS Loans, including PLUS loans made to graduate and professional students.

NOTE: The Department will implement additional changes to LaRS reporting categories and codes to obtain more detailed loan status information beginning with the first quarter of Fiscal Year 2009.

### **ADDITIONAL TOPICS OF INTEREST**

In addition to the LaRS reporting changes discussed above, we direct your attention to the following:

#### **Reduction of Origination Fees**

*As a reminder*, origination fees for all Stafford Loan borrowers are gradually being reduced and will be eliminated by July 1, 2010. The origination fee was reduced to 1.5% on new Stafford Loans made on or after July 1, 2007 and will be further reduced to 1.0% on new Stafford Loans made on or after July 1, 2008.

#### **Lender Profile Updates**

It is the lender's responsibility to inform us of any acquisitions, mergers or name changes. While we expect that these changes will be reported prior to the change, they must be reported no later than 30 days after they occur. Lenders must also notify us of any contact or email address changes so that information contained in payment notices, account statements, bulletins, or letters is sent to the appropriate lender representative. These changes should be reported by email to [fsa\\_lr@ed.gov](mailto:fsa_lr@ed.gov).

In addition, changes in payment instructions (i.e. ACH routing or account numbers) should be reported to the FMS Operations Help Desk at 1-800-433-7327, Option 3, to reduce the possibility that payments will be returned because of invalid information.

**Pay.gov**

Federal Student Aid launched a new online payment option for lenders to submit their quarterly LaRS fees or monthly Consolidation Loan Rebate Fees. Information on this new process is outlined in the Funds Remittance Guide available at –

[http://www.fp.ed.gov/fp/attachments/activities\\_whatsnew/FundsRemittance9.0.doc](http://www.fp.ed.gov/fp/attachments/activities_whatsnew/FundsRemittance9.0.doc)

Links within the guide will further direct you to a Q&A document, the Pay.gov User Guide, and the necessary security paperwork if you do not currently have a User ID and Password to access our online system. Questions on any of these documents can be directed to [fsa\\_lr@ed.gov](mailto:fsa_lr@ed.gov).

**New Address for Check Payments**

For lenders still remitting payment by check, please remember that, as of October 1, 2007, the payment address has changed. The new address is:

U.S. Dept. of Education  
P.O. Box 979066  
St. Louis, MO 63197-9000

**Personally Identifiable Information (PII)**

Lenders are asked to refrain from submitting Personally Identifiable Information (e.g.; student rosters with social security numbers) when submitting monthly Consolidation Loan Rebate Fees. This information is not needed in order to process your payment and is considered highly sensitive. You need only submit your check with the required remittance form.

If you have any questions on the information provided in this letter, please send all inquiries to [fsa\\_lr@ed.gov](mailto:fsa_lr@ed.gov).

Sincerely,

John Hurt  
Acting Chief Financial Officer  
Federal Student Aid