

Analysis of the Higher Education Reconciliation Act of 2005 (S. 1932) (Title VIII of the Deficit Reduction Act of 2005)

The Higher Education Reconciliation Act of 2005, which is Title VIII of the Deficit Reduction Act of 2005, was enacted into law February 8, 2006.

IMPORTANT NOTES ABOUT THIS DOCUMENT:

- This summary lists only changes affecting **borrowers**.
- Unless otherwise noted in the document, the effective date of these provisions is July 1, 2006.
- Trigger events clarify effective dates. For example, a provision that is effective for “loan periods certified on or after July 1, 2006” has a trigger event of “loan periods certified on or after”. Congress rarely provides trigger events, but there are some included in S. 1932. These are noted in the column titled “Effective Date and Trigger Event.”

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Ref #	Topic	HEA & HERA Section	Summary of Change	Effective Date & Trigger Event	Comments
1	Modification of 50/50 Rule	HEA 102(a)(3) HERA 8002	Excludes courses offered by telecommunications from the 50 percent limitation on courses by correspondence which affects the institution's eligibility for Title IV participation.		Could make some schools that were not previously eligible for the FFELP program eligible.
2	Academic Competitiveness Grant Program	HEA 401A HERA 8003	Adds a new grant program called the Academic Competitiveness Grant Program to be administered by the Secretary of Education.		
3	Cost of Attendance	HEA 472 HERA 8016	Adds to cost of attendance for half-time students room and board costs limited to 3 semesters, not more than 2 of which can be consecutive. Also adds to cost of attendance, at the option of and determined by the school, for a student in a program requiring professional licensure or certification, the one-time cost of obtaining the first professional credentials.		
4	Family Contribution – Income Protection Allowance for Dependent Students	HEA 475(g)(2)(D) HERA 8017(a)	Changes the income protection allowance allowed under the adjustment to student income from \$2,200 to \$3,000.	Determinations of need for periods of enrollment beginning on or after July 1, 2007	
5	Family Contribution – Student Contribution from Assets	HEA 475(h) HERA 8017(a)	Changes the percentage used in calculating the student's contribution from assets from 35 to 20 percent.	Determinations of need for periods of enrollment beginning on or after July 1, 2007	
6	Family Contribution – Income Protection Allowance for Independent Students without Dependents other than a Spouse	HEA 476(b)(1)(A)(iv) HERA 8017(b)(1)(A)	Changes the income protection allowance for the following: <ul style="list-style-type: none"> - Single students and married students where both are enrolled from \$5,000 to \$6,050. - Married students where one is enrolled from \$8,000 to \$9,700. 	Determinations of need for periods of enrollment beginning on or after July 1, 2007	

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7	Family Contribution – Asset Conversion Rate for Independent Students without Dependents other than a Spouse	HEA 476(c)(4) HERA 8017(b)(1) (B)	Changes the asset conversion rate from 35 to 20 percent.	Determinations of need for periods of enrollment beginning on or after July 1, 2007	
8	Family Contribution – Asset Conversion Rate for Independent Students with Dependents other than a Spouse	HEA 477(c)(4) HERA 8017(c)	Changes the asset conversion rate from 12 to 7 percent.	Determinations of need for periods of enrollment beginning on or after July 1, 2007	
9	Family Contribution – Income Protection Allowance for Independent Students with Dependents other than a Spouse	HEA 478(b) HERA 8017(d)	Adds language that when issuing the revised table for the income protection allowance published in the Federal Register for the 2007-2008 academic year, the Secretary shall increase the amounts contained in the table by a percentage equal to the greater of the estimated percentage increase in the Consumer Price Index or 5 percent. Makes minor date updates in regards to these revised amounts.		
10	Family Contribution – Employment Expense Allowance	HEA 478(h) HERA 8017(e)	Removes from list of revised tables for employment expense allowance the student is not married, as for this category the allowance is zero. Revises the marginal cost used in this calculation for all other categories to delete upkeep and add household furnishings.		

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11	Simplified Needs Test Eligibility – Dependent Student	HEA 479(b)(1)(A) HERA 8018(a)(1)(A)(i)	Adjusts the initial eligibility criteria for determining if a dependent student is eligible to file a simplified form. The applicant is eligible if: 1) the student’s parents file, or are eligible to file, a qualifying form, 2) the student’s parents certify that the parents are not required to file a Federal income tax return, or 3) the student’s parents received, or the student received, benefits at some time during the previous 12 month-period under a means-tested Federal benefit program (defined below).		If one of the three criteria is met, there is a secondary test which was not changed. That is the adjusted gross income of the parents must be less than \$50,000.
12	Simplified Needs Test Eligibility – Independent Student	HEA 479(b)(1)(B) HERA 8018(a)(1)(A)(ii)	Adjusts the initial eligibility criteria for determining if the student is eligible to file a simplified form. The applicant is eligible if the student (or the student’s spouse, if any): 1) files, or is eligible to file, a qualifying form, 2) certifies that the student (and the student’s spouse, if any) is not required to file a Federal income tax return, or 3) received benefits at some time during the previous 12 month-period under a means-tested Federal benefit program (defined below).		If one of the three criteria is met, there is a secondary test which was not changed. That is the adjusted gross income of the student (and student’s spouse, if any) must be less than \$50,000.
13	Simplified Needs Test – Zero Expected Family Contribution for a Dependent Student	HEA 479(c)(1) HERA 8018(a)(2)(A)	Alters the criteria where the Secretary will consider a dependent student applicant to have an expected family contribution equal to zero. The new criteria is the student’s parents: 1) file or are eligible to file, a qualifying form, 2) certify that the parents are not required to file a Federal income tax return, or 3) received, or the student received, benefits at some time during the previous 12-month period under a means-tested Federal benefit program. If any of the three criteria is met, the parents must meet a second check, which is that the sum of the adjusted gross income of the parents is less than or equal to \$20,000.		

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14	Simplified Needs Test – Zero Expected Family Contribution for an Independent Student	HEA 479(c)(2) HERA 8018(a)(2)(B)	<p>Alters the criteria where the Secretary will consider an independent student applicant to have an expected family contribution equal to zero. The new criteria is the student (or student’s spouse, if any): 1) files or is eligible to file, a qualifying form, 2) certifies that the student (and the student’s spouse, if any) is not required to file a Federal income tax return, or 3) received benefits at some time during the previous 12-month period under a means-tested Federal benefit program.</p> <p>If any of the three criteria is met, the sum of the adjusted gross income of the student and spouse (if any) must be less than or equal to \$20,000.</p>		
15	Definition of Means-Tested Federal Benefit Program	HEA 479(d) HERA 8018(a)(3)	<p>Adds a new definition for means-tested Federal benefit program to be a mandatory spending program of the Federal Government, other than a program under Title IV, in which eligibility for the program’s benefits, or the amount of such benefits, is determined on the basis of income or resources of the individual or family seeking the benefit. Some examples of such programs are then listed.</p>		
16	Treating Active Duty Members of the Armed Forces as Independent Students	HEA 480(d)(3) HERA 8019(a)	<p>Changes the definition of independent student in regards to military personnel to provide for an individual who is a veteran of the Armed Forces of the United States or is currently serving on active duty in the Armed Forces for other than training purposes.</p>		
17	Definition of Assets	HEA 480(f)(1) 480(f)(3) HERA 8019(b) 8019(d)	<p>Adds to the definition of asset qualified education benefits.</p> <p>A new provision is also added that qualified education benefits are not considered an asset in determining the family contribution for a dependent student.</p>		
18	Treatment of Family Ownership of Small Businesses	HEA 480(f)(2) HERA	<p>Adds to what is not considered an asset the net value of a small business with not more than 100 full-time or full-time equivalent employees (or any part of such a small business) that is owned and controlled</p>		

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		8019(c)	by the family.		
19	Determining the Value of Assets	HEA 480(f)(4) HERA 8019(d)	Adds language that in determining the value of assets in a determination of need under Title IV (other than for subpart 4 of Part A), the value of qualified education benefit shall be: A) the refund value of any tuition credits or certificates purchased under a qualified education benefit, and B) in the case of a program in which contributions are made to an account that is established for the purpose of meeting the qualified higher education expenses of the designated beneficiary of the account, the current balance of the account.		
20	Definition of Qualified Education Benefit	HEA 480(f)(5)(A) HERA 8019(d)	Defines qualified education benefit as: 1) a qualified tuition program, as defined by Internal Revenue Code, or other prepaid tuition plan offered by a State, and 2) a Coverdell education savings account as defined by Internal Revenue Code.		
21	Definition of Qualified Higher Education Expenses	HEA 480(f)(5)(B) HERA 8019(d)	Defines that qualified higher education expenses has the meaning of: 1) tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary at an eligible educational institution, and 2) expenses for special needs services in the case of a special needs beneficiary which are incurred in connection with such enrollment or attendance.		
22	Other Financial Assistance	HEA 480(j) HERA 8019(e)	Removes from the definition of other financial assistance a provision related to whether or not a tuition repayment plans shall be considered estimated financial assistance. Adds a new provision that provides that, except for as provided for in the cost of attendance section and the initial provision in this section, assistance not received under Title IV may be excluded from both estimated financial assistance and cost of attendance, if that assistance is provided by a State and is		

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			designated by such State to offset a specific component of the cost of attendance. If the assistance is excluded from either estimated financial assistance or cost of attendance, it is excluded from both.		
23	Parent (<i>and graduate /professional student</i>) Eligibility	HEA 428B(a)(1) HERA 8014(g)	Adds a new provision that requires graduate and professional students (per the expanded eligibility of such students under the existing PLUS program) or parents who have been convicted of, or have pled “nolo contendere” (no contest) or guilty to, a crime of fraud involving Title IV funds to repay such funds in order to receive a PLUS loan.		The school may need to collect this information from the borrower (and the student in the case of a parent PLUS loan) until such time as the PLUS MPN borrower certification section can be updated to collect the borrower’s certification. Note: Because a similar change has been made to Student Eligibility under 484(a)(6), the parent may be ineligible for a PLUS loan if the student for whom the PLUS loan is being obtained has been convicted of, or pled “no contest” or guilty to, a crime of fraud involving student loan funds - unless the student has repaid those funds prior to the parent receiving a PLUS loan.
24	Student Eligibility	HEA 484(a)(6) HERA 8021 (a)	Adds a new provision that requires students who have been convicted of, or who have pled “no contest” or guilty to, a crime of fraud involving student loan funds to repay such funds in order to be eligible to receive any Title IV grant, loan, or work assistance.		A similar provision was added for PLUS borrowers (see “PLUS (<i>parent and graduate/professional student</i>) Eligibility”) above.
25	Student Eligibility – Drug-Related Offenses	HEA 484(r)(1) HERA 8021(c)	Increases access to students who are convicted of drug-related offenses by limiting their ineligibility for new aid to only those convictions occurring during the period of enrollment for which such students are receiving Title IV aid (plus an additional period of time as dictated by the number of offenses). Current provisions restrict students who have been convicted of drug-related offenses from receiving aid for a specified period regardless of when the offense occurred.		
26	Correspondence Courses	HEA New Paragraphs 481(b)(3) and (4);	Student eligibility for Title IV aid is revised, specifically with regard to a student’s enrollment in courses offered via telecommunication. The law currently places limitations on such courses,		Could make some schools that were not previously eligible for the FFELP program eligible.

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		484(l)(1)(A) and (B) HERA 8020(b) 8020(c)	<p>requiring that they (among other things) be part of a program of study that is at least one year in length. This limitation is eliminated.</p> <p>Eliminates the provision that categorizes courses offered via telecommunications as correspondence courses if the total amount of telecommunications and correspondence courses at the school equals or exceeds 50% of the total amount of all courses at the school. Under current law, students enrolled in telecommunication courses at such schools would be ineligible for aid. Under this provision, these students would be eligible for aid, as long as they are in recognized certificate programs or recognized associate, bachelor's or graduate degree programs.</p> <p>The provision also collapses the general requirement for schools under this section into a single exception, i.e., schools that fall under a particular section of the Carl D. Perkins Vocational and Technical Education Act of 1998 are exempted from these provisions such that students attending such schools are not subject to the limitation of this subsection.</p>		
27	Definition of Academic Year	HEA 481(a)(2) HERA 8020(a)	<p>Clarifies that the definition of academic year for a course of study that measures its program length in credit hours must contain a minimum of 30 weeks of instructional time, and an academic year for a course of study that measures its program length in clock hours must contain a minimum of 26 weeks of instructional time.</p> <p>Also expands the definition of "eligible program" to include a program that is offered in whole or in part through telecommunications for institutions (other than foreign institutions) that have been evaluated and determined (before or after the date of enactment of the Higher Education Reconciliation Act of 2005) to have the capability to effectively deliver distance education programs by an accrediting agency or</p>		

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			<p>association that is recognized by the Secretary and has evaluation of distance education programs within the scope of its recognition.</p> <p>Also, allows a program that utilizes direct assessment of student learning, in lieu of credit or clock hours as a measure of student learning, to be an eligible program if the direct assessment is consistent with the accreditation of the institution or program utilizing the results of the assessment. This provision also states that the Secretary will determine a program's eligibility if such a program is being evaluated for the first time.</p>		
28	Annual Undergraduate Stafford Loan Limits	HEA 425(a)(1)(A) 428(b)(1)(A) HERA 8005(a) 8005(b)	Increases annual Stafford loan limits for first year students from \$2,625 to \$3,500, and for second-year students from \$3,500 to \$4,500.	GEN-06-02: loans certified or originated on or after July 1, 2007	Existing aggregate loan limits are retained.
29	Unsubsidized Stafford Loan Limits for Graduate and Professional Students	HEA 428H(d)(2) (C) HERA 8005(d)(1)	Increases the annual unsubsidized Stafford loan limits for graduate/professional students from \$10,000 to \$12,000. So instead of a maximum \$18,500, graduate/professional students would be eligible for up to \$20,500 in Stafford loan funds, where no more than \$8,500 is subsidized.	GEN-06-02: loans certified or originated on or after July 1, 2007	The HEA provides for aggregate loan limits to increase in instances where the unsubsidized annual loan limits are increased, for this category of students. As of the date of this matrix, the amount of the increase to aggregate limits is unclear.
30	Unsubsidized Stafford Loan Limits for students with a baccalaureate and enrolled in degree-granting program, or program necessary for professional certification	HEA 428H(d)(2) (D) HERA 8005(d)(2)	Increase the amount of unsubsidized Stafford loan funds available to students with an undergraduate degree who are enrolled in courses needed for enrollment in a degree-granting program, and for students enrolled in a program necessary for professional certification as required for employment as a teacher. The additional unsubsidized Stafford eligibility for this population is \$7,000 (up from \$5,000). Instead of a maximum of \$10,500, these students would be eligible for up to \$12,500 in Stafford loan funds, where no more than \$5,500 is subsidized.	GEN-06-02: loans certified or originated on or after July 1, 2007	The HEA provides for aggregate loan limits to increase in instances where the unsubsidized annual loan limits are increased, for this category of students. As of the date of this matrix, the amount of the increase to aggregate limits is unclear.

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31	PLUS Loans – Program Expansion	HEA 428B HERA 8005(c)	Expands PLUS loan eligibility to include graduate and professional students. Current PLUS eligibility requirements (e.g., credit worthiness) still apply. Loans disbursed by check must be made co-payable to the school, and the graduate student or professional student (as applicable).	GEN-06-02: Loans certified on or after 7/1/06	The FFELP industry anticipates that graduate and professional PLUS loans will be made using current regulatory guidance.
32	PLUS Interest Rates	HEA 427A(1)(2) HERA 8006(a)	PLUS loan interest rates will change to a fixed interest rate of 8.5%, representing a move from the current variable rate structure. Due to a law enacted on 2/8/2002, the Higher Education Act was changed to provide for a July 1, 2006 move to a 7.9% fixed interest rate on PLUS loans. HERA increased the to-be fixed interest rate on PLUS loans from 7.9% to 8.5%.	Loans with a first disbursement made on or after 7/1/2006	Corresponding change not made to Direct Loan PLUS interest rate in 455(b)(7)(B) such that PLUS borrowers in Direct Loans will receive a fixed interest rate of 7.9%. We anticipate that the FFELP community will request a legislative fix to correct the disparity.
33	Stafford Interest Rates	Public Law 107-139 Feb. 8, 2002	Stafford loan interest rates are currently calculated based on a variable interest rate structure. Due to a change made in 2002 to the Higher Education Act, all new Stafford loans first disbursed on or after July 1, 2006 will be made with a fixed interest rate of 6.8%. The change, however, does not provide for current Stafford loans, which are made with a variable interest rate, to be converted to a fixed interest rate. Borrowers with existing variable rate Stafford loans will retain their variable rates consistent with the interest rate rules currently in place for such loans. Only new Stafford loans first disbursed on or after July 1, 2006 are subject to the fixed 6.8% interest rate.	Loans first disbursed on or after July 1, 2006	This change coincides with the effective date of several of the provisions of HERA. However, the change was scheduled to go into effect on July 1, 2006 irregardless of the HERA legislation. The information is included in this matrix as a reminder that this change is approaching.
34	Federal Default Fees	HEA 428(b)(1)(H)(i) and (ii) HERA 8014(b)(1)	Retains the existing language on guarantee fees, but adds the qualifier that it applies “for loans for which the first disbursement is guaranteed before July 1, 2006”. Adds a new provision for loans guaranteed on/after July 1, 2006. A Federal default fee equal to one percent of principal shall either be deducted	Loans with a date of guarantee of principal prior to 7/1/2006 Loans with a date of guarantee of principal on/after 7/1/2006	

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			<p>proportionately from each disbursement prior to disbursing to the borrower or shall be paid using non-Federal sources. The fee must be deposited into the Federal Student Loan Reserve Fund and the proceeds must not be used for incentive payments to lenders. The default fee will be collected in lieu of the guarantee fee.</p> <p>Corresponding change also made to 428H(h) for unsubsidized Stafford loans.</p>		
35	Federal Default Fees – Unsubsidized Stafford loans	HEA 428H(h) HERA 8014(b)(2)	Consistent with the new provisions for subsidized Stafford loans, for loans with guarantee of principal on/after July 1, 2006, the guarantor must collect a Federal default fee of 1% that is either deducted proportionately from each disbursement or paid by non-Federal sources. The fee is to be deposited into the Federal Student Loan Reserve Fund. Also stipulates the fee shall not be used for incentive payments to lenders.	Date of guarantee of principal on/after 7/1/2006	
36	Origination Fees	HEA 438(c)(2)(B) HERA 8008(c)(1)	<p>Ultimately eliminates the 3% Stafford (subsidized and unsubsidized) origination fees over a period of five years:</p> <ul style="list-style-type: none"> • Loans with a first disbursement made on or after 7/1/2006 will have a fee of 2%; • Loans with a first disbursement made on or after 7/1/2007 will have a fee of 1.5%; • Loans with a first disbursement made on or after 7/1/2008 will have a fee of 1%; • Loans with a first disbursement made on or after 7/1/2009 will have a fee of 0.5%; and • Loans with a first disbursement made on or after 7/1/2010 will have a fee of 0%. <p>Reductions are not applicable to PLUS and Consolidation loans.</p>	Loans with first disbursement made on or after 7/1/2006, 7/1/2007, 7/1/2008, 7/1/2009, and 7/1/2010	

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37	Origination Fees – Direct Loans	HEA 455(c) HERA 8008(c)(2)	<p>Reduces the origination fee for Direct Stafford loans from 4% to 1% over time.</p> <ul style="list-style-type: none"> Loans for which the first disbursement is made on or after 7/1/2006 will have an fee of 3%; Loans with a first disbursement made on or after 7/1/2007 will have a fee of 2.5%; Loans with a first disbursement made on or after 7/1/2008 will have a fee of 2%; Loans with a first disbursement made on or after 7/1/2009 will have a fee of 1.5%; and Loans with a first disbursement made on or after 7/1/2010 will have a fee of 1%. <p>Reductions are not applicable to Consolidation loans and PLUS loans.</p>	Loans with first disbursement made on or after 7/1/2006, 7/1/2007, 7/1/2008, 7/1/2009, and 7/1/2010	
38	Origination Fees – Direct Loans	HEA 455(b)(8)(A) HERA 8008(c)(3)	Authorizes the Secretary to reduce origination fees paid by Direct Loan borrowers in order to encourage on-time repayment. Currently, the Secretary is prohibited from waiving origination fees for borrowers.		
39	Disbursements to Foreign Schools and to Students Studying Abroad	HEA 428(b)(1)(N) HERA 8008(a)	<p>Revises the provisions dealing with disbursements to students enrolled in study abroad programs and foreign schools.</p> <p>Disbursements to a student in a study abroad program may be, at the student’s request, disbursed by check or other means directly to the student only after the student’s enrollment is verified by the lender or guarantor. Currently, students who are studying abroad need only request direct disbursement. The HEA does not currently require the lender or guarantor to verify enrollment prior to disbursement.</p> <p>Adds that disbursements to a student in a program of study at an eligible foreign institution may be, at the request of the foreign institution, disbursed by check or other means directly to the student only after the student’s enrollment is verified by the lender or</p>	GEN-06-02: Loans with a first disbursement made on or after 7/1/06	

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			guarantor. Current HEA provisions permit a student attending a foreign school to request funds to be disbursed directly to the student. HEA does not stipulate that the foreign school itself can request funds be disbursed directly to the student. Additionally, the HEA does not require the lender or guarantor to verify enrollment prior to disbursement to a foreign school.		
40	Leaves of Absence	HEA 484B(a)(2) (A) HERA 8022(1)	Allows a student to take “one or more leaves of absence” from an institution for not more than 180 days in a 12-month period without being considered as withdrawn. Previous language only allowed for “a leave of absence.”		
41	Elimination of Request for Early Repayment	HEA 428(b)(7)(A) 428C(a)(3) (A)(ii)(I) HERA 8009(b)	Eliminates the borrower’s option to enter repayment early. The repayment period begins the day after the six-month grace period ends.	GEN-06-02: Borrower requests received on or after 7/1/06 may not be granted	Eliminates a borrower’s ability to enter repayment early in order to consolidate while still enrolled. Potential impact to a borrower’s eligibility for the Parental Leave/Working Mother (PLWM) deferment since a borrower who is in grace must agree to waive the last month of grace to receive the deferment.
42	Repayment Plans – Direct Loans	HEA 455(d)(1)(A) – (C) HERA 8008(b)	Requires the Direct Loan Program to offer the same standard, graduated, and extended repayment plans offered in the FFEL Program. The Direct Loan Program must still offer the income-contingent repayment plan.	GEN-06-02: Borrowers who enter repayment on or after 7/1/06	The only differences in repayment plans between the two federal programs will be the income-contingent plan in the Direct Loan Program and the income-sensitive plan in the FFEL Program.
43	Military Deferment	HEA 428(b)(1) (M)(iii), 455(f)(2)(C) & 481(d) HERA 8007(a) 8007(d)	Adds a new deferment type allowing up to three years of deferment for eligible borrowers on active duty during a war, national emergency, or military operation. Includes National Guard duty under the same circumstances. Payments received on a loan eligible for this deferment are not refundable. Key terms related to the military deferment are the following:	Loans first disbursed on or after 7/1/01. GEN-06-02: Deferment requests processed on or after 7/1/06 for loans first disbursed on or after 7/1/01 with qualifying deferment periods beginning on or after 7/1/01	Based on the prescribed triggering event of “loans first disbursed on or after”, eligibility for this deferment is at a loan level. Historically, eligibility for a deferment in the FFEL Program is at a borrower level.

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			<p><i>Active duty</i> – as defined in 10 U.S.C. §101(d)(1), except that training or attendance at a service school is not considered active duty for purposes of this deferment.</p> <p><i>Military operation</i> – a contingency operation as defined in 10 U.S.C. §101(a)(13).</p> <p><i>National emergency</i> – the national emergency declared by the President on September 14, 2001, as a result of certain terrorist attacks or subsequent national emergencies declared by the President due to terrorist attacks.</p> <p><i>Serving on active duty during a war, other military operation, or national emergency</i> – service by an individual who is any one of the following:</p> <ul style="list-style-type: none"> ▪ An Armed Forces Reserve member ordered to active duty under 10 U.S.C §§12301(a), 12301(g), 12302, 12304, or 12306, or any Armed Forces retired member ordered to active duty under 10 U.S.C §688, for service in connection with a war, other military operation, or national emergency, regardless of the location at which the active duty service is performed. ▪ Any other Armed Forces member on active duty in connection with the emergency or subsequent actions or conditions who has been assigned to a duty station at a location other than the location at which he or she is normally assigned. <p><i>Qualifying National Guard duty</i> - service as a National Guard member on full-time duty (as defined in 10 U.S.C. § 101(d)(5)) under a call to active service authorized by the President or the Secretary of Defense for a period of more than 30 consecutive days in connection with a war, other military operation, or a national emergency declared by the President and supported by federal funds.</p>		

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44	Forbearance	HEA 428(c)(3)(A)(i) and 428(c)(10) HERA 8014(e)	<p>Deletes the requirement that the agreement to terms for any mandatory forbearance (e.g., medical or dental internship or residency; income to debt ratio; national service) be “in writing”.</p> <p>Adds a new provision requiring that a notice be sent to the borrower confirming the terms of that were agreed to by the lender and the borrower. The mandatory forbearance terms must be recorded in the borrower’s file.</p>	GEN-06-02: Forbearance agreements entered into or renegotiated on or after 7/1/06	
45	Cross-Consolidation Between Programs	HEA 428C(a)(3)(B)(i) and 428C(b)(5) HERA 8009(a)	<p>Terminates borrower eligibility for a new Consolidation loan if borrower already obtained a FFELP or Direct Consolidation loan that includes all of the borrower’s eligible underlying loans (eliminates reconsolidation into other program).</p> <p>Adds an exception to existing limitations on subsequent Consolidation loans to permit borrowers who currently have a Consolidation loan that includes all of the borrower’s eligible underlying loans to obtain a subsequent Consolidation under the following circumstance:</p> <ul style="list-style-type: none"> • Borrower seeks to obtain an income-contingent repayment plan, AND • The initial Consolidation loan has been submitted to the guarantor for default aversion assistance. <p>Both of the above conditions must be in place for the borrower to obtain a subsequent Consolidation loan under this exception.</p> <p>Strengthens language which allows borrowers to obtain a Direct Consolidation loan “if lender denies” instead of “if borrower is unable to obtain” a FFELP Consolidation loan with income-sensitive repayment terms. New sentence states that, upon a lender’s denial, the Secretary must offer a Direct Consolidation loan to resolve the borrower’s default.</p>	GEN-06-02: applications received on or after July 1, 2006	Eliminates the possibility of the Super 2-step.

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46	Spousal Consolidation	HEA 428C(a)(3)(C) HERA 8009(c)	Eliminates “spousal consolidation” loans.	GEN-06-02: applications received on or after July 1, 2006	
47	Parallel Terms, Conditions, Benefits, and Amounts	HEA 455(a)(1) & (2) and 455(g) HERA 8009(d)	Requires Direct Consolidation Loan borrowers to meet the same eligibility criteria as FFELP Consolidation loan borrowers. Also, requires the Secretary to comply with the same terms and conditions that guaranty agencies may set forth for FFELP lenders in making Consolidation loans.		
48	Teacher Loan Forgiveness	HEA N/A HERA 8013(c)	Makes the increased forgiveness amount of \$17,500 for “highly qualified teachers” permanent in the law. Previously, the increased forgiveness amount was only authorized through October 1, 2005.	Effective retroactive to 10/1/2005	
49	Teacher Loan Forgiveness	HEA 428J(g) 460(g) 428J(b)(1)(B) 460(b)(1)(A)(ii) HERA 8013(e)	Individuals who are employed as teachers in private schools do not have a “highly qualified” designation. This change allows these teachers to take and pass a competency test for subject knowledge and skills applicable to the grade level or subject matter and be considered “highly qualified.” The competency test must be recognized in at least five states for determining highly qualified teacher requirements, and the score achieved by the teacher must be equal to or greater than the average passing score of teachers in those states.	GEN-06-02: Loan forgiveness applications received on or after 7/1/06	
50	False Certification and Identity Theft	HEA 437(c)(1) HERA 8012	Loans made on or after January 1, 1986, are eligible for discharge if the loan was falsely certified as a result of identity theft.	GEN-06-02: Discharge requests (and supporting documentation) received on or after 7/1/06	Dear Colleague Letter GEN-06-02 provides that until regulations implementing this new type of discharge have been developed, lenders may provide administrative forbearance, and guaranty agencies may suspend default collections, if a borrower presents evidence that the lender or guaranty agency believes to be reasonably persuasive, showing that the borrower’s loan may have been falsely certified as a result of a crime of identity theft.

Ref #	Topic	HEA & HERA Section	Summary of Change	Effective Date & Trigger Event	Comments
51	Default Reduction Program/ Rehabilitation	HEA 428F(a)(1) (A) HERA 8014(h)(1)	Provision would change the number of payments required for loan rehabilitation from the current requirement of 12 consecutive monthly payments to a new requirement of nine payments during 10 consecutive months. In addition, the proposal requires that each of the nine payments be made within 20 days of the due date.	GEN-06-02: Loan rehabilitation agreements beginning on or after 7/1/06 must incorporate the new provisions	<p>Timeliness of payments was previously defined in regulations to be within 15 days of the due date.</p> <p>This change would make rehabilitation easier to accomplish which could result in a larger volume of rehabilitation accounts for lenders and guarantors.</p> <p>GEN-06-02: For rehabilitation agreements already in existence, the guaranty agency will have the option of considering the borrower to have met the new rehabilitation standard if at least one of the borrower's payments is made within 20 days of the due date on or after 7/1/06. However, the guaranty agency must treat all borrowers in the situation the same.</p>