

Mississippi Association of Student Financial Aid Administrators

Position Paper

Recommendations for the 2003 Reauthorization of the Higher Education Act of 1965

INTRODUCTION

The Legislative Committee for the Mississippi Association of Student Financial Aid Administrators (MASFAA), along with our current President, Dewey Knight, met in the fall of 2002 and decided to conduct a survey of our membership on the various reauthorization issues for the purpose of developing a consensus among the Mississippi student financial aid community to be forwarded to NASFAA, as well as to our Congressional delegation and to SASFAA, our regional association. The survey was compiled from NASFAA's Reauthorization Task Force Preliminary Recommendations and a total of sixty-two members responded to the following issues: Student Loan Issues, Pell Grant Issues, General Provisions, Return to Title IV, FWS, FSEOG and Federal Methodology. The results are as follows:

Student Loan Issues

Federal Stafford Loan Limits

MASFAA is in favor of increasing Federal Stafford loan limits. We recommend that:

- (a) Uniform loan limits be adopted for all undergraduate years regardless of grade level or dependency status and that annual loan limits be increased to \$6500 per year for subsidized and \$6500 per year for unsubsidized and that cumulative loan limits be increased accordingly.
- (b) Schools be given the authority to implement lower loan limits as addressed in institutional policies.

Repayment Plans

MASFAA is in favor of retaining standard repayment options and that terms be increased along with loan limits.

Interest Rates

MASFAA is in favor of lowering the maximum cap on Federal Stafford interest rates from 8.25% to 6.8%. Over one-half of those surveyed were in favor of a fixed rate instead of variable.

Loan Subsidies

MASFAA is in favor of retaining borrower subsidies and is not in favor of reducing loan subsidies for lenders and guaranty agencies.

Borrower Benefits

MASFAA is in favor of equalizing FFEL and Perkins Loan Program benefits, as well as equalizing conditions in both programs.

Illegal Inducements

MASFAA is not in favor of developing new statutory language requiring annual disclosure of inducements and is not in favor of the aforementioned being made public information.

Loan Consolidation

One-half of those surveyed are in favor of changing the interest rate from a fixed rate to a variable rate to conform to recommendation that all interest rates are variable capped at a maximum rate of 6.8% and an overwhelming majority are in favor of consolidation for borrowers with multiple loans including Perkins loans to have a single holder.

School as Lender

MASFAA is not in favor of schools maintaining authority to act as lender for graduate programs and/or Lender of Last Resort for undergraduates if necessary and mandating that proceeds from interest and special allowance while the school is a holder of loan be returned to need-based student aid programs and that premiums from sale of loan are returned to school general operating fund.

Loan Certification

MASFAA is in favor of allowing schools the ability to certify loans at least 30 days after the student's last date of enrollment.

Loan Disbursement

MASFAA is in favor of eliminating the 30-day delay for first-time students, multiple disbursements for single term loans, and loan pro-ration.

Borrower Rights and Protections

MASFAA overwhelmingly is in favor of prohibiting the release and/or selling student information for any purpose not related to the processing and servicing of student loans.

Borrower Rights and Protections Disclosures

MASFAA overwhelmingly is in favor of lenders, holders and loan servicers being required to provide individual borrowers and potential borrowers full disclosure on borrower benefits.

Consumer Information and Education

MASFAA is in favor of directing the Secretary of Education to develop and distribute consumer information to student loan borrowers and potential student borrowers concerning debt management and student loan related information and have the lenders, guarantors, servicers and secondary markets be responsible for the distribution of such information.

Disbursements

MASFAA is in favor of allowing schools to request uneven disbursements during a loan period for both undergraduate and graduate students.

Loan Counseling

MASFAA is in favor of requiring lenders and guaranty agencies to perform all statutory loan-counseling activities, unless the school elects to perform these duties in whole or in-part.

Loan Forgiveness

MASFAA is in favor of loan forgiveness provisions for subsidized Stafford loans being the same as those provided in the Perkins Loan Program and vice versa.

Over-Award Provisions

MASFAA is in favor of consistency of over-award provisions across all Title IV Programs and is in favor of an over-award tolerance of \$500 in the FFEL Program.

PELL GRANT ENTITLEMENT

Pell Grant Minimum Award and Loss of Pell Grant Eligibility Due to a School's Default Rate

MASFAA overwhelmingly is in favor of increasing the Pell Grant minimum from \$400 to \$750 and is in favor of eliminating the current law provision which mandates that schools losing eligibility to participate in the Federal Stafford Loan Program due to high default rates also lose their eligibility to participate in the Federal Pell Grant Program.

GENERAL PROVISIONS

Institutional Eligibility

MASFAA is in favor of removing the connection between an institution's eligibility regarding the percentage of incarcerated students enrolled at the school.

FISAP Schedule

MASFAA is in favor of establishing October 1 as the date for submission of the FISAP.

Toll Free Information

MASFAA is in favor of retaining the current law by keeping the toll-free number.

FAFSA Preparation

MASFAA is in favor of FAFSA preparer information only be required of individuals who are paid a fee to complete the form.

Student Eligibility

MASFAA is in favor of permitting a student to meet the Ability to Benefit requirement by successfully completing, with the equivalent of a grade of C or better, at least six units of college courses that are applicable toward a degree or certificate.

Selective Service Data Base Matching

MASFAA is in favor of eliminating the provisions that require schools track Selective Service registration.

I-9 Employment Eligibility Verification

MASFAA is in favor of including the results of data base matches as acceptable in lieu of documents used to establish employment eligibility.

Elimination of Drug-Related Suspension

MASFAA is not in favor of eliminating the requirement to suspend or terminate a student's eligibility for Title IV funds based on drug-related conviction.

Grant Forgiveness

MASFAA is in favor of eliminating the liability of a student's estate or family to repay a grant in the event of a student's death.

Information Dissemination Activities

MASFAA is in favor of updating the statute to better reflect changes in technology and the realities of campus information sharing.

Automatic In-School Deferments

MASFAA is in favor of permitting lenders to automatically provide student borrowers an in-school deferment in the case of individuals returning to their studies who have outstanding loans.

Provision of State Grant Assistance

MASFAA is in favor of relocating the requirement that postsecondary institutions must provide students with information concerning state grant assistance to the student consumer information section.

Distribution of Voter Registration Materials

MASFAA is in favor of eliminating the requirement to distribute voter registration materials.

Campus Crime Reporting

MASFAA is in favor of NASFAA negotiating changes in campus crime reporting requirements in cooperation with its sister higher education associations.

Graduation and Retention Rates

MASFAA is not in favor of modifying prescribed graduation and retention rates as determination of an institution's eligibility.

Quality Assurance Evaluation

MASFAA is in favor of the Secretary being required to evaluate the results of the Quality Assurance Program and Distance Education Demonstration Project and recommend appropriate changes to law and regulation based on the successful components of those programs.

Coordination with IRS

MASFAA is in favor of an IRS Data-Match Demonstration Project requirement.

Transfer of Allotments

MASFAA is in favor of expanding the authority of schools to be able to transfer funds between all campus-based programs.

Non-Allowable Charges

MASFAA is in favor of schools being permitted to provide notice to students about their policies for paying non-allowable charges with Title IV aid and allowing students to opt out.

Error Tolerance

MASFAA is in favor of establishing a tolerance for the assessment of liabilities connected with audit and program review exceptions.

Safe Harbor Provision

MASFAA is in favor of establishing a waiver of liability resulting from unclear, conflicting, or incorrect guidance from the Department of Education.

Student Consumer Information

MASFAA is in favor of eliminating consumer notifications being sent to every student/prospective student and instead, requiring that this information be made available upon request and that this availability be publicized on the institution's Website, course catalog, or other widely disseminated publications.

Consultation and Negotiated Rulemaking

MASFAA is in favor of NASFAA negotiating changes in the Negotiated Rulemaking requirements in cooperation with its sister higher education associations.

Verification

MASFAA is in favor of ED and the IRS being mandated to implement a verification system of student data by a certain date.

Taxation of Student Aid (Modify IRS Code)

MASFAA is in favor of eliminating the taxation of student assistance funds.

RETURN OF TITLE IV FUNDS

Extraordinary Circumstances

MASFAA is in favor of financial aid administrators being allowed to override the Return of Funds requirements in the event the withdrawal resulted from extraordinary circumstances.

Repeal Requirements to Identify Unofficial Withdrawals

MASFAA is in favor of repealing requirements to identify unofficial withdrawals.

Withdrawal Date

MASFAA is in favor of affirming the institutional determination of the withdrawal date.

Percentage of Payment Period of Enrollment Completed

MASFAA is in favor of changing the percentage of payment period or period of enrollment completed for refund/repayment to 50% from current 60% of the payment period for withdrawal.

Post-Withdrawal Disbursements

MASFAA is in favor of restoring the authority for late and post-withdrawal disbursements at the discretion of financial aid administrators.

Institutional Charges

MASFAA is not in favor of eliminating the category of books and supplies from inclusion in Institutional Charges.

Minimum Threshold Amounts

MASFAA is in favor of requiring there be a minimum threshold below which neither students nor schools return calculated repayment amounts.

Returning Funds

MASFAA is in favor of schools being permitted to retain a student's loan funds that the school would otherwise have to return to the lender if the loan funds would be used to pay the student's outstanding balance owed to the school.

Time Frame

MASFAA is in favor of allowing schools 60 days after the date of the school's determination that the student withdrew to: (a) return Title IV funds, (b) notify the student of grant overpayment requirements, and (c) notify the student of eligibility for post withdrawal disbursement.

FEDERAL WORK STUDY PROGRAM (FWS)

Community Service Requirement

MASFAA is in favor of allowing those schools which can certify that ten percent of their student body is involved in community service be exempt from any FWS community service spending requirements.

Purpose

MASFAA is in favor of expanding and clarifying the conditions under which the Secretary of Education may grant a waiver of the utilization of Federal Work Study funds for community service.

FEDERAL SUPPLEMENTAL EDUCATION OPPORTUNITY GRANT (FSEOG)

Authorization for FSEOG

MASFAA is in favor of increasing authorization levels for FSEOG.

Priority of FSEOG Awards

MASFAA is not in favor of eliminating the lowest EFC order for awarding, but is in favor of permitting schools to direct a minimal percentage (to be specified) of FSEOG Funds to non-Pell recipients.

Purpose and Appropriations Authorized

MASFAA is in favor of continued and increased LEAP funding to prevent the elimination or severe reduction of some state need based grant programs.

FEDERAL PERKINS LOAN PROGRAM

Authorization for Federal Perkins Loan Program

MASFAA is in favor of increasing the authorization level for the Federal Perkins Loan Program.

Allocation of Funds

MASFAA is in favor of allowing those schools who wish to terminate participation in the Federal Perkins Loan Program the opportunity to continue to collect outstanding loans and use the collections to establish a federal endowment fund and to use the proceeds from that endowment for Federal SEOG or Federal Work Study awards to student.

Perkins Loan Interest Rate

MASFAA is in favor of maintaining the interest rate for the Federal Perkins Loan Program at the current level.

Cancellation of Loans for Certain Public Service (Section 465)

MASFAA is in favor of retaining the benefits in this section.

Regaining Title IV Eligibility After Default

MASFAA is in favor of allowing a defaulted borrower who voluntarily makes all past and currently due payments regained eligibility for all Title IV Programs.

FEDERAL METHODOLOGY

Computations in Case of Separation, Divorce, Remarriage, or Death of Parents

MASFAA is in favor of allowing a legal guardian be treated as parent with dependent student treatment to continue while student is in college and has financial relationship with the legal guardian.

Inclusion of Siblings in the Family Size

MASFAA is in favor of excluding all children aged 24 years and older for dependent student families and independent student families.

Independent Student Definition (Section 480(d))

MASFAA is in favor of retaining and clarifying the current definition to qualify for independent status as a veteran, the student must have served in the military for the required number of days that would qualify the student as a veteran as defined by the Veterans Administration.

Earned Income Credit (EIC)

MASFAA is not in favor of excluding from untaxed income the earned income credit.

Treatment of Paper Tax Losses

MASFAA is in favor of developing an alternative analysis for families who have a low or zero AGI due to business deductions, by excluding net operating losses and carryforwards.

Treatment of Student Assets

MASFAA is in favor of adding \$1,000 as an asset protection allowance (APA) for dependent students and single independent students under the age of 26 and is also in favor of adding an APA based on the age of the older spouse for married students.

Automatic Zero EFC

MASFAA is not in favor of eliminating the automatic zero EFC formula treatment.

FAFSA Simplification

MASFAA is not in favor of developing a check-off box on the Free Application for Federal Student Aid (FAFSA) for TANF and General Relief recipients that would allow them to bypass all income and asset questions.

Expected Family Contribution

MASFAA is not in favor of renaming the Expected Family Contribution (EFC) to Federal Eligibility Index (FEI).

Veterans Benefits

MASFAA is in favor of establishing consistent treatment of VA benefits for all financial aid programs regardless of the chapter.

Optional Professional Credential Allowances

MASFAA is in favor of inclusion of an allowance in the cost of attendance for obtaining professional credentials, including professional certification or licensure, national or state examinations, at the institution's option, if these costs are incurred during the academic period.

Tuition Prepayment Plans, Including "529" Plans

For purposes of determining a dependent student's eligibility for funds under this title, should all "529" plans, including prepaid tuition and savings plans, as well as Educational Savings Accounts (ESAs), and other similar educational financial savings plans be counted as a parental asset, regardless of ownership, including relatives, the student, or the parent? **32.26% were in favor; 40.32% were not in favor and 27.42% had no opinion**

SUBMITTED BY:

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