

## June 2005 CCCSFAAA Executive Board Meeting Federal Issues Items

**THE LEGISLATIVE PROCESS**  
CREATING LAWS FOR THE NATION



### ISSUE #1 CONSTITUTION DAY REVISITED

Guidelines issued on Tuesday by the Department of Education direct all educational institutions that receive federal dollars to offer students instruction on the U.S. Constitution each September 17 but stop short of requiring a specific curriculum for the annual Constitution Day and Citizenship Day.

Instead, the department's notice, which was published in the Federal Register, it points educators to Internet resources for information, including Web sites run by the Library of Congress and the National Archives.

The rule puts into effect a provision that was inserted in the final federal-spending bill for 2005 by Sen. Robert C. Byrd, a West Virginia Democrat and the Senate's unofficial constitutional scholar (The Chronicle, December 3, 2004). The requirement applies to colleges, as well as elementary and secondary schools, that receive aid from any federal agency. The guidelines note, however, that the Education Department does not have regulatory authority over institutions that get money only from other agencies.

If September 17 falls on a Saturday, Sunday, or holiday, schools and colleges must schedule an educational program in the preceding or following week, the guidelines say. However, the Education Department has no plans to monitor compliance, said Susan Aspey, a spokeswoman for the department.

Still, Cynthia A. Littlefield, director of federal relations for the Association of Jesuit Colleges and Universities, said she was pleased that the rule was "open-ended," giving colleges flexibility in meeting the requirement. While some colleges might hold a campus-wide assembly, others might distribute information in classes or sponsor an Internet chat. One Washington-area university has discussed inviting a U.S. Supreme Court justice to speak, she said.

Senator Byrd, a self-taught historian who has been known to distribute pocket-size copies of the Constitution to his Senate colleagues, said on Tuesday that he was pleased that the guidelines did not "impose a particular view or interpretation of the Constitution."

"I hope that schools will develop many different, creative ways to enable students to learn about one of our country's most important historic documents," the eight-term senator said.

Issues in the news . . .

<b>ISSUE</b>	<b>BRIEF</b>
<p><b>Government's Change in Calculating Need Will Deny Pell Grants to 81,000 Students, GAO Report Confirms</b></p>	<p>The U.S. Education Department's new way of determining a student's need for financial aid will disqualify 81,000 students from receiving Pell Grants, the Government Accountability Office said in a report issued in late-April 2005 a conclusion that confirmed earlier predictions by many higher-education lobbyists.</p> <p>Since January, the department has been using updated tax information in its formula for assessing a student's eligibility for federal financial aid. The change makes families appear richer -- and thus able to contribute more to the cost of their children's higher education -- because it reduces the amount of money the department forgives for state and local tax payments.</p> <p>The change in the tax allowance was the first in more than a decade. It was announced a few days before Christmas and took effect this year, despite opposition from Democratic lawmakers, college lobbyists, and advocates for students (<a href="#">The Chronicle</a>, January 7).</p> <p>The report from the GAO, the investigative arm of Congress, concludes that the change will increase the expected family contribution for college costs by \$440, on average, and is likely to result in a decrease in the Pell Grant award for about 35 percent of students. The average cutback will be about \$130, the report says, and families will have to pony up an additional \$3.2-billion over all.</p> <p>The report also concludes that the change will save the government about \$250-million in the Pell Grant program. Republican lawmakers had urged a change in the formula to ensure that Pell Grants were awarded to the neediest students, and in order to close the program's \$4-billion shortfall.</p> <p>The GAO says the new rule will increase the total family contribution for college costs more than five alternative changes would have. Those strategies, which the Education Department could have pursued last year, would have increased the expected family contribution from \$1-billion to \$3-billion. But only one strategy would have disqualified more students (88,000) than did the policy that the department adopted.</p> <p>The full text of the report, "Department of Education's Update of the State and Other Tax Allowance for Student Aid Award Year 2005-2006," is available on the GAO's <a href="#">Web site</a>. It can be viewed using <a href="#">Adobe Reader</a>, available free.</p>

<p><b>Student Loan Interest Rates</b> July 1, 2005-June 30, 2006</p>	<hr/> <p><b>4.70% Federal Stafford Loans</b> During in-school, grace, or deferment Based on the 91-day T-bill plus 1.7%, not to exceed 8.25%</p> <p>(2.77% through 6/30/05)</p> <hr/> <p><b>5.30% Federal Stafford Loans</b> During repayment Based on the 91-day T-bill plus 2.3%, not to exceed 8.25%</p> <p>(3.37% through 6/30/05)</p> <hr/> <p><b>6.10% Federal PLUS Loans</b> Based on the 91-day T-bill plus 3.1%, not to exceed 9.00%</p> <p>(4.17% through 6/30/05)</p> <hr/>
<p><b>Student Loan Consolidation</b></p>	<p><i>(Thank you, Colleen MacDonald, CASFAA Federal Issues Chair)</i></p> <p><b>1. Can students consolidate while they are enrolled in-school?</b></p> <p><u>FFELP Consolidation</u>: Yes. Based on the "Dear Colleague" (DCL ID Gen 05-08) dated May 16, 2005, the Department of Education clarified that FFEL borrowers may request to enter their repayment. When the loan moves directly into repayment status, the borrower loses the benefit of a grace period, now and in the future</p> <p><u>Direct Loan Consolidation</u>: Yes. Borrowers may consolidate while in school when the loans are fully disbursed or in grace or repayment.</p> <p><b>2. Why consolidate now?</b></p> <p>Submit the consolidation application prior to July 1, when the interest rates will increase. The rate may be rising by over 1.6%. As we know, the Federal Stafford is based on the 91-day T-Bill + 1.7% while in school, deferment, or grace period and 2.3% while in repayment. Although the rate is not going to be set until May 31, recently 91-day T-Bill was 2.86%.</p>

**3. Are consolidated loans eligible for deferment and forbearance?**

Yes. If a borrower qualifies for an in school, unemployment, or economic hardship deferment, then the borrower are not required to make loan payments. If the borrower does not qualify for a deferment, then a borrower may request and receive a forbearance to temporarily stop or reduce payments.

**4. Where can I get more information on Loan Consolidation?**

General Information Regarding Consolidation:

<http://studentaid.ed.gov/PORTALSWebApp/students/english/consolidation.jsp?tab=repaying>

<http://www.ucop.edu/sas/sfs/consolidationloans.htm>

<http://www.ifap.ed.gov/dpcletters/attachments/GEN0508Attach.doc>

FFEL Consolidation: Contact your lender or servicer for information and instructions on consolidation.

Direct Loan Consolidation: Visit [www.dlsonline.com](http://www.dlsonline.com) and click on Loan Consolidation.