

Spring 2008 Edition

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The next *News & Views* deadline date is June 30, 2008. Please e-mail articles to mrakes@dtcc.edu.

PERSPECTIVES

Message from the Chair

Submitted by: **Laura Boesler**

Hello Tri-State!!

Happy sunshine, flowers, and spring!

First, congratulations go out to our newly elected officials for 2008-2009! Michael Poma will be serving as Chair-Elect and Melissa Rakes as our Vice Chair. Our three new state presidents are Jennifer Grunden for Delaware, Scott Filter for DC, and Nasim Keshavarz for Maryland. Thank you to all the candidates that ran and best wishes for our new elected officials.



On April 11, our annual Spring Conference was held at the Doubletree Hotel in Annapolis, MD. A much appreciated "thank you" goes out to the PD&T committee, to the speakers, moderators, and volunteers who put the event on. It was a great success.

Tri-State has six scholarship winners for the 2008-09 year. Congratulations go to Margaret Serrano, Solomon Jefferson, David Boone Jr., Danielle Moore, Joshua Hilliard, and Ethan Bassett who were our winners. Thank you to the Awards and Scholarships Committee!

As I fulfill the rest of my term as Chair, I want to thank each and every member of Tri-state for supporting me as Chair of this organization. I also want to thank my Executive Board that worked so hard throughout this year and for their confidence in me.

ASSOCIATION NEWS

State Reports Delaware Dialogue

Submitted by: **Christine Lodge, Delaware President**

Greetings Tri-State Colleagues!

Spring has sprung and we're preparing for new beginnings and other changes in Delaware:

- Congratulations to **Jennifer Grunden**, Delaware Tech-Terry Campus, on her election as your new President for 2008-09 and 2009-10. I will work closely with Jennifer as I transition out of this role and will support her and our Association as we move forward together through these changing times.
- Congratulations to **Melissa Rakes**, Delaware Tech-Owens Campus, on her election as Vice Chair for 2008-09. With our fall conference scheduled for Dover Downs and Convention Center, The First State will certainly be well-represented in Dover! Another congratulations to Melissa on her recent completion of her doctoral degree at the University of Delaware.
- Congratulations to **Beth Parker** who recently retired from her position with ECMC.
- Congratulations to **Eleanor Kelly**, Widener University School of Law, on her recent engagement!

Our College Goal Sunday events were again very successful for 2008. Approximately 150 attendees were greeted and assisted by fellow colleagues who volunteered their personal time and professional expertise on Sunday, February 10. My sincere thanks go out to each of the volunteers for their time and willingness to help families with FAFSA completion. Huge thanks to everyone at Delaware Technical and Community College for hosting College Goal Sunday at their campuses and making this event possible.

Finally, it has been my honor and pleasure these last three years to serve as your president. Though we may be a small state where our activities may be small in number, the programs and services we provide to Delaware's students and families are BIG. From the bottom of my heart, thank you all for the opportunity to work with you and to represent you in our professional associations.

Maryland Moments

Submitted by: **Stephanie Bender, MD ASFAA President**

Greetings from the MD Committee!

You Can Afford College, which was held on January 12, was a success. We answered over 60 financial aid related phone calls. Thank you to the following people for volunteering their expertise: Pat Shoemaker and Roger Lettie (AACC), Pat Rhodes (Towson), Ellie Geiman (McDaniel), Sharon Hassan (Goucher), Zhanna Goltser (NDM), Patricia Scott (UMB), Albertha Mellerson (JHU), Laura Boesler (JHU), Sandi Nowakowski (UB), and Barb Miller (UMUC). Thank you to Pat Shoemaker (AACC) for organizing this event!



Our **Spring Mix and Mingle** took place on April 11 after the spring conference at the West End Grill in Annapolis.

As I end my three-year term as Maryland President, I wish to thank everyone who has contributed and participated in various events over the past three years. Without my committee's help, none of these events would have been possible. This year's committee included: Brittany Benton (CCBC-Essex), Diahann Greene (Citibank), Nasim Keshavarz (UMUC), Beth McSweeney (PNC), Karen Price (Edamerica) and Pat Shoemaker (AACC).

The Maryland Association of Financial Aid Administrators will be in very good hands for future years as Nasim Keshavarz (UMUC) will take the reigns.

Have a wonderful spring season!

Federal Relations Update

Submitted by: **Angie Hovatter & Dawn Mosisa, Co-chairs, Federal Relations Committee**

Welcome to Springtime from your Federal Relations Committee! It continues to be a year of lots of activity on the Hill and much change.

The CCRAA legislation passed this fall had quite an impact on a number of our colleagues. It's been very difficult watching friends leave the business, valued lenders ceasing to offer Stafford Loans and the direct impact of our students suffering from the fallout, who is paying the fees? We have had turmoil in our industry before, and as usual, we will prevail. However, this could be the straw that causes you to write to your representatives. We cannot change the CCRAA, BUT we can tell our representatives our stories. Our stories could generate a new bill which could fix or undo the obvious problems created by the CCRAA.

We had Negotiated Rulemaking committees on both CCRAA issues and the new TEACH Grant. Nearly 25 members of Tristate attended negotiated rulemaking this winter, most for the first time! See the

Negotiated Rulemaking corner of the newsletter to see their impressions. Remember, Negotiated Rulemaking meetings are open to the public! Please consider joining us at Negotiated Rulemaking in the future – even if it's for one day or a half day. It's an amazing process, and your presence makes a difference!

To everyone's surprise, and without any advance notice, the House committee passed their bill reauthorizing the HEA. So, it appears that we really do have the reauthorization of the Higher Education Act at hand this year. Both houses have a bill. Those bills need to be reconciled. Once that is done and voted upon, it'll go to the President.

As your Federal Relations Committee (FRC), one of our goals is to ensure that you have the tools to become an active part of shaping our Title IV laws and regulations. We want you to feel comfortable providing insight to your representatives and the Department of Education who really do want to hear from us, the front lines in the financial aid industry. We administer the funds that provide the access for our students to earn their degrees that these laws and regulations are all about.

As we close this year, your Federal Relations Committee thanks you for your support. It's been a very active year and we ask that you please keep your emails open. We will continue to send out information of the upcoming NPRM on the Loan Issues table that just came to consensus and information on reauthorization as it becomes available. As well, we'll continue to send out legislative/regulatory updates, opportunities for training on the new laws and regulations, and other opportunities to participate in the process as we receive them.

And of course, always let us know how we can assist you! We want to hear from you.

Professional Development & Training Update

Submitted by: Andrea Cipolla & Aristeia Williams, Co-chairs, Professional Development & Training

This year has been going by so fast, and PD&T hasn't slowed down a bit. The Verification Workshop was held on February 26 for a packed house at Chesapeake College. The workshop was an overwhelming success again this year. Many of our colleagues contributed to the workshop by supplying the scenarios for one of the afternoon sessions.

The annual Spring Conference was held April 11 in Annapolis, MD. Many of us in the industry gathered together to discuss the many program changes, to brush up on the basics and learn how other schools are managing their programs. Greg Martin gave an update on what the feds are expecting from the schools. He was a huge success as always.

There are more PD& T events to come. The Diversity Workshop will be held on May 29 at Prince Georges Community College. We will focus on subjects such as dealing with veterans returning from war and any disabilities that they may have, first generation college students, and lesbian, gay and transgendered students. It will be a very informative and interesting session. We will send out details for registration on the listserv soon.

Keep your ears and eyes open for the summer workshop coming in June. If you have any topic suggestions, please email acipolla@umuc.edu.

We would like to thank all the members on the committee who have worked very hard to develop and coordinate these wonderful training opportunities. We would also like to thank all the presenters who volunteered their time and knowledge.

Congratulations to TriState Scholarship Recipients

Submitted by: Vicki Smith

Each year the DE-DC-MD ASFAA selects a scholarship winner from each state. The winner must meet a certain grade point average and applicants are evaluated on educational and career goals, jobs held while in college and volunteer and community service. Please take a few minutes to learn about the selected recipients for 2008-2009:

| | |
|------------------------------|--|
| Delaware: | Solomon Jefferson – Wilmington University |
| | Margaret Serrano – Widener University School of Law |
| District of Columbia: | David Boone, Jr. – Catholic University of Maryland |
| | Danielle Moore – Howard University |
| Maryland: | Ethan Bassett – University of Maryland, Baltimore |
| | Joshua Hilliard – Johns Hopkins University |

Solomon Jefferson – Delaware Scholarship Winner – Wilmington University

Solomon is currently a student at Wilmington University seeking a Bachelor of Science degree in Criminal Justice. He serves on the Board of Directors for the Slaughter Neck Community Action Agency, where he runs a summer camp for children ages 6 months to 18 years old. Solomon also spends his free time reaching out to prisoners, addicts, troubled youths, and probationers. He is currently a candidate to become an ordained minister in the Delaware Peninsula Conference. Upon graduation, Solomon plans on becoming an addictions counselor.



Margaret Serrano – Delaware Scholarship Winner – Widener University School of Law

Margaret is a law student seeking her Juris Doctorate degree from Widener University School of Law in Wilmington, Delaware. Her work with legal teams during her military service fueled her desire to pursue her law degree. She is ranked in the top 30% of her class at Widener Law and holds the position of President of the Military Law Society. Margaret is also an active member of the Moot Court Honor Society and Alternative Dispute Resolution Society. During her free time, Margaret volunteers for the Delaware Pardons Project, Alliance for the Restoration of Ex-Offenders. Upon completion of her degree, Margaret wishes to re-enter the Army as a member of the Army's Judge Advocate General Corps.

Advocate General Corps.

David Boone, Jr. – District of Columbia Winner – Catholic University of America

David is currently a student at Catholic University of America seeking a Bachelor of Science degree in chemistry. David volunteers at Saint Ann's Infant and Maternity Home which is an emergency foster

placement shelter. He also serves as a “DC Reads” tutor each week at a D.C. elementary school. David maintains a 3.5 GPA, works two part-time jobs, and is also a member of the varsity football team at Catholic University. Upon graduation, David plans to go to medical school for pediatric dermatology.

Danielle Moore – District of Columbia Winner – Howard University

Danielle is a student at Howard University seeking a Master’s Degree in Mass Communications and Media Studies. Danielle works at two part-time jobs while attending Howard University full time. In her free time, she serves as a mentor for a 16-year-old high school student. Danielle hopes that her serving as a role model will help this young woman develop independence and motivation to succeed. Upon graduation, Danielle wishes to become a producer of a major television network or work as a broadcast journalist.



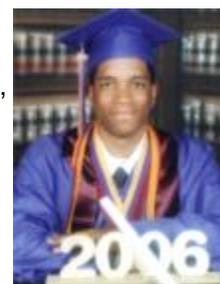
Ethan Bassett – Maryland Winner – University of Maryland, Baltimore

Ethan is a medical school student at the University of Maryland, Baltimore. He was elected Vice President of the first year Class Council and currently volunteers once a week as a third grade nutrition instructor. In addition, he has led two successful fundraising campaigns—one for asthma and allergy, which raised over \$10,000, and one for muscular dystrophy that netted over \$15,000. As an undergraduate student, Ethan was on the swim team and earned the opportunity to compete in the Olympic Trials, as well as gave the Student Commencement Address. He has worked as a research assistant, having several research projects published in peer-reviewed journals. This summer, Ethan will be working with a renowned cardiac surgeon

studying cutting-edge stem cell research. His goal is to become a surgeon.

Joshua Hilliard – Maryland Winner – Johns Hopkins University

Joshua is a full-time Biology/Writing Seminars student at Johns Hopkins University, holding a 3.72 GPA. Joshua participates in several volunteer groups at Johns Hopkins, such as ANCHOR and the Cooking 4 Love programs, where he prepares extravagant three-course meals for a women and children’s shelter in downtown Baltimore. He is also a member of an autism awareness group on campus that holds weekly social meetings with autistic Baltimore citizens. He has also been involved with tutoring bilingual children and works two part-time jobs. His ultimate desire upon graduation with his Bachelor’s Degree is to enter medical school to pursue a degree in pediatrics or pediatric surgery.



2008 Conference

Fall Conference, November 9 - 11, 2008

If you have not done so already, mark your calendars now for Sunday, November 9 to Tuesday, November 11, 2008, and plan to join your colleagues in Dover, DE for the fall conference. Our new location, Dover Downs Hotel and Casino, will provide a relaxing atmosphere to help get you updated on new trends and issues in our industry. To learn more about the location, visit www.doverdowns.com.

We have some new and exciting events planned and will keep the membership informed as we develop the agenda for the Conference. If you have any questions regarding the conference or ideas to contribute, contact Melissa Rakes, Vice Chair, at mrakes@dtcc.edu. See you in November!

SPOTLIGHT FEATURES

Neg Reg Corner

Have you ever wondered what really goes on at negotiated rulemaking? *News & Views* is pleased to bring the members the first Neg-Reg Corner. Through the efforts of the Federal Relations Committee and Professional Development & Training Committee, Tri-State members have had a presence at this year's negotiated rulemaking sessions. Read about their experiences and learn how you might become involved.



Finding My Way Around at Neg Regs

Submitted by: Kerri Moseley-Hobbs

After joining the DE-DC-MD ASFAA Federal Regulations Committee, I couldn't wait for an ample opportunity to get involved with something. I have been in the Financial Aid industry for five years, and I was eager to step out of the office and into the field. When I joined the "league," I learned that the industry was in the midst of negotiated rulemaking. Of course, like most people who have gone to the numerous conferences and workshops, I had heard of negotiated rulemaking, so I was fully aware what it was all about; and of course, I was just as excited about "my turn" as a 12 year-old girl in line for double-dutch.

Attending the negotiated rulemaking session on February 6, 2008, was an enchanting experience. It was good to hear people from the industry voicing their opinions about the regulations on the table. It gave me a new view on the regulations that at times I sit behind a desk groaning about. I was able to see the sternness of the Department of Education. The entertainment was when a negotiator from the schools and such would make such an excellent point that the Department of Education could not ignore it. They would lean back as if on trial to their representatives in the distance, whisper a few words, spend anywhere between 10 minutes and half an hour discussing the issue and returning with "OK".

The networking opportunities at negotiated rulemaking were phenomenal. Having the chance to meet industry experts and advocates opened up both my mind and my potential as a financial aid professional. The sessions show that the opportunities in the financial aid industry are endless. I also learned about what growth I still needed to cultivate. I must admit that many of the points that the negotiators made about the regulations being negotiated I was thinking, but I did not have the confidence to express.

That is negotiated rulemaking. All of us, the financial aid community, are the most important factor. We can change aid for the better and assure our students are met with adequacy. Looking beyond the large intimidating size of the Department of Education, we are the “yay” or “nay”, we are paragraph (b) of section 668 of the Federal regulations, we are financial aid.

A Great Learning Experience

Submitted by: Vicki A. Smith, Allegany College of Maryland

On March the 4th, three members of my staff and I were able to attend the negotiated rulemaking session on loans in Washington, D.C.. It was a first-time experience for all of us, as well as a wonderful learning experience. We witnessed, first-hand, the interactive play between all of the interested parties. I must say I was a little bewildered when the negotiators “discussed” for 20 minutes (if you know me then you know it was most difficult to sit in my seat and not say anything) the question of whether a zero payment was in fact a payment when it comes to the income contingent repayment plan! In addition to the session, we got to meet several other financial aid professionals—what an excellent way to network.

I would like to thank Dawn Mosisa and Angie Hovatter for their time and attention to this worthwhile cause! As co-chairs of the Federal Relations Committee for Tri-State, Dawn and Angie accompanied us and gave us lessons on what to expect, how the process works, who the team members were and, most importantly, how to get in and out of the city! I hope that everyone in the DE-DC-MD Association takes the opportunity to attend a neg-reg session. What better way to show the powers that be that we are a strong interested party!

Remember: Negotiated Rulemaking Impacts Us!

Submitted by: Willis Parker, University of the District of Columbia

During February and March, I had the opportunity to observe the negotiated rulemaking process. It was definitely an interesting and worthwhile experience. It was most enlightening to see the formulation of the regulations that impact our daily activities. Issues such as the Teach Grant and Income Based Repayment were negotiated. A greater understanding of the cause and effect of the regulations was gained through the exchanges between the negotiators.

The opportunity to discuss the proposed regulations with other Tri-State members and colleagues from other associations was very informative as well. One member in particular, Dawn Mosisa, a former negotiator, gave very insightful input on the process. I would encourage aid officers and administrators to participate, observe, and become a part of the negotiated rule making process.

Participating in Negotiated Rulemaking

Submitted by: **Stephanie Johnson, UMBC**

I have been in financial aid for what seems like forever, and although I have worked at the director level for several years, the negotiated rulemaking process always seemed so ominous and beyond my level of participation. I always knew that what happened in negotiated rulemaking would ultimately be my responsibility to implement, but I didn't know how to take that first step in an active role to ensure that my concerns were addressed.

As a member of Tri-State, I was really excited to be invited to attend the Negotiated Rulemaking sessions and felt completely comfortable knowing I would attend with a seasoned negotiated rulemaking veteran, Dawn Mosisa. When I arrived to the Department of Education with my colleague, I felt a bit like someone who was trying to sneak into a "backstage pass only" venue. We told the guard why we were there and she directed us right up to the conference room.

As we sat and listened to the discussion, I was amazed at how opinionated and passionate I became, clearly understanding each and every issue that was addressed. Dawn even encouraged me to slip a note to one of the negotiators, Janet Dodson (DFA at Doan College at time of neg reg session and last year's NASFAA Chair), who later came over to speak with us during a break and introduced us to other negotiators. Later we even had a chance to chat with Assistant Secretary Diane Auger-Jones.

It was such a great opportunity to meet and chat with DOE staff as well as other administrators and key officials who were negotiating and learn so much about the process. The best part, however, was an opportunity to express my concerns and provide feedback as a practitioner to those who would ultimately be setting the rules that I would have to follow.

Let the Debate Begin....

Submitted by: **Heather Owens, UMUC Financial Aid Counselor**

On March 4, 2008, a group of University of Maryland, University College (UMUC) counselors traveled to our nation's capital to witness how regulations are formed. The session started early Tuesday morning where we were greeted by Aristeia Williams, Co-chair of PD&T, and Dawn Mosisa, Co-chair of Federal Regulations. Upon entering the room, there was an overall feeling of tension and excitement. Seated around a large conference table in the center of the room were negotiators from various organizations, such as Citibank, and at the other end sat their counterparts, the Department of Education (DOE) representatives. The session was not at all what I expected it to be. The negotiators and DOE representatives were very well-versed in financial aid regulations (some of the language they spoke I did not comprehend). At times, I must admit the debate between the negotiators and DOE was very heated, especially when discussing whether to raise the minimum monthly payment on a student loan from \$5.00 to \$10.00; however, there were other times when you could hear crickets chirping in the room. In between the debates, several of us took the time to read regulations contained in our booklets (handed out at the beginning of the session) and discussed how we thought the regulations should be written and interpreted. It was interesting to think like a negotiator and hear the perspectives of my fellow counselors. Hopefully one day one of us will make it to that table and be able to debate on behalf of our students.

Before I became a financial aid counselor at UMUC, I had always dreamed of becoming a lawyer. My staff members at UMUC have reiterated to me over and over again how closely tied the law and financial aid truly are. Of course, I have occasionally viewed the regulations set up by DOE on ifap.ed.gov, but I never thought about how those regulations get from laws created by Congress to my fingertips. The

opportunity to participate in the negotiated rulemaking session in D.C. allowed me to understand exactly how these regulations reached my fingertips. Overall, the experience of negotiated rulemaking was very informative, and I would encourage other members of the financial aid community to attend any of the sessions if they should get the opportunity. I felt as though my voice is being heard through the negotiators and it is a comfort to know that we have people who are debating on behalf of the students we represent.

SPECIAL FEATURES

Five Tips for a Successful Volunteer Experience

Submitted by: **Tamara Carter, TG Regional Account Executive**

In the higher education environment, there are abundant opportunities to volunteer. From on-campus activities involving mentoring and building financial aid awareness to community-based outreach and FAFSA workshops, there are always opportunities to contribute your time and further the worthy goals of important organizations.

Often, however, it can be overwhelming to consider taking on other activities in addition to your existing responsibilities. This can be a good time to reflect on some of the benefits volunteering can provide to your personal and professional growth.

The benefits of lending a helping hand

Volunteering for a cause in which you believe provides the satisfaction of knowing you've done your part to make the world a better place. It can open many doors for you. It will help you develop skills, gain work experience, develop knowledge of different career settings, create a network for finding a job, discover your hidden strengths and talents, gain self-confidence, find references, and build a sense of independence. Also, volunteering is a terrific way to meet people who share your passions.

Evaluating your options

Here are five things to consider when evaluating opportunities to volunteer:

- **Do your research.**
Explore the mission and goals of each group you are considering. Visit their Web sites, read their literature, and talk to their members. Get an idea of future activities from the group's priorities.
- **Match your skills to volunteer opportunities.**
Where do your skills and talents lie? If you know how to do things more efficiently, volunteer for positions where you can use and teach these skills. Your contributions will be appreciated by others on the team.
- **Learn something new.**
Volunteering can offer an excellent learning experience. If you'd like to develop new skills, find an opportunity that will challenge you to learn from more experienced participants in the group.

- **Budget your time wisely.**
Start slowly when making volunteer commitments and budget your time wisely. You don't want to burn yourself out, frustrate others, and end up with a negative experience.
- **Create your own opportunity.**
Every group is always seeking new ideas to complete projects and accomplish goals. Do you have ideas about how to get things done right? Write a one-page outline about what you can do, how you can do it, and then go do it. Deliver it to the committee chair or other leaders of the organization and start down your path to a fulfilling and worthwhile experience.

Finding a cause you believe in while keeping these five criteria in mind can contribute to a positive volunteer experience.

When the Lender Is a Borrower: How Education Lenders Get Funds to Make Loans

Submitted by: **Barry Feierstein, Executive Vice President, Sallie Mae**

Unless you have a degree in finance, the current credit market upheaval—and how it impacts the student loan marketplace—may be a confusing topic for school staff. In a nutshell: since the money that students borrow to pay their tuition bill is needed up front (i.e., today) and the repayment of those loans is spread out over many years, student loan providers themselves must borrow funds from the capital markets. The overall financial goal of education lenders is to meet the needs of students by ensuring a stable, predictable source of funds in any interest rate environment.

While the details are complex, the general idea behind how lenders borrow from the capital markets can be easy to understand. Like other consumer loan providers who usually do not keep loans on their books for years, education lenders sell the loans into a trust, which sells securities (also known as asset-backed securities or ABS) to investors.

This process, called securitization, provides lenders with the original principal balance of the loans plus an upfront return on the investment, thus enabling them to make new loans. The investors who purchase the ABS are paid back over time by the payments of principal and interest on the underlying student loans. In other words, instead of having a lender's resources tied up for many years and waiting for the payments from individual borrowers, this process allows lenders to continually put money right back into creating new loans for new students.

The ABS market has traditionally been very efficient because loans made under the FFEL program (i.e., Stafford, Plus, GradPlus) are guaranteed by the federal government and thereby offer a predictable and lower risk to investors than other types of consumer loans. But the sub-prime mortgage crisis has hurt the ABS market, making it difficult for many lenders, including education lenders, to get the funds they need to make student loans.

Education lenders also use the secondary market to raise funds. Most banks, for example, sell their loans to other non-bank education lenders. By tapping the secondary market, banks are able to free up the funds they need to make new loans. This process has also been impacted by the sub-prime mortgage

crisis as a growing number of education lenders have had difficulty refinancing their holdings to free up money to buy additional loans.

In theory, the sub-prime mortgage crisis should have had little effect on student loans. But investors' fear of purchasing mortgage-backed securities has spread to a general fear of all ABS, even those guaranteed by the federal government whose value is not in question. The result is that as demand for ABS has dropped, education lenders have had to offer much higher premiums to investors to encourage them to buy even a limited amount of securities. And that has resulted in dramatically higher borrowing costs.

At the same time, education finance companies have seen their rates of return on federal loans dramatically reduced by recent legislation. In 2007, Congress cut the Special Allowance Payment (SAP) paid to FFELP lenders, reduced the guarantee provided by the federal government in cases of default, and increased the lender-paid origination fees.

Student loan providers have felt the pinch of severe legislative cuts and a turbulent credit markets. More than one-third of the top 100 FFELP originators have left the student loan program, and lenders that accounted for nearly all FFELP consolidation volume have stopped making new consolidation loans, which will mean the Direct Loan program will need to pick up over \$30 billion in dislocated consolidation loan volume, according to Department of Education estimates. In an April 17 call with investors, Sallie Mae CEO Albert L. Lord noted, "We can only meet the enormous student credit demands we are seeing at Sallie Mae if there is a near-term, system-wide liquidity solution."

An injection of capital into the student loan marketplace has also been favored by leading policymakers and representatives for college and university financial aid professionals.

At an April 15 hearing on the topic, Sen. Christopher Dodd (D-Conn.), chairman of the U.S. Senate Banking Committee, urged government action, stating: "If the Fed and the Treasury can commit \$30 billion of taxpayer dollars to enable the takeover of Bear Stearns by JP Morgan Chase, then surely they can step in to enable working families to achieve their dream of a college education for their kids."

National Association of Student Financial Aid Administrators (NASFAA) President Philip R. Day, Jr. stated in an April 11 letter to members that "the lack of liquidity in the credit markets threatens to create a widespread Federal Family Education Loan Program (FFELP) loan access problem."

Progress has been made. On May 7 President Bush signed into law the "Ensuring Continued Access to Student Loans Act of 2008," which provides the Department of Education, at no cost to taxpayers, the flexibility to implement a comprehensive, equitable solution to the credit crunch in the student loan capital markets.

The legislation represents the first step and now the design of program details and implementation are in the hands of the Department of Education. Over the past several weeks, Sallie Mae has delivered a clear message about the need for a government solution to solve the liquidity situation facing student loan originators. We are optimistic that the Department of Education will detail its plan as expeditiously as the Congress moved this legislation to ensure students and families avoid disruptions that could impact college enrollment for the upcoming academic year.

Keep Eligible Expenses in Mind in Cost-of-Attendance Professional Judgment

Submitted by: **Gene Logan, USA Funds Services**

Financial-aid administrators can use professional judgment as a discretionary action to address unusual circumstances that affect a student’s ability to pay educational expenses.

Federal law specifies that “unusual circumstances” must be considered on a case-by-case basis and that the condition being addressed has differentiated an individual student from a defined group of students, rather than conditions that exist across a group.

As you consider adjusting a student’s Cost of Attendance (COA) for unusual educational expenses, you can refer to the table below to note the following categories in which you may make those adjustments, as well as documentation that may support those changes. Adjustments should be in excess of your school’s standard allowance and may include education-related expenses not already in your school’s standard COA.

| Expenses | Examples of Acceptable Documentation |
|--|---|
| Tuition or fees not charged to the student population as a whole | Student’s account |
| Books-and-supplies expenses | Proof of out-of-pocket expenses or charges on the student’s account |
| Living expenses | Proof of out-of-pocket expenses |
| Student-loan fees | Documentation of actual fees charged |
| Transportation expenses | Proof of actual or estimated expenses |
| Dependent-care expenses | Proof of out-of-pocket expenses |
| Study-abroad expenses | Documented educational and living expenses associated with study abroad |
| Computer-purchase expenses | Proof of out-of-pocket expenses |
| Student-disability-related expenses | Proof of out-of-pocket expenses |
| Employment expenses related to cooperative-education programs | Proof of out-of-pocket expenses |
| Costs of obtaining first-professional credentials | Proof of one-time expense |

You may also consider unusual circumstances in Expected Family Contribution, dependency-status override and loan eligibility.

Four Steps to Save Former Students from Default

Submitted by: Tasha McDaniel, School Training Director,
Great Lakes Higher Education Guaranty Corporation

When your former students default on their student loans, they not only increase your cohort default rate, they also suffer serious consequences that undermine their own investment in building a better life through education. As financial aid professionals, we all have a role to play in helping borrowers avoid this fate. Lenders and guarantors continuously work to reach borrowers from the time they miss their first payments, and are able to help most get back on track. But when our efforts aren't enough, you can make a big difference by reaching out to the handful of former students who are on the brink of default.

All guarantors offer a report of delinquent borrowers. Maximize your impact and save yourself a lot of time by focusing on those who are 270 days or more delinquent on their loans. A call from you at this late stage can make all the difference in keeping borrowers out of default—and out of your institution's default rates.

Counseling borrowers over the phone may not come naturally, but you can increase your success with the help of a proven call model and phone counseling script. This four-step process can make your job easier and save more former students from default.

Step 1: Contact the Borrower

When you are calling a borrower, the first thing you need to do is verify that you are speaking with the borrower before you disclose private information, such as a Social Security number, or that you are calling about a student loan. Next, identify yourself and state that you are calling from your school. It's important to let the borrower know you want to help. As a representative of your school, you have a relationship with the borrower that the lender or guarantor does not have. Let the borrower know that you want to help them find the solution that brings, and keeps, them current on their student loan payments.

Step 2: Walk through Possible Solutions

To counsel the borrower, walk through some possible solutions. Ask the borrower to make a payment to resolve the delinquency. If the borrower can afford it, a payment is the best option for resolving a delinquency. If the borrower can't pay, determine whether the borrower qualifies for an in-school deferment or an unemployment deferment. You can verify an unemployment deferment by asking if the borrower is:

- Working less than 30 hours per week
- Registered at an unemployment agency
- Receiving unemployment benefits

If the borrower does not qualify for a deferment, discuss forbearance as an option. It's also important to remind the borrower that failing to make payments can have serious consequences. Being late (or missing) payments can affect the borrower's credit rating—hurting their ability to obtain a car or home loan—and it's even worse if the borrower defaults—they'll lose their ability to get additional student loans, may have to pay up to 24% in collection costs, and may have their wages garnished or federal income tax refunds applied directly to their student loan balance.

Step 3: Close the Call

In closing, thank the borrower for his or her time. Ask if the borrower has any questions, then re-cap the steps both you and the borrower agreed to take to resolve the delinquency.

Step 4: Wrap-up

As a follow-up to your call, send any promised forms along with instructions for completing them. You can also download the forms and instructions from most guarantor and lender websites. If you have the borrower's email address, you might try emailing the forms to maintain a sense of urgency. Note the date of the call and its outcome in your records.

News from NASFAA:

Ensure Continued Access To Student Aid Despite Economic Unrest

Submitted by: Justin Draeger, Assistant Director for Communications, NASFAA

Whether it's been officially announced or not, most experts believe that the U.S. economy is in recession. Technically, a recession occurs when the nation's Gross Domestic Product has declined for at least two successive quarters. But to millions of Americans, the effects of recession are far less academic. Recessions usually mean layoffs, inflation, stagnant wages, and decreased net worth as markets (including retirement and college savings portfolios) tumble.

The 2008 recession is punctuated by a looming student loan credit crunch, which could make college access even more difficult during this recession. At the time this article was written, nearly 60 lenders dropped out or limited their participation in the federal student loan program. Sallie Mae—by far the largest student loan provider—announced that top executives are holding “daily deliberations” on whether the company will have enough capital to continue offering federal student loans.

Fortunately for most families, Congress, the Department of Education, colleges and universities, higher education associations, guaranty agencies and lenders are working diligently to ensure there are no disruptions in students' access to loans.

But many families may still face an uphill battle in paying for college during a recession. A report from Illinois State University's Center for the Study of Educational Policy found that during times of recession, state appropriations for higher education falter and financial access to college diminishes.

The report – *Recession, Retrenchment, and Recovery: State Higher Education Funding & Student Financial Aid* – examined the effects of recessions on financial access to college during recessions over a 25-year period from 1979 to 2004. During that period, the U.S. experienced four distinct recessions. The analysis found that during these recessions:

- State appropriations decreased, and continued to do so even after the recession ended
- Appropriations per full-time equivalent (FTE) decreased
- Higher education funding took longer to recover following each successive recession
- Tuition increased faster than student aid and family income, decreasing financial access to college

This all adds up to a double whammy for families who are experiencing the effects of the recession and being denied college access by decreases in state appropriations and financial aid funding. College enrollments also tend to increase during recessions, as many nontraditional and adult learners return to college to retool their skills or change career paths following a layoff. This places an additional strain on college budgets and financial aid resources, compounding an already difficult situation.

Still, the report found that there are steps colleges and states can take now to provide continued access and support to struggling families. Here are a few.

- **Place priority on need-based aid** – Since the late 1990s, states and schools have been dually funding need and merit-based financial aid. The analysis found that during the 2001 recession, 15 states were able to increase financial access for students by placing a higher emphasis on need-based aid.
- **Reaffirm the state’s role in providing student financial aid** – During times of recession, states generally demonstrate a lack of interest in funding higher education. This is starkly illustrated by the dramatic decrease in appropriations during previous recessions, and the amount of time it has taken states to return to previous funding levels after a recession. Schools that lobby state leaders in an effort to keep funding on the front burner are more likely to see positive financial results.
- **Improve awareness of higher education’s contributions to economic development** – Several studies have linked education with higher levels of economic output. States who are usually hit hardest by recession generally have fewer college graduates. These states are in the best position to see more positive outcomes from a recession by financially encouraging higher education.
- **Define goals and develop a coherent plan for maintaining and improving financial access** – States with comprehensive student financial aid plans were better able to weather economic storms. By maintaining a long-term financial access programs that are in alignment with state higher education principles and goals, states can cushion families against turbulent economic conditions.

Former Federal Reserve Chairman Alan Greenspan predicted in his book, *The Age of Turbulence: Adventures in a New World* that the U.S. and world economies would continue to see cycles of recession, perhaps on a faster rate than we’ve been used to in the past. The good news for schools—and ultimately families—is there are steps that can be taken at the state level to ensure continued access to student aid despite economic unrest.

The National Association of Student Financial Aid Administrators (NASFAA) is a nonprofit membership organization that represents more than 14,000 financial aid professionals at nearly 3,000 colleges, universities, and career schools across the country. Each year, financial aid professionals help more than 16 million students receive funding for postsecondary education. Based in Washington, D.C., NASFAA is the only national association with a primary focus on student aid legislation, regulatory analysis, and training for financial aid administrators. In addition to its member Web site at www.NASFAA.org, the Association offers a Web site with financial aid information for parents and students at www.StudentAid.org.