Volume 30 Issues II Mar/April

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QUESTION 28 CLARIFICATION

by Lynn Lee

Many of us have seen the following message on 2000-2001 SARs:
You left Item 28 blank. IF YOU HAVE A DRUG CONVICTION, you MUST answer Item 28. Your failure to accurately answer this question could result in legal action against you by the U.S. Government. Use the enclosed worksheet to determine your answer to this question. Then correct Part 2 of your Student Aid Report, sign it, and submit it. If you need help or have questions, call 1-800- 4FED-AID (1-800-433-3243) or visit www.fafsa.ed.gov/q28 on the web. A drug conviction does not necessarily disqualify you from receiving student aid.

If you are confused by this message to students, then you are not alone. Does it mean everyone must make the correction? Did we not learn in the February 29th Reauthorization Training at UMBC that the correction did not need to be made if the answer to question 28 was "1" unless we had knowledge to the contrary? Those students who could answer that they had no drug convictions were not required to correct Part 2 for reprocessing. The Department also issued an electronic announcement on February 24, 2000 instructing schools to "disregard all SAR "C" Flags resulting from 'blank' responses to FAFSA Question 28. If the SAR/ISIR has a blank in Question 28 or a response of '1', Title IV aid may be awarded and disbursed, provided the financial aid office has no conflicting information on record."

We called the 1-800-4FED-AID number just for clarification. We were told that ALL students who did not answer Question 28 were required to make the correction.

Doubting that response, I contacted Greg Martin from Region III. Greg provided the correct information: We do not have to correct for Question 28 if the answer is "1". Only those students with answers other than "1" must correct. Additionally, if you have information that the student has a conviction, you must make the correction. There is not a requirement for documentation in the student's file.

Students may be confused about the wording of the SAR message. Hopefully, they won't call the 1-800-4FED-AID number for clarification. As someone wrote on finaidL, will someone please unplug the 800-4FED-AID phone?

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FY 2001 Budget Process Gets Off to Fast Start

It's that time of year again! It seems like we just closed the books on last year's appropriations process, but the new year is here and with it President Clinton has released his proposals for the funding of government programs in the 2001 Federal Fiscal Year (which begins on October 1, 2000) and beyond. Congress, too, has jumped into the fray, with both the House and Senate passing Budget Resolutions which outline their spending priorities for the coming fiscal year. This article takes a look at how student aid programs are faring thus far.

The President's Budget Proposal
President Clinton unveiled his Budget Proposal for the 2001 Federal Fiscal Year on February 7, 2000. In this budget request, the last of his Presidency, President Clinton calls for total federal spending of $1.84 trillion and for retiring the national debt by 2013. The President's proposal includes a number of targeted tax decreases, aimed primarily at low- and middle-income Americans, and advances new ideas for spending on elementary/secondary education, Medicare, and increasing environmental protections.

The President has proposed increased funding for most of the core federal student financial assistance programs. Notably, the President, in a change from a number of prior budget proposals, has requested funding for the LEAP (formerly SSIG) Program and for Perkins Loans. The following table summarizes the student aid funding requested in the President's budget:

Program	FY2001 Request	Dollar Increase	Percent Increase
Pell Grants (max. award)	$8.356 billion $3,500	$716 million $200	9.4% 5.71%
SEOG	$691 million	$60 million	9.5%
Federal Work-Study	$1.011 billion	$77 million	7.61%
Perkins	$100 million	NONE	N/A
LEAP	$40 million	NONE	N/A
GEAR-UP	$325 million	$125 million	38.46%
TRIO	$725 million	$80 million*	11.03%

** $35 million of the increase in TRIO funding is dedicated to College Completion Challenge Grants which would fund scholarships and summer programs for first and*

second year college students.
****

Building upon the Lifetime Learning tax credit that the President championed in 1997, the President has proposed a $30 billion College Opportunity Tax Cut. When fully implemented in 2003, the proposal would allow families that qualify to claim a tax credit for up to 28% of postsecondary tuition and fees, up to $10,000, per student. In other words, a family could be eligible for a tax credit of up to $2,800, per student. Or, a family could choose to claim up to $10,000 of tuition and fees per student as a tax deduction. The full tax credit or deduction would be available for individual tax filers with incomes of up to $50,000 (and would phase out between $50,000 and $60,000) and for joint filers with incomes up to $100,000 (and would phase out between $100,000 and $120,000). The HOPE Scholarship tax credit would remain unchanged.

The President has also proposed to eliminate the 60-month limit on the student loan interest deduction as of January 1, 2000. As you may recall, a similar proposal was included in a tax package last year that was vetoed by the President (although he had voiced support for this provision).

The President has proposed to reduce drastically the yield received by lenders and holders on FFELP loans, with additional cuts slated for those who fund student loans with tax-exempt obligations. In addition, the budget includes proposals to reduce guaranty agency funding and accelerate the turnover of guaranty agency reserve funds to the federal government. The President estimates that these cuts will result in approximately $3.8 billion in federal budget savings over the next five years. These are, perhaps, the most extensive set of cuts ever proposed by the President for the FFELP. Both the House and Senate Budget Resolutions, discussed below, have voiced strong opposition to these FFELP-related proposals.

Congressional Actions

The House and Senate are trying their best to speed up the budget and appropriations process this year. Their goal is to avoid going down to the wire at the end of September, where the President has shown that he has the upper hand in funding decisions. House and Senate leaders reached agreement on most aspects of the budget, and the Budget Resolutions approved by both Budget Committees reflected that agreement.

On the Senate floor, however, differences began to emerge. Most significantly for higher education, the full Senate narrowly approved an amendment to provide more than $600 million in additional spending on education programs. Included in this amendment was a commitment to increase the maximum Pell Grant by $400 for the 2001-2002 academic year. The end result, is that the House and Senate now have different views on the total amount of funding for defense spending, domestic spending, and tax cuts. These differences must be worked out in a House-Senate "Conference Committee" before the Budget Resolution can be finalized.

Once the Budget Resolution is in place, the Appropriations Committees will get to work on the details of FY 2001 funding. Supporters of education funding hope that the appropriators will ignore spending ceilings and use the federal budget surplus as justification for providing increases to education programs, including student financial assistance. It is hoped that the Labor/HHS/Education Appropriations Subcommittees will complete their work by June, although, in recent years, they have had major difficulties in meeting that sort of schedule.

Now is appropriate time for schools to begin contacting your Senators and Representatives to let them know how you feel about the President's plan and about the Congressional blueprint. During the past few years, student aid programs have had to battle for funding against other education, health, and a whole host of domestic policy initiatives. Messages to your Congressional delegations regarding the value of student aid and its impact at your school will play an important role in determining funding levels for these programs.

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Maryland Update

National Education is pleased to announce its Newest Team Member. Patricia Scott is the new Marketing Representative handling the DC territory.

Jennifer Bates of Maryland Institute College of Art will be getting married to Matt Dunker on December 7th on the island of St.Lucia. Congratulations!!!!

On Wednesday March 8th, the Maryland ASFAA held its annual "Day in Annapolis Event". There were 15 participants in this event which included a guided tour of the Maryland State House which included an opportunity to view the legislative process in both the House and Senate Galleries. Karen Price gave a tour of the Maryland State Scholarship Administration offices. A small group stayed in the afternoon to listen to testimony given on current House and Senate bills which directly affect Financial Aid. This was a educational and fun event which we will continue to coordinate every year. Anyone interested in helping coordinate or participating in this event should contact Janet Walker at the Medix School at jlwmedix@aol.com or Sandy Brown at sbrown@dmv.com

The Maryland Association is always looking for people to get involved with association activities!! We need your ideas, comments, suggestions and support to improve our current programs and create new ones! Please take a few minutes to jot down an idea and email it to me. Remember, the association's goal is to serve you, the members! We need your input!

I would also like to take this opportunity to personally Thank You for electing me as your MD ASFAA President for another year! I have learned a lot this past year and hope to make this upcoming year an eventful one. But I do need your help! Please feel free to get in touch with me at any time. And THANK YOU!!

Sandy Brown 410-778-4065 sbrown@dmv.com

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Master Promissory Note presented by David Manning

This session was more of an exchange of information session. Dave started out by stating that he would be more of a facilitator than a presentor. A comprehensive handout was distributed. A few of the highlights are as follows:

- MPN is just for Stafford right now.
- A PLUS MPN is in the wrks.
- Schools can certify for maximum loan eligibility even if the student asks for less than the max.
- The school must monitor students to make sure that subsequent requests for loan increases do not lead to an over award for the student

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Maryland State Report

Karen Price from the Maryland Higher Education Commission handed out an update on the MSSA Financial Aid Programs. Some highlights were:

- The Science & Technology and Maryland Teachers Scholarships are all considered HOPE Scholarships.
- There will no longer be a 2.0 GPA requirement for continuation of the EA and GA grants. The schools will determine SAP.
- There will be a MSSA Workshop November 16th at Prince Georges Community College.

David Manning of USA Group shared that the EAGLE II mainframe system is working and that the state's default rate is down overall & less than the national average.
Jerry Lovick from the Community Colleges of Baltimore County Catonsville Campus was unable to attend. He was busy in Baltimore representing the Association at the National College Fair. In his absence Sandy Brown encouraged members to participate in the You Can Afford College annual activity scheduled for January 8th at 11am and 1pm. A sign up sheet was available.
Janet Walker made a pitch for both the Day in Annapolis and the Helping Hands Directory.
The meeting ended with a drawing for a door prize.

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Member Updates

Public Relations

Submitted by Cissy Van Sickle
University of Maryland Baltimore

- Michelle Johnson jumped ship and went to Goucher.
- Beth McSweeney has joined our staff as Counselor for Undergrad programs. She was previously at All Career.
- DK Robertson has joined our staff as Counselor for Medical and Dental School. His previous experience is from Ohio University
- Yvette Washington has joined our staff as Work Study Coordinator. She was previously at Baltimore City Community College.
- University of Maryland College Park Eric Mayo was recently promoted to assistant Director of Financial Aid.
- CCCBC Essex Phyllis Chernault will be retiring on June 30, 2000 after 28 years of service in the financial aid office. We wish her well and hope that she keeps in touch.
- Lynne Reinstadtler of Educaid had a baby girl, Emily Rae, in February. Congratulations to Lynne and Alec.
- NASFAA DE-DC-MD ASFAA will host a suite at NASFAA in D.C. for our communting members. The room will be available Sunday through Tuesday.

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Most student loan borrowers are managing their college debt

Report shows graduate student debts have more than doubled since 1995

A recent analysis by USA Group® reveals that students who left graduate school this year owe an average of $24,479 — more than twice as much in federal education loans as their counterparts who left school in 1995 with an average debt load of $11,359. Undergraduate students left four-year colleges this year owing an average of $10,173, nearly 19 percent more than undergraduate borrowers who left school in 1995 with average student loan debt of $8,551.

According to the USA Group analysis, community college students owe, on average, $4,728, a 33 percent increase from the average community college debt burden of $3,565 in 1995. Between 1995 and 1999, average Stafford loan indebtedness for students attending proprietary schools has grown nearly 70 percent to $8,541 in 1999 from $5,037 in 1995.

Each year since 1995, USA Group has analyzed the federal education loan accounts that it services to determine the average cumulative Federal Stafford loan indebtedness of students who left school during the first half of the year. Supplying more than $20 billion in student aid each year, Stafford loans issued under the Federal Family Education Loan

Program (FFELP) are the largest component of federal financial aid. USA Group's 1999 student debt burden report covers the accounts of nearly 80,000 borrowers.

According to Patricia M. Scherschel, director of Policy Research and Consumer Issues for USA Group, several factors have fueled the increase in borrowing for college. Rising college costs, the failure of grant aid to keep pace with college funding needs, and legislation that expanded access to college loans have contributed to the increase in student loan indebtedness. Scherschel also added that graduate student debt has risen more rapidly than undergraduate indebtedness, in part because graduate students can borrow much more under the federal rules that govern the student loan program.

Despite the growth in college debt levels during the past five years, the percentage of student loan borrowers who are behind in their loan payments has declined. The USA Group analysis determined that, as of June 30, 1999, approximately 12 percent of student loan borrowers had loan payments that were 30 days or more past due. In 1995, the student loan delinquency rate ran as high as 16 to 17 percent.

Scherschel noted that higher starting salaries and plentiful job opportunities for recent graduates should help student loan borrowers handle these heavier college debt loads. In addition, legislative changes, which have reduced student loan interest rates and restored the deductibility of education loan interest, have helped to reduce the cost of borrowing for college.

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A financial aid administrator's guide to comparing "alternative" loans

The term "alternative" loan may be a misnomer. These types of loans are not alternatives to federally guaranteed loans, rather they are to assist students when Title IV and institutional funds are not enough to cover the cost of higher education. These loans should more appropriately be called private loans.
Unfortunately, the confusion over private loans is not limited to their name. Private loans come in a variety of shapes and sizes. Many financial aid administrators work to select the best loan option for their students but have questions on how to compare the available private loan options. The following list notes the features you may want to consider when selecting a private loan for your students.

Interest rates:

Rates are typically variable, tied to the prime rate or three-month Treasury bill rate.

Fees:

Fees vary widely. Typically charged as a percentage of the loan balance, they can range from as low as 0 percent to 8 percent or higher. Fees may be discounted from the loan amount or added to the amount borrowed. In addition, some lenders may opt to charge a fee when the loan is disbursed or collect a fee when the loan enters repayment.

Multi-tier pricing schedules

Lenders are increasingly offering multi-tiered loans that tie rate and fee levels to the borrowers' creditworthiness. The stronger the credit record, the better the terms.

In-school deferment and grace period

Some loans allow borrowers to defer payments while they are in school and during a post-school grace period.

Interest accrual terms

The frequency of interest capitalization while a student is in school and/or during grace periods can significantly affect total interest costs. More frequent capitalization accelerates the growth of the principal balance, in effect requiring the borrower to pay interest on interest. The best deals accrue interest on a simple basis and capitalize interest on a lump-sum basis at the end of the deferral period.

Borrower benefits

A number of loan programs reward borrowers for consistently making their payments on time. These benefits may take effect after a period of one to four years. The benefits may take the form of reductions in the interest rate or a rebate of origination fees. Some lenders have begun offering up-front benefits, such as a preferential interest rate from the outset. The borrower keeps this rate as long as he/she makes on-time payments. A late payment causes the rate to rise under a specified formula. Borrowers should understand the importance of always making on-time payments. Borrower benefits are theirs to use or lose.

Quality of loan servicing

Borrowers want good service in the form of accurate billings, electronic funds transfer (EFT) payment capability, friendly customer support provided via toll-free phone lines, repayment counseling, and online account inquiry capability. Do borrowers receive a payment coupon book or monthly billing statements? Another important service feature is the ability to offer a single monthly billing statement that can combine payments owed under both federal and private loan programs. The borrower gets one monthly statement and mails back only one check.

Default prevention expertise

Private loans tend to be declared in default sooner than federal loans. Default prevention expertise is a critical factor for schools to consider in selecting private loan programs.

Repayment terms

How long does a borrower have to repay: 10 years, 15 years, or longer? Does the private loan lender offer graduated repayment schedules as well as the standard, equal-installment plan?

Deferment and forbearance options

An important feature for many graduate students is the ability to defer principal and interest payments during a post-school residency or internship. Private loans can vary in the length of deferment and forbearance periods.

Cosigner terms

Does the loan allow a borrower to qualify for a better interest rate by obtaining a cosigner? This is important, because many young people simply don't have a strong enough credit record to qualify on their own. Some lenders allow cosigners to be dropped from the loan after a specified period of on-time payments, provided the borrower is deemed sufficiently credit worthy.

Credit Criteria

Virtually all private loan providers check the credit record of a borrower. The terms of the loan may be different depending on how a student meets the lender's credit criteria. For example, "creditworthy" borrowers might have a documented credit history, while "credit-ready" borrowers simply do not have a credit record to review. For some private loans, creditworthy borrowers may be required to have a three-year employment history and a debt-to-income ratio of 40 percent or less. Credit-ready borrowers do not have to meet these criteria.

Acceptance rates

Schools need to understand that price is not the only way to evaluate a private loan. The expected acceptance rate is also a key issue. The loan may not be much of a deal if very few students actually qualify.

Late charges

Penalties and rules for imposing late charges can vary widely among lenders. This key detail in the fine print should not be overlooked.

When it comes to private loans, one size does not fit all

When selecting a private loan option for students, financial aid administrators need to consider the unique features of their students and institutions, and select a private loan provider with a proven track record and the customer service necessary to best meet the needs of both. Contact Melvina Johnson, Account Executive for USA Group, at 800-331-2362, mjohnson@usagroup.com, or David Manning, Regional Director for USA Group, at 800- 331-2362, dmanning@usagroup.com, if you have additional questions on private loans.

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USA Group launches multi-million dollar scholarship program

More than 600 students will receive USA Group scholarships in 2000

USA Group*, the nation's largest education loan guarantor and administrator, will award up to $10 million in scholarships over the next three to five years. The USA Group Scholarship Program initially will offer additional financial support to students who have economic need and who also are either members of ethnic minorities or have physical disabilities.

In 2000, USA Group scholarships will benefit approximately 600 to 700 high school seniors or graduates who plan to enroll or are enrolled in full-time undergraduate or graduate coursework at an accredited two- or four-year college, university, or vocational-technical school. Depending on their documented financial need, scholarship recipients will receive $1,000 to $2,000 toward their higher education expenses. A panel of independent judges will select recipients from the field of qualified candidates based on the following criteria:

* Past academic performance and future potential.
* Leadership and participation in school and community activities.

* Work experience
* Career and educational aspirations and goals.
* References

Applicants from all 50 states are eligible for the program. Judges will give particular consideration to applications from Maryland and the other eight states where USA Funds*, a USA Group affiliate, is the federally designated guarantor of student loans, and in another five states plus the District of Columbia where one-third or more of students enrolled in postsecondary education are members of ethnic minority groups. The scholarships may be renewed annually for students who maintain a minimum grade-point average of 2.5 for up to three years or until the student receives a degree or certificate, whichever comes first. Applicants must have an annual adjusted gross family income of $30,000 or less and be a U.S. citizen or eligible non-citizen. U.S. Department of Education data show that students who fall into this income bracket have an average unmet need of more than $3,000 ¯ an obstacle to completing their education. National research suggests that low income and minority students are vulnerable to dropping out of school out of fear that education costs will not match the benefits. These scholarships help remove a barrier by reducing costs. The Citizens' Scholarship Foundation of America (CSFA), an independent, professional manager of private scholarship programs, will administer the program and select scholarship recipients.

For more information on the USA Group Scholarship Program, visit USA Group's Web site at www.usagroup.com/scholarship/scholarship.htm. To order a supply of applications for your financial aid office, fax a request toll-free to 888-546-4107. Applications must be postmarked by May 1, 2000. Scholarship recipients will be selected and notified by June 20, 2000.

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National report reveals shifts in students' expectations and colleges' responses

A new report outlines several significant shifts in the way students' expectations are changing and institutions are responding. In general, colleges and universities continue to adjust their programs and services to recruit and retain today's students, often in response to the "consumer sovereignty" which characterizes the current student- institutional relationships.

Are College Students Satisfied? A National Analysis of Changing Expectations, published by the USA Group Foundation* as part of its New Agenda Series, focuses on the national changes in student expectations and institutional performance observed in student satisfaction data over a four-year period (1994-95 through 1997-98). These trend data are based on responses to Noel-Levitz*'s Student Satisfaction Inventory* (SSI), which 745 colleges and universities have administered to a total of 423,000 enrolled students between 1994 and 1998. Community, junior, and technical colleges, four-year public institutions, and four-year private institutions in North America use the SSI to assess student perceptions of campus experiences. Schools using the SSI are located in all regions of the country and represent the academic diversity of American postsecondary education.

Student-satisfaction studies measure how effectively campuses deliver what students expect, need, and want. The Noel-Levitz survey measures both student satisfaction and student expectations in 12 areas of campus life, including: financial aid, instructional effectiveness, campus climate, and safety. The data collected over a four-year period show that students expect increasingly more from their college experience. Of the 12 areas surveyed, student expectations increased in nearly every area over the past four years. As student expectations have increased, their satisfaction has not increased at the same pace. The report notes increasing satisfaction in six areas of campus life at community, junior, and technical colleges, seven areas at four-year public institutions, and eight areas at four-year privates. The greatest increases in satisfaction were in service excellence at the two-year colleges, in academic advising at four-year publics, and in safety and security at four-year privates. Satisfaction declined in academic advising for the two-year colleges and the four-year privates, and in responsiveness to diverse populations at four-year publics. Lana Low, vice president for retention services and assessment for Noel-Levitz and author of the report, has nearly 30 years in higher education and has consulted on student retention issues with more than 100 colleges and universities from across the United States. The report notes her observations about the trends gleaned from the data and supported by her experience with college campuses. Among those observations are the following:

In general, two-year institutions are doing a better job than their four-year counterparts in meeting student expectations
Although four-year private institutions continue to receive higher student satisfaction scores than their public counterparts, the students that they attract continue to bring higher expectations to campus as college costs increase and institutions struggle with their own financial challenges.

In some instances, a mismatch exists between student and institutional priorities. Students are coming to campus with expectations that are not aligned with the mission of the institution. For example, students may seek careers, while colleges focus on the learning experience or more philosophical approaches to education.
For all students, concerns about personal basic personal needs ¯ like safety and security ¯ are prerequisite to learning and student satisfaction.

The complete report is available on the Web. To download a copy of the report:

1. visit www.usagroup.com
2. select the text "About USA Group Foundation,"
3. click on the "Publications" button from the toolbar,
4. choose the "USA Group Foundation New Agenda Series," and 5. select the text for this monograph.

The USA Group Foundation is the research and philanthropic arm of USA Group. Noel-Levitz, a USA Group company, is a nationally recognized consulting firm specializing in higher education enrollment management, financial aid, and student retention.
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USA Group hosts free, regional student loan workshops

Register now for the free Spring 2000 USA Group* Student Loan Workshops* in :

1. Arlington, Virginia, at the Embassy Suites Hotel Crystal City, on May 2, 2000
2. College Park, Maryland, at the Holiday Inn College Park, on May 3, 2000
3. Baltimore, Maryland, at the Holiday Inn at BWI Airport, on May 3, 2000

Presented by USA Group's Education Resource Center*, the Student Loan Workshop will provide policy and regulatory updates. Workshop facilitators will review the impact of changes and proposed changes to the 2001-2002 financial aid award year. This session will also cover issues related to the new Return of Title IV Funds process and other important changes from the 1998 Reauthorization of the Higher Education Act.

During the four-hour workshop, you will discuss the Master Promissory Note requirements and resources to help schools manage this new process. You will also learn about enhancements to USA Group's NetWizard*, the most flexible, Web-based, loan delivery system, designed to make loan processing easier for financial aid officers. Additional workshop features will include: a discussion of post-graduation issues, case studies on puzzling student loan questions, and a review of some loan processing tools.

To register for a workshop, contact USA Group's Education Resource Center at 317-822-8640. You may also register via the USA Group Web site at www.usagroup.com. Select A Financial Aid Office. Next, choose Resources for You. Then, select Conferences. From there, follow the instructions to register for the workshop.

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Tax Time—What to tell families about deducting the interest on education loans

For the first time in nearly a decade, education loan borrowers may qualify for a tax break. Taxpayers who repaid qualified education loans in tax year 1998 may be able to deduct all or some of the interest that they paid, up to a maximum of $1,000, on their 1998 federal tax returns. Under the Taxpayer Relief Act of 1997, borrowers may deduct only interest that was paid during the tax year, provided the payments were due and made during the first 60 months of repayment.
Over the next three years, the maximum deduction will increase $500 a year, reaching a maximum of $2,500 in tax year 2001. As with most tax breaks, this one has a few strings, and determining whether and how much to deduct can be complicated. USA Group® has prepared the following Q&A to provide basic information on how this tax deduction works. To determine whether families can benefit from the deduction, borrowers should consult a qualified tax adviser or account or contact the Internal Revenue Service directly.

Who can deduct interest on student loans?
The Taxpayer Relief Act of 1997 spells out a number of terms and conditions governing taxpayer eligibility, among them:

- The borrower must have taken out the loan to pay for his or her own expenses or the expenses of a spouse or dependent.
- In general, the proceeds of the loan must have been used for qualified higher education expenses.
- The student who is the beneficiary of the loan must be enrolled at least half-time in a degree program at an eligible institution.
- Students cannot claim the deduction if they are claimed as dependents on their parents' tax returns.

Taxpayers must also meet an income test. The government applies different income limits, depending on the borrower's marital status. The income limits are based on a modified version of the borrower's adjusted gross income (AGI). The instructions that accompany the 1040 and 1040A forms for tax year 1998 include a worksheet to help borrowers calculate their modified adjusted gross income.

What are "qualified" education expenses?
These generally include tuition, fees, room and board, books, supplies and other related expenses. The expenses must have been incurred for enrollment in a degree, certificate or similar program at an eligible institution. According to the IRS, "eligible institution" applies to most colleges and universities (including graduate schools) and certain vocational schools. A taxpayer must reduce the amount of qualified education expenses funded by an education loan by the amount of the following nontaxable benefits: employer-provided educational assistance benefits that are not included in Box 1 of the taxpayer's W-2 form, excludable interest income from U.S. series EE savings bonds, qualified distributions from Education IRA accounts, and any scholarship, educational assistance allowances, or other payment (excluding gifts and inheritances) that are excluded from income. More detailed information on eligible higher education expenses can be found in IRS Publication 970, *Tax Benefits for Higher Education*.

How do borrowers claim a deduction for student loan interest paid in 1998?
Borrowers can claim the deduction when they file their federal tax return for tax year 1998. They must use Form 1040 or 1040A. They cannot claim the student loan interest deduction by filing the 1040EZ form. The 1040 and 1040A have special lines for claiming the deduction. They do not have to itemize their deductions in order to claim the tax break for student loan interest. However, if they are married, they must file a joint return. Married borrowers cannot claim the deduction if they and their spouses file separate returns.

How will borrowers know how much interest they paid during 1998?
Lenders and loan servicers are generally required to report to both borrowers and the Internal Revenue Service if borrowers paid at least $600 in interest during 1998, provided their interest payments were made during the covered period as defined by the IRS. In general, the covered period begins on the date the loan went into repayment status and ends 60 months later, except that the covered period is extended by deferment and forbearance months. To assist their loan customers, a number of lenders and loan servicers plan to send 1098-E forms to borrowers who paid less than $600 during the taxable year. USA Group Loan Services, for example, will send 1098-E forms to any borrower who was in the first 60 months of repayment in 1998 and paid at least $50 in interest. Lenders and loan servicers are not required to report to the IRS interest amounts that are less than $600. Lenders and loan servicers are generally expected to mail the 1998 1098-E form in the mail during the latter half of January but no later than February 1.

For more information. . .
The IRS offers several resources, all of which can be viewed or downloaded from the IRS Web site. Two helpful publications are: Publication 970, *Tax Benefits for Higher Education*, and an IRS-prepared Q&A titled, *Notice 97-60, Student Loan Interest Deduction*. In addition, the instruction booklets that accompany the 1040 and 1040A forms for tax year 1998 provide helpful information as well as the income test worksheet. You can also call the IRS to ask questions or request forms and publications. The toll-free telephone number for tax questions is 800-929-1040. The toll-free telephone number for requesting forms is 800-829-3676.
Copies of tax forms are readily available from a variety of sources, including the local post office, federal government offices and libraries. In addition, these forms may be reviewed on the IRS Web site (***www.irs.ustreas.gov***).
Borrowers whose loans are serviced by USA Group Loan Services may call 800-883-4551 for information about their payment status and history. USA Group also provides a more detailed student loan interest deduction Q&A on its Web site (***www.usagroup.com***). Click on *USA Group Borrowers*, then select "Deducting education loan interest."
USA Group does not and cannot advise individual borrowers as to whether and how much in student loan interest they can deduct. To determine whether they can benefit from the deduction, borrowers should consult a qualified tax adviser or account or contact the Internal Revenue Service directly.

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Slow Dance

"In this hectic world of Student Financial Aid, particularly during our busiest processing periods, we sometimes lose sight of what is important in life. The origin of the following piece was not available to me but it seemed to be an appropriate means for personal reflection as we rush to accomplish the next task or meet the latest deadline."

Slow Dance
Have you ever watched kids
on a merry-go-round
Or listened to the rain
slapping on the ground?

Ever followed a butterfly's
erratic flight
Or gazed at the sun
into the fading night?

You better slow down
Don't dance so fast
Time is short
The music won't last

Do you run through each day
on the fly
When you ask "How are you?"
do you hear the reply?

When the day is done,
do you lie in your bed
With the next hundred chores
running through your head?

You'd better slow down
Don't dance so fast
Time is short
The music won't last

Ever told your child,
We'll do it tomorrow

And in your haste,
not see his sorrow?

Ever lost touch,
Let a good friendship die
'Cause you never had time
to call and say "Hi"?

You'd better slow down
Don't dance so fast
Time is short
The music won't last

When you run so fast to get somewhere
You miss half the fun of getting there.
When you worry and hurry through your day,
It is like an unopened gift....
Thrown away...

Life is not a race.
Do take it slower
Hear the music
Before the song is over.