Prepared by the EDFUND Government Relations Unit

Overview of the College Cost Reduction and Access Act – Public Law 110–84

Status: The College Cost Reduction and Access Act was approved by the Senate and by the House on September 7, 2007. The President signed the bill into law on September 27, 2007.

Implementation: Many of the provisions included in the bill are self-implementing, clear in purpose and will be effective October 1, 2007. Other provisions will require guidance from the US Department of Education (USED) for implementation. It is recommended that readers monitor USED guidance in the form of Dear Colleague Letters and electronic bulletins for provisions impacting operational issues.

Version 2.0
Last updated February 13, 2008

Subject	College Cost Reduction and Access Act	Effective Date/ Trigger Event	Comments/Discussion
Pell Grant Program			
Authorization	The legislation extends the authorization for the Pell Grant Program to 2017.		
Tuition Sensitivity	The legislation eliminates the Tuition Sensitivity provision in the HEA and provides an appropriation of $11 million for AY 2007-08 to pay for the change.	**Academic year beginning on/after 07/01/2007**	
Mandatory Increase in Pell Grant Awards	The maximum Pell Grant is increased by adding additional money on top of funds appropriated each year. *The mandatory Pell Grant is as follows :* • *$490 for award years 2008 and 2009* • *$690 for award years 2010 and 2011* • *$1,090 for award year 2012*	**07/01/2008**	*Dear Colleague Letter GEN-08-01 and FP-08-01* *Students who receive Pell grants that are less than the maximum under the discretionary funding will be eligible to receive the full mandatory additional funding.* *Mandatory funds may be increased or decreased. If mandatory funds provided are insufficient to fund the specified increase, the amount would be reduced. If, the mandatory funds provided are more than are required, the amount would be increased.* *Institutions will not be required to differentiate the discretionary or mandatory portions of a student' Pell Grant award.*
Borrower Benefits			
Subsidized Stafford Loan Interest Rates	The legislation lowers interest rates for a five year period for undergraduate subsidized Stafford loans for both the FFEL and Direct loan programs. The reductions apply to loans with first disbursements made: • On or after July 1, 2008 and before July 1, 2009 at the rate of 6.0% • On or after July 1, 2009 and before July 1, 20010 at the rate of 5.6% • On or after July 1, 20010 and before July 1, 2011 at the rate of 4.5% • On or after July 1, 20011 and before July 1, 2012 at the rate of 3.4%	**First disbursement on/after 07/01 of the academic year**	*Dear Colleague Letter GEN-08-01 and FP-08-01* *This change does not affect any prior loans made to these or any other borrowers as the terms and interest rates of those prior loans remain unchanged.*

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	• On or after July 1, 2012 at the rate of 6.8%		
Definition of Economic Hardship	The legislation changes the definition of economic hardship from income at or below 100% of the federal poverty line for a family of two to 150% of the federal poverty line as it applies to the borrower's family size. *Applies to FFEL, DL and Perkins.*	***Deferment requests made on/after 10/01/2007***	*Dear Colleague Letter GEN-08-01 and FP-08-01* *The legislation eliminates economic hardship provision that applies to a borrower who is working full time and has a federal educational debt burden that is more than or equal to 20 percent of the borrower's adjusted gross income. However, the CCRAA did not eliminate the Secretary's authority to establish, by regulation, additional criteria for an economic hardship deferment based on the borrower's income and debt-to-income ratio. So, the regulations that currently exist establishing an income and debt-to-income criteria for the economic hardship deferment remain in effect. These methods will now use the new poverty line standard of 150% of the poverty line applicable to the borrower's family size.*
Military Deferment	Removes the current three year limit. There is no longer a limit to this deferment. Adds 180 days after the demobilization date as an eligible timeframe for the deferment. Eliminates loan origination trigger. All Title IV loans will now be eligible (Language change made to the HERA of 2005 legislation). Applies to FFEL, DL and Perkins.	**10/01/2007**	A military deferment is intended to cover a borrower's loan(s) while the borrower is serving on active duty during a war, other military operation, a national emergency, or while the borrower is performing qualifying National Guard duty during a war, other military operation, or a national emergency. *Dear Colleague Letter GEN-08-01 and FP-08-01* *A borrower whose deferment eligibility had expired due to the prior three-year limitation and who was still serving on eligible active duty on or after October 1, 2007, may receive the deferment retroactively from the date the prior deferment expired until the end of the borrower's active duty service.* *A borrower who is currently receiving the military deferment or received the deferment for a period that included October 1, 2007 without receiving a new deferment request from the borrower. If expanded benefits are granted the lender or school must send a notice to the borrower explaining the additional benefits*

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			and providing the borrower an opportunity to decline the deferment. *The additional 180-day deferment period is available* *<u>each time</u>* *a borrower is demobilized at the conclusion of an eligible active duty service that supports the military deferment.*
Loan Repayment Following Active Duty	Legislation adds a new section to the Act that provides for a borrower who is a member of the National Guard or other reserve component of the Armed Forces, or a member of the Armed Forces in a retired status, called or ordered to active duty, and is enrolled or was enrolled within six months prior to activation, in a program of instruction at an eligible institution, an additional 13 months of deferment following the conclusion of such service, except that this deferment will end upon a student's return to school.	**10/01/2007**	
Income-Based Repayment	A new repayment option is created for both FFEL and DL that includes a new "partial financial hardship" status which is used to determine eligibility. Partial financial hardship is calculated by: • Determining the annual amount due on loans borrowed as calculated under the standard repayment plan • Calculate the amount by which the borrower's AGI exceeds 150% of the poverty line for the borrower's family size • Multiply that amount by 15% if the result is less than the annual amount due using the standard repayment plan then the borrower qualifies • Eligibility is determined annually	**07/01/2009**	Example: Monthly payments = $500 AGI = $65,000 Poverty level = $20,000 Calculation: • $500 x 12 = $6,000 (Standard Repayment plan annual loan payment) • $20,000 x 150% = $30,000 (105% of poverty level for a family of 3) • $65,000 - $30,000 = $35,000 (amount AGI exceeds 150% of poverty line for a family of 3) • $35,000 x 15% = $5,250 (15% of excess amount) • $5,250 is less than $6,000 (Borrower qualifies for Income-Based Repayment Plan)

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	New monthly loan payment is determined by dividing the 15% by twelve. Payment is applied to the borrower's loans in the following order: • Interest due on the loan(s) • Fees due on the loan(s) • Principal of the loan(s) Interest not covered on subsidized loans by the new payment will be paid by the Secretary for *a period not to exceed three years from the date the borrower elects IBR, excluding any period of economic hardship deferment.* Unpaid balance after 25 years is forgiven. This repayment option does not apply to Parent PLUS loans or consolidation loans for Parent PLUS loans. *An annual determination of the borrower's eligibility for IBR must be made by the lender.*		New monthly payment is calculated by dividing the lesser amount by 12 or $5,250/12 = $437.50. Poverty Guidelines can be found at: www.aspe.hhs.gov/poverty *Dear Colleague Letter GEN-08-01 and FP-08-01* *This repayment plan is not available to FFEL or DL parent PLUS Loan borrower or a Consolidation Loan borrower who repaid a parent PLUS loan through the Consolidation Loan.* *Interest accruing after the three-year subsidy period is capitalized when the borrower elects to leave IBR or no longer has a partial financial hardship. Unpaid principal not covered by the borrower's payment is deferred.* *When a borrower elects to end IBR repayment or no longer has a partial financial hardship the repayment amount is recalculated. The maximum repayment would be the standard repayment plan based on a 10-year repayment period.*
Income-Contingent Repayment	In calculating the extended period of time for which an income contingent repayment plan may be in effect for a borrower, the Secretary shall include all time periods during which the borrower of loans under FFELP, DL or Perkins: • Is not in default on any loan that is included in the income contingent repayment plan; and • Is in deferment due to an economic hardship and makes monthly payments described in the income based plan; • Makes monthly payments not less than the monthly amount due under a 10-year standard repayment plan when the borrower first elected to be in the ICR plan;		*Dear Colleague Letter GEN-08-01 and FP-08-01* *Effective July 1, 2009 graduate and professional student PLUS borrowers will be eligible to the ICR plan. Parent PLUS borrowers are not eligible for the ICR repayment plan.*

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	• Makes payments of not less than the payments required under a 10-year standard repayment period; or • Makes payments under an income contingent repayment plan		
Loan Forgiveness for Public Service Employees	This new program provides loan forgiveness to individuals employed in public service professions. To be eligible, the borrower must: • Is employed in a public service job at the time of the forgiveness • Has been employed in a covered profession while having made the 120 payments on an eligible Direct loan not in default • Have made payments under any one or combination of: o An income-based repayment plan o A standard repayment plan based on a 10-year repayment period o Monthly payments under a repayment plan of not less than the monthly amount calculated based on a 10-year repayment period o Payments under an income-contingent repayment plan After the conclusion of the employment period the Secretary shall cancel the remaining balance of principal and interest. Public service jobs are defined as a full-time job in emergency management, government, military service, public safety, law enforcement, public health, public education (including early childhood education), social work in a public child or family service agency, public interest law services (including prosecution or public defense or legal	**10/1/2007**	*Dear Colleague Letter GEN-08-01 and FP-08-01* *For purposes of the loan forgiveness program, eligible loans include subsidized and unsubsidized Stafford Loans, PLUS Loans (for parents or graduate/professional students) and Consolidation Loans.* *Effective July 1, 2008, a FFEL Consolidation Loan borrower may reconsolidate into the DL Consolidation Loan program if the borrower intends to be eligible to use the Public Service Loan Forgiveness Program.*

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	advocacy in low income communities at a nonprofit organization), public child care, public service for individuals with disabilities, public service for the elderly, public library sciences and other school-based services, or at an organization that is described in section 501(c)(3) of the Internal Revenue Code of 986 and exempt from taxation under section 501(a) of the code; or teaching as a full-time faculty member at a Tribal College or University and other faculty teaching in high-needs areas as determined by the Secretary.		
Perkins Loans			
Distribution of Late Collections	The legislation changes the date for distribution of late collections from March 31, 2012 to October 1, 2012.		
Need Analysis / Packaging			
Income Protection Allowance	Legislation increases the income protection allowance for: Dependent students to: • $3,750 for AY 2009 – 2010 • $4,500 for AY 2010 – 2011 • $5,250 for AY 2011 – 2012 • $6,000 for AY 2012 – 2013 Single, separated students or married students with both enrolled to: • $7,000 for AY 2009 – 2010 • $7,780 for AY 2010 – 2011 • $8,550 for AY 2011 – 2012 • $9,330 for AY 2012 – 2013 Married students with one enrolled to: • $11,220 for AY 2009 – 2010 • $12,460 for AY 2010 – 2011	**07/01/2009**	*Dear Colleague Letter GEN-08-01 and FP-08-01* *After 2012-2013 the IPA will increase by a percentage equal to the Consumer Price Index for dependent students, independent students without dependents other than a spouse and independent students with dependents other than a spouse.*

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	• $13,710 for AY 2011 – 2012 • $14,960 for AY 2012 – 2013 Independent students with dependents other than a spouse: • New tables have been developed for 2009 – 2010 through 2012 – 2012. • These tables are based on the number in the family and number in college Parents of dependent students: • New tables will be developed each academic year based on the CPI percentage increase between December 1992 and December preceding the beginning of the academic year The Secretary will publish the table changes each year in the Federal Register beginning with 2009 – 2010. Beginning with AY 2013 – 2014 the Secretary will develop revised Income Protection Allowance tables, for all categories, based on the percentage of increase in the CPI.		
Simplified Needs Test and Automatic Zero EFC	Adds Dislocated Worker to groups of individuals who may be included in these categories. Increases the 12-months to 24 the number of previous months the parents or student received benefits under a means-tested Federal benefit program for inclusion in the group of individuals who may be included in these categories. Increases family income from $20,000 to $30,000 for inclusion in the Automatic Zero EFC category.	**07/01/2009**	The paper FAFSA form is already in the approval process for federal financial aid fiscal year July 1, 2008 through June 30, 2009. Dislocated Worker is defined in section 101 of the Workforce Investment Act of 1998 (29 USC 2801).

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	The Secretary is to adjust the income level necessary to qualify for the Zero EFC according to the increases in the CPI each year.		
Treatment of Assets	Distributions from any qualified education benefit is not to be included as income or assets in the computation of the EFC. Qualified education benefits are considered an asset of: • The student if the student is independent • The parent if the students is dependent Regardless of whom the owner is of the account.	**07/01/2009**	
Estimated Financial Assistance	Special combat pay is not to be treated as estimated financial assistance. *Distributions from:* • *529 plans* • *Other state prepaid tuition plans* • *Coverdell education savings accounts* *are not to considered estimated financial assistance* *Dear Colleague Letter GEN-08-01 and FP-08-01*		Special combat pay means pay received by a member of the Armed Forces because of exposure to a hazardous situation.
Untaxed Income and Benefits	Not to include the amount of: • Additional child tax credit claimed for Federal income tax purposes • *Welfare benefits* • *Earned income credit* • *Credit for federal tax on special fuels* • *Foreign income tax excluded from federal taxes* • *Untaxed social security benefits* *Dear Colleague Letter GEN-08-01 and FP-08-01*	**07/01/2009**	
Professional Judgment	Legislation expands the examples for financial aid administrators in making professional judgment decisions on special circumstances to consider as factors in making an adjustment in the expected family contribution calculation or to the cost of	**07/01/2009**	

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	attendance. The additions include: • Cases where a family member is a dislocated worker • A change in the student's housing status results in homelessness • Loss of employment of a independent student		A homeless individual is defined in section 103 of the McKinney-Vento Homeless Assistance Act.
Independent Student Definition	Adds categories to the definition: • Student is an orphan, in foster care, or a ward of the court, at any time when the student was 13 years of age or older • Student who is an emancipated minor or is in legal guardianship as determined by the court in their state of legal residence • Applicant is verified as an unaccompanied youth who is homeless or at risk of homelessness and self-supporting	**07/01/2009**	*Dear Colleague Letter GEN-08-01 and FP-08-01* *Homelessness verification may be made by a local educational homeless liaison designated pursuant to the McKinney-Vento Homeless Assistance Act, the director (or designee) of a program funded under the Runaway and Homeless Youth Act, the director (or designee) of a program funded under the McKinney-Vento Homelessness Act (relating to emergency shelter grants), or a financial aid administrator.*
Dependency Over-Ride	A determination of independence may be based upon a documented determination that was previously made by another financial aid administrator.	**07/01/2009**	
Upward Bound			
Additional Mandatory Funding	A new subsection has been added to the Act providing for additional mandatory funds for the Upward Bound Program. The legislation puts forward $57 million for each year for 4 years (2008 – 2011) to provide assistance to all Upward Bound Projects that did not receive assistance in FY 2007 and that have a grant score above 70. The assistance shall be made available in the form of 4-year grants and funds that remain unexpended for each such fiscal year may be carried over into the following fiscal year for technical and administrative costs.		*Dear Colleague Letter GEN-08-01 and FP-08-01* *The Department has already notified those projects that will receive funds under this provision.*

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	Authority to award grants under this section expires at the end of fiscal year 2011.		
New Programs			
TEACH Grants	Adds a new grant to the Act called the Teacher Education Assistance for College and Higher Education Grants or TEACH Grants. Eligibility criteria: • Enrolled student in and eligible institution • File an application and agreement • Have a 3.25 GPA Teacher candidates may receive: • $4,000 for each academic year o Up to $16,000 for undergraduate and post-baccalaureate student o Up to $8,000 for graduate study o May be prorated for part-time study o Cannot exceed COA (amount may be reduced to meet COA) Agreement to serve: • Full-time teacher for four years within eight years of completing the course of study • Teach in high-need subject areas o Math, science, foreign language o Bilingual education, special education o Reading specialist, or o Another field documented as high-need by the Federal government, State government, and local educational agency and approved by the Secretary of Education • Comply with the requirements for being a highly qualified teacher Failure to complete service:	**Funds will be available beginning 07/01/2008**	Negotiated Rulemaking concluded for this new program on February 7, 2008 with the committee coming to consensus on the discussed topics. A Notice of Proposed Rulemaking will be published in the Federal Register soon allowing the financial aid community to comment on the proposed regulations.

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	• Amount of grant received will be treated as a Direct unsubsidized Stafford loan • Interest will accrue from the date of the grant award		This is designed very much like the Paul Douglas Teaching Scholarship.
College Access Challenge Grants	The legislation establishes a new two-year program targeting traditionally underserved populations with the goal of increasing college going and completion rates. Federal funds will be leveraged with state and/or organizational funds through matching grants awarded to states or philanthropic organizations capable of meeting the requirements. “Underserved” is defined as those residents in a state between ages 5 -17 living below the poverty line, applicable to family size. Funds will be allocated on a formula based on the number of underserved students in a particular state.	**Authorized for FY 2008 and 2009** **Program has a sunset date of 9/30/2009**	The amount of mandatory funding set aside for each of FY 2008 and 2009 is $66 million per year.
Guarantor Issues			
Account Maintenance Fee (AMF)	The legislation reduces the Account Maintenance Fee paid to guarantors from 0.10 percent to 0.06 percent of the original principal amount of outstanding loans.	**Payments made on/after 10/01/2007**	
Collection Retention	The legislation reduces the guaranty agency collection retention percentage from 23% to 16% on defaulted loans collected by the agency.	**Payments received on/after 10/01/2007**	
Lender Issues			
Special Allowance	Decreases lender Special Allowance Payment (SAP) by 55 basis points (bp) for Stafford and Consolidation loans made by for-profit lenders	**First disbursement on/after 10/01/2007**	

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	Decreases lender SAP by 40 bp for Stafford and Consolidation loans made by not-for-profit lenders. Decreases lender SAP by 85 bp for Grad PLUS loans made by for-profit lenders Decreases lender SAP by 70 bp for Grad PLUS loans made by not-for-profit lenders Decreases lender SAP by 85 bp for for-profit and 70 bp for not-for-profit lenders for parent PLUS loans that are not subject to the auctions effective for loans made after July 1, 2009		
Loan Fees from FFEL Lenders	Increases the lender paid loan fees for all loans to 1.0 percent from .50 percent of the principal amount of the loan	**First disbursement made on/after 10/01/2007**	*Dear Colleague Letter GEN-08-01 and FP-08-01* *Fee may not be collected from the borrower.*
Lender Insurance	Maintains lender insurance at 97% as in current law until October 1, 2012 at which time the rate decreases to 95%	**Loans made on/after 10/01/2012**	Lender of Last Resort loans remain insured at 100%, as well as exempt claims.
Exceptional Performer Program	Eliminates the Exceptional Performer (EP) designation	**10/01/2007**	Entities with designations in place prior to 10/01/2007 will continue as exceptional performers and receive 99% insurance on claims filed through the end of their one-year designation. Note: all EP agreements listed on ED web page expire prior to 10/01/2007. The industry is working with ED to determine if any agreements have been extended past 10/01/2007.
PLUS Loan Auctions			
Parent PLUS Auction	Establishes an auction in each of the 50 states under which lenders compete for the right to make student loans.	**07/01/2009**	*Dear Colleague Letter GEN-08-01 and FP-08-01* *The Secretary is required to consult with the Federal Communications Commission, the Department of Treasury, and other federal agencies with knowledge of,*

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	Definition: The term eligible Federal PLUS loan means a loan made to a parent of a dependent student who is a new borrower on or after 07/01/2009. The Secretary establishes a prequalification process for lenders who wish to participate in the auction process, which contains at a minimum: • A set of borrower benefits and servicing requirements, and • An assessment of each lender's capacity, including capital capacity, to participate effectively Timing and Origination: • Each State auction takes place every two years • Lenders with the winning bids are the only ones permitted to make parent PLUS loans for the cohort of students within that state until the students graduate or leave school Bids consist of: • Amount of the special allowance payment • Maximum bid cannot exceed current special allowance payments • Winning bids will be the two containing the lowest and second lowest proposed special allowance payments • All bids are sealed and confidential Lender of Last Resort: • If no lender submits a winning bid a lender of last resort will be determined by the Secretary • LLR lenders will be determined by an application to the Secretary prior to the start of any auction Guarantor:		*and experience with, auction programs.* *Under the CCRA, guaranty agencies do not have a role in this process.*

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	• The Secretary guarantees the Federal PLUS loans from default at a rate equal to 99% of the unpaid principal and interest due Loan Fee: • The Secretary will not collect an origination fee Consolidation: • Borrowers who wish to consolidate are required to notify the holder of the loan if they want to consolidate the loans, and must notify the holder of the terms and conditions of the consolidation offered to them by a different lender. The existing holder will have up to 10 days to match or better these terms and conditions. If they do not, the borrower can consolidate with another lender.		

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