

# SLGFA E-Updates Special Edition

February 9, 2007

Special Edition

**E-UPDATES** is an electronic newsletter sponsored and operated by the Student Loan Guarantee Foundation of Arkansas (SLGFA) to provide program information to schools and lenders participating in the Federal Family Education Loan Program (FFELP).

## 2005 HERA Provisions Effective July 1, 2007

The Higher Education Reconciliation Act (HERA) was signed into law on February 8, 2006, and many of its provisions were effective during 2006. Several Federal Family Education Loan Program (FFELP) provisions related to HERA are tied to a trigger date of July 1, 2007. The following information will outline these provisions and the related processing implications.

### Annual Loan Limits:

On July 1, 2007, the new Stafford loan limits will increase for First-Year, Second-Year and Graduate Borrowers, as follows:

- First year students Stafford Subsidized \$3,500 (was \$2,625)
- Second year students Stafford Subsidized \$4,500 (was \$3,500)
- Third and fourth year Stafford Subsidized loan limits remain the same
- Unsubsidized Stafford graduate borrowers \$12,000 (was \$10,000)
- See federal regulations 34 CFR 682.204(a) and (d)

New Annual Loan Limits - Non HEAL Schools			
Grade Level	Subsidized	Unsubsidized	Annual Total
1	\$ 3,500	\$ 4,000	\$ 7,500
2	\$ 4,500	\$ 4,000	\$ 8,500
3	\$ 5,500	\$ 5,000	\$10,500
4	\$ 5,500	\$ 5,000	\$10,500
5	\$ 5,500	\$ 5,000	\$10,500
A	\$ 8,500	\$12,000	\$20,500
B	\$ 8,500	\$12,000	\$20,500
C	\$ 8,500	\$12,000	\$20,500
D	\$ 8,500	\$12,000	\$20,500

New Annual Loan Limits - HEAL Schools				
Grade Level	Subsidized	Unsubsidized	Additional Amounts	Annual Total
1	\$ 3,500	\$ 4,000	\$ 0	\$ 7,500
2	\$ 4,500	\$ 4,000	\$ 0	\$ 8,500
3	\$ 5,500	\$ 5,000	\$ 0	\$10,500
4	\$ 5,500	\$ 5,000	\$16,667	\$27,167
5	\$ 5,500	\$ 5,000	\$16,667	\$27,167
A	\$ 8,500	\$12,000	\$26,667	\$47,167
B	\$ 8,500	\$12,000	\$26,667	\$47,167
C	\$ 8,500	\$12,000	\$26,667	\$47,167
D	\$ 8,500	\$12,000	\$26,667	\$47,167

**Loan Limit Triggering Event:**

Loans eligible for the new loan limits must be first disbursed on or after July 1, 2007. The SLGFA guarantor system will be enhanced and able to process loans eligible for the new loan limits beginning on February 16, 2007. Loans loaded (through school certification or borrower application) to SLGFA's system on or after February 16, 2007, will be eligible for the increased loan limits, provided the scheduled first disbursement is on or after July 1, 2007, and the grade level is a First-Year, Second-Year or Graduate borrower.

Schools certifying loans for the summer semester may certify with the new increased limits. To do so, the ending loan period date and the scheduled first disbursement date must be on or after July 1, 2007.

**Loan Limits and Disbursement Date Changes:**

In cases where a loan is guaranteed with a first disbursement date scheduled prior to July 1, 2007, and it is later determined that the borrower is eligible for the new loan limits, the school must first change the first disbursement date to be on or after July 1, 2007, and then change the borrower requested loan amount accordingly.

In cases where a loan is guaranteed and disbursed prior to July 1, 2007, and it is later determined that the borrower is eligible for additional funds based on the new loan limits, the loan would not be eligible for the increased limits since it was disbursed prior to July 1, 2007. The school would need to certify a new loan for the increased amount with a scheduled disbursement date on or after July 1, 2007.

**Origination Fee:**

According to federal regulations 34 CFR 682.202(c), loans first disbursed on or after July 1, 2007, will be eligible for the new decreased Origination Fee of one and a half percent (1.5%). The baseline Origination Fee will be reduced again over the next three years, as follows - July 1, 2008, to 1%, July 1, 2009, to .5% and July 1, 2010, to 0%. Also, a number of lenders who are buying down a portion or the entire Origination Fee are using July 1, 2007, as the effective date. Therefore, where appropriate, schools might assist borrowers in getting more benefits by certifying on or after July 1, 2007, whether for a summer loan or a fall and spring loan.

**Federal Default Fee:**

Federal regulations 34 CFR 682.202(d) outline the new Federal Default Fee that replaced the Guarantee Fee on July 1, 2006. A number of lenders who are buying down a portion or the entire Federal Default Fee are using July 1, 2007, as the effective date. Therefore, where appropriate, schools might assist borrowers in getting more benefits by certifying on or after July 1, 2007, whether for a summer loan or a fall and spring loan.

**Federal Default Fee Buydown:**

Enhancements are being implemented to SLGFA's guarantor system that will allow for a buydown of the Federal Default Fee to be fully supported on all loans guaranteed on or after July 1, 2007, regardless of the disbursing agent.

**IMPORTANT NOTE:**

Lenders desiring to participate in a Buydown of a portion or the entire Origination Fee or Federal Default Fee starting July 1, 2007, must notify SLGFA of their intent to do so by April 1, 2007. This includes lenders who are currently buying down all or a portion of the fee and those lenders who would begin on July 1, 2007. The notification of intent should be emailed to Janet Gonyea, Client Services Division Manager at [jgonyea@slgfa.org](mailto:jgonyea@slgfa.org). The notification should include the Buydown percentage, the effective date and applicable Lender Identification Numbers, loan programs, etc.

**CommonLine file processing:**

The CommonLine Application Response, Change Transaction Response and Disbursement Acknowledgement Files produced by SLGFA's guarantor system will be able to support Federal Default Fee Buy downs starting with loans guaranteed on or after July 1, 2007.

To participate electronically in receiving these records from SLGFA, schools and lenders must implement CommonLine Version 5 or CommonLine Version 4 HERA Addendum. Reference information for either version may be found at <http://www.nchelp.org/elibrary/index.cfm?parent=319>.

Either version referenced above will insure the net disbursement amount in the disbursement files from the lender will synchronize with loans on participants' systems and also that the net disbursement amount on SLGFA's system will synchronize with loans on participants' systems in cases where loan funds are returned to the lender (due to either cancellation, reduction or reallocation).

Schools and lenders with questions concerning this critical E-Updates may contact Janet Gonyea in the Client Services Division at 800-622-3446, ext 633 or via email at [jgonyea@slgfa.org](mailto:jgonyea@slgfa.org).

Disclaimers: <http://www.slgfa.org/slgfa/e-updates/f-print.asp>.

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