THE CCCSFAAA REPORT

California Community College Student Financial Aid Administrators Association SPRING 2012

The Participation Rate Index: Appeal An Important Protection Against CDR Sanctions for CCCs

By Adam Parker, The Institute for College Access & Success (TICAS)

College financial aid administrators all share concerns about the consequences of student loan default, for both students and colleges. For students, a default can ruin one's credit rating and make it difficult to buy a car, get a job, or return to school. For institutions, too many defaults can hurt a school's reputation or even, in extreme cases, its ability to offer any federal financial aid. This latter concern has led some colleges to avoid offering federal loans at all because the potential consequences of losing the ability to offer federal aid simply are too dire.

But while the fears of losing access to federal aid are genuine, the reality is that California Community Colleges have little to fear. That's because schools with low borrowing rates have a defense against Cohort Default Rate (CDR) sanctions. Currently, colleges with fewer than 15% of their eligible students borrowing loans have special protections against CDR sanctions, and that number will increase to 21% in 2014 when sanctions will start being based on three-year CDRs. The vast majority of CCCs likely have borrowing rates well below those levels.

As financial aid administrators well know, colleges with a two-year cohort default rate (CDR) at or above 25% for three consecutive years may lose the ability to offer federal loans and Pell Grants, and those with a single year's CDR above 40% may lose the ability to offer federal loans. Beginning in 2014, sanctions will be based on how many borrowers default within three years, and the threshold for triggering sanctions based on three consecutive CDRs will increase to 30%.

The Participation Rate Index gives colleges a right to appeal sanctions based on a combination of the school's participation rate (what percentage of eligible students, defined as those enrolled at least half time at any point, borrow) and its CDR It is determined by multiplying a college's CDR (2- or 3-year) by its participation rate. For three-year sanctions, if the result is at or below .0375 (for 2-year CDRs) or .0625 (for 3-year CDRs), the college will be able to avoid any penalties.

Here is how it works:

- College X's most recent two-year CDR is 35%.
- College X had 2,500 students who enrolled at least half time at some point, 250 of whom borrowed. Its participation rate is 10%.
- Therefore, its PRI is 0.10 x 0.35, or 0.035.
- Because its PRI of 0.035 is less than 0.0375, College X would be able to avoid sanctions.

As important as this protection is, we have found that few colleges are aware of it. At the vast majority of community colleges, including the CCCs, CDRs are well below sanction thresholds. That means that they don't need to use the PRI appeal. Since no college has needed to use the PRI appeal, there hasn't been a pressing need to understand it. But without understanding it, some colleges have taken or have considered taking drastic steps to keep their CDRs down, including pulling out of the loan program entirely.

It's important to understand the PRI appeal so that colleges have a better sense of what their real risk of sanction actually is. Colleges need to calculate their exact participation rates themselves (there is no publicly available information on how many students enrolled at least half time during a year). However, only about 1% of CCC students borrow at all. That suggests that the vast majority of CCCs have low enough participation rates to be able to consider a PRI appeal if their CDR increases above the typical sanction thresholds.

While California Community College financial aid directors will always rightfully want to help students avoid default, their school's very low borrowing rates mean that their students' Pell Grants or work-study awards are unlikely to be in jeopardy if their CDR increases a bit. More information on this topic can be found in the U.S. Department of Education's Cohort Default Rate Guide, available online at http://www.ifap.ed.gov/DefaultManagement/CDRGuideMaster.html.

Articles in this Issue:

It is time for the CCCSFAAA Spring raffle.

Purchase tickets for a chance to win one of 3 - $200.00 prizes. There will be a drawing at each spring training locations. Tickets will be sold at the spring training site or you can contact Yvonne Glashan at yglashan@sierracollege.edu to have tickets mailed to you. Raffle tickets cost $1.00 each or 6 for $5.00. Help by supporting the CCCSFAAA Scholarship fund!

Reviewing the Accuracy of Your Cohort Default Rate Reports

By Heather Garcia, Senior Marketing Associate
Great Lakes Educational Loan Services, Inc

Recently, the first draft three-year cohort default rates (CDRs) were sent to schools. The switch from a two-year rate to a three-year rate means that this calculation includes an additional year of defaulted loans. The draft calculation includes the percentage of borrowers who first entered repayment between October 1, 2008, and September 30, 2009, who subsequently defaulted on or before September 30, 2011. With the additional year included, almost every school is seeing a higher three-year CDR.

The draft three-year rates are for informational purposes only and are not challengeable. However, the Department of Education has provided them to give schools a preview of what to expect once the three-year rates become real. While not every school will need to challenge the information used to calculate their three-year rate once they are officially released, every school should want to ensure that its newly-released rate is accurate and become familiar with the challenge/appeal process before next year. Take time to make sure that correct information was used to calculate your school's CDR, so that your official rate, when released, is as accurate as possible.

Know what the cohort default rate package contains.
The cohort default rate package comes to you in an electronic format and arrives via the Student Aid Internet Gateway, and is issued in early February of each year. You will find a cover letter and two types of Loan Record Detail Reports (LRDR), the extract-type and the reader-friendly version. The extract-type file is best used for loading CDR data into a database while the reader-friendly version is best used for schools that wish to simply view the information.

Know how to read the LRDR.
Many of the challenges that are submitted to the Department every year are unwarranted. Save your school time and effort by ensuring you are reading your school's LRDR correctly.
The LRDR—created for the Department by the National Student Loan Data System (NSLDS) using the information that schools, data managers, and various offices within the Department have submitted to the NSLDS—lists specific information for each loan that was included in your school's CDR.

In addition to demographic information about your school, you will be able to find information about the borrowers included in the CDR calculation, and the date the CDR was calculated.
Be aware of the codes used by the Department on this form, including:
- Loan type codes
- Enrollment status codes
- Usage codes
- Claim reason codes
- Loan status codes
- Academic level codes
- Data manager codes
- Guarantor/Servicer

More information about theses codes is available at http://ifap.ed.gov/DefaultManagement/guide/attachments/Ch2pnt3LRDRpt2.doc, page 2.3-7 and 8.

Know what actions to take.
Save a copy of all of your school's LRDRs:
- To use in the event of a challenge, adjustment, or appeal
- To compare draft and official rates
- To compare rates from one fiscal year to the next

Also, take the time to review the accuracy of the data used to calculate the draft CDR. Compare the information in the LRDR to your school records to ensure that the students on your system match those listed in the report.

Take action if you find an error.
If any of the information used in the draft rate is inaccurate, your school should file the appropriate challenge. Be aware that a school that fails to challenge the accuracy of its draft CDR may not contest the accuracy of the data in the official CDR. Incorrect data can be resolved by taking these steps:
- Locate the Guarantor/Servicer number on the LRDR, and use it to obtain the name and address of the data manager who is responsible for the loan. You will need to have this information in order to submitting a challenge, adjustment, and/or appeal. Be aware that there could be a cost for review of your information by a servicer.
- There are several categories of errors, and it is important to find the correct category for the error you have found. Note that incorrect data challenges apply to the draft rate, while adjustments and appeals apply to the official rate. More information on these categories can be found at http://ifap.ed.gov/DefaultManagement/CDRGuideMaster.html.
- You must use the eCDR Appeals System to submit a draft rate challenge. The eCDR process includes registering for a user account, creating an organizational and individual profile, creating a new case, uploading the applicable LRDR extracts, adding detail, and submitting the case.
- If additional documentation is requested, you will be contacted via email by the data manager or the Department of Education, depending on the type of challenge or appeal.

Analyze your default management plan
Always take the time to look at the borrowers from your school who have defaulted. What do borrowers who have defaulted have in common, and how do they compare to your broader student body? Think about what steps you could take to lower your default rate, so that your school can avoid sanctions and benefit from a lower CDR, and your former students can avoid the consequences of default while building a more solid financial future.

Heather Garcia is a Senior Marketing Associate with Great Lakes, serving schools in California. You can reach Heather at (877) 882-4522, or by e-mail at HGarcia@glhec.org.
Additional information about Great Lakes can be found online at www.mygreatlakes.org

FedLoan Servicing (PHEAA) Simplifies Default Prevention


BEFORE YOU GO... Visit NSLDS.ed.gov to get the following important information:
YOUR DEPARTMENT OF EDUCATION LOAN SERVICER(S):
YOUR ADDITIONAL SERVICER(S):
YOUR TOTAL LOAN DEBT:
CONTACT YOUR SERVICER(S) TO:
HAVING TROUBLE?

Preventing default begins before the student enters repayment.

Our 'Before You Go' worksheet helps to prepare your students for repayment by giving them the information they need to be successful. It is branded with YouCanDealWithIt.com, our financial literacy website, to provide you with a servicer-neutral tool which encourages your students to review their loan portfolio at NSLDS.ed.gov.

It helps them to answer the following questions, crucial to successful repayment:

- Who is servicing my student loan(s)?
- How much have I borrowed?
- What is my monthly payment?

This valuable piece, found at MyFedLoan.org/public, can be emailed to your graduating students, added to your website, or distributed with Exit Counseling materials. It will help them to better understand their debt.

Identifying your delinquent borrowers does not have to be your biggest challenge.

NSLDS offers delinquency information reported by the federal loan servicers for FFEL Purchased Loans and William D. Ford Federal Direct Loans. This report is available in a variety of formats and can be delivered directly to your school's SAIG Mailbox. The federal servicers are required to report to NSLDS on a weekly basis, so this Delinquent Borrower Report is comprehensive and up-to-date.

You can establish delivery of this valuable report by completing a few simple steps:

1. From within NSLDS, select the Org tab and the School Profile link.
2. Scroll down to the Scheduled Reporting section. Under the Delinquent Borrower heading, select 'Update.'
3. This will take you to the Profile Update page where the output type, frequency, school code, etc. can be customized to meet your needs.

Using the comma delimited version of this report, you can easily produce letters to delinquent borrowers who have loans serviced by a federal servicer. Watch our training view to learn more: youtube.com/user/FedLoanServicing

Your school sector representative, Lauren Swett, is available to help you build a default prevention plan that works for you! Contact Lauren today at 717.720.3693, lswett@pheaa.org, or Facebook.com/fedloanpublic

Keep Direct Loan Changes in Mind When Packaging Aid

Submitted by: John Blaine, USA Funds Account Executive

As aid packaging season for 2012-2013 approaches, USA Funds® suggests you should keep in mind two upcoming changes to Direct Loans that are the result of the Budget Control Act of 2011.

Elimination of subsidized Stafford loans for graduate and professional students — For loan periods or enrollment periods that begin on or after July 1, 2012, graduate and professional students will remain eligible for up to $20,500 in Stafford loans per academic year. That amount may be higher for some health professions students. You must originate the entire amount of the loans, however, as unsubsidized Stafford loan funds.

Note that if your school is making Stafford loan disbursements to graduate and professional students for enrollment periods that begin on or after July 1, 2012 — even if those disbursements occur prior to July 1 — then those loans must be unsubsidized.

End of interest rebate on Direct Loans — The upfront interest rebate currently available will end for all Direct Loans — including those made to undergraduate students as well as to graduate and professional students — effective with loans first disbursed on or after July 1, 2012.

As you plan aid disbursements for the summer and beyond, you'll need to note the timing of the first disbursements on each student's Direct Loans to determine if that student is eligible for the interest rebate. If a loan's first disbursement will occur on June 28, for example, then all disbursements of that loan will be eligible for the rebate because the first disbursement is before the July 1, 2012, effective date.

The Direct Loan Program changes are among several provisions in the Budget Control Act of 2011 that affect federal student aid. The U.S. Department of Education issued a Dear Colleague Letter that outlines the changes to Direct Loans that are related to the law.

For more information about these upcoming changes to Direct Loans — and how to plan aid disbursement accordingly — submit your question to USA Funds Ask PolicySM at support.usafunds.org/AskPolicy.

You'll receive a response generally within a business day.

New Online Lessons Address Student Debt and Savings

Submitted by: John Blaine, USA Funds Account Executive

USA Funds® recently added four new lessons to its online financial curriculum for college students. The new lessons address key saving and managing-debt issues identified by students and schools through focus groups and feedback collected from surveys.

The new lessons include:

- How Do I Manage My Student Loans While I'm in School?
- How Do I Manage My Debt?
- How Do I Set Savings Goals?
- How Can I Make the Most of My Savings?

In addition, two existing lessons in the program were updated with expanded information on sources of student aid other than student loans.

- How Will I Pay for My Higher Education?
- How Do I Apply for Financial Aid?

For more information about USA Funds Life Skills® visit www.usafunds.org, and select Schools and Debt Management and Default Prevention.

Online Course, Fact Sheet Help You Prepare for Tax Season

Submitted by: John Blaine, USA Funds Account Executive

USA Funds® University offers an on-demand curriculum of more than 30 free, self-paced online courses. The interactive online courses are developed by knowledgeable trainers with extensive financial aid experience and typically can be completed in 30 to 45 minutes. As tax-filing season approaches, online course 218, "Tax Filing Requirements 2011-2012 Academic Year," offers information about the Internal Revenue Service tax filing requirements that financial aid administrators are obligated to know. This intermediate level course is intended for financial aid professionals who have a basic understanding of financial aid.

Objectives addressed during the course include:

- The circumstances in which individuals are required to file tax returns with the IRS.
- Correct filing statuses, including the requirements for filing as head of household.
- The requirements for claiming exemptions.

You can access USA Funds University online courses at www.usafundstraining.org or from the Training section of the USA Funds website. New users are required to complete a simple, one-time registration process.

USA Funds also offers a fact sheet that can help you assist parents and students in answering tax-related questions on the Free Application for Federal Student Aid. The fact sheet, "2011 Federal Tax Return: Eligible to File a 1040A/EZ?" is available for download from the Policy section of the USA Funds website at www.usafunds.org/taxreturn.

The information also may be used in updating applicants' answers to questions during verification, performing professional judgment, resolving conflicting information, or determining whether a student or family qualifies for the simplified or auto-zero Expected Family Contribution calculation.

New Lifetime Pell Grant Eligibility Limit Applies to All Students

Submitted by: John Blaine, USA Funds Account Executive

A recently issued Dear Colleague Letter from the U.S. Department of Education provides details about federal student aid changes related to the Consolidated Appropriations Act, 2012. Included in the letter are points you'll want to note when determining students' 2012-2013 Federal Pell Grant eligibility — and one point, in particular, stands out.

The Consolidated Appropriations Act, 2012, reduces to 12 semesters from the current 18 semesters a student's lifetime eligibility for Pell Grants. The Dear Colleague Letter notes that this change applies to all Pell Grant-eligible students effective with the 2012-2013 award year — the change is not limited to only those students who received their first Pell Grants on or after the 2008-2009 award year, as it was when the lifetime eligibility limit was 18 semesters.

So under the new provision — regardless of when they received their first Pell Grant — some of your students who would have been eligible for Pell Grant funds may no longer qualify for those funds. Others who are close to their eligibility limit may be eligible for less Pell Grant funding than they would have been previously.

For a handy reference tool that walks you through the federal student aid provisions related to the Consolidated Appropriations Act, USA Funds® offers a fact sheet that lists the changes by topic. The "Consolidated Appropriations Act, 2012" document is available for download from the Policy section of the USA Funds website at www.usafunds.org/consolidation.

If you need more information about Pell Grant lifetime eligibility limits, other changes related to the new law, or other federal financial aid topics submit your question to USA Funds Ask PolicySM at support.usafunds.org/AskPolicy.

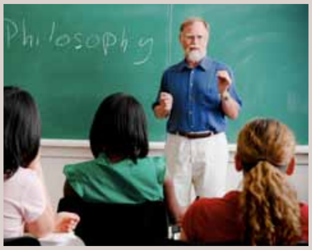
Federal student aid changes related to the Consolidated Appropriations Act are among the topics for USA Funds University's spring workshop series, which will begin in April.

Financial Aid Spring Training A Full Agenda is Planned

By Sherrie Padilla, Past President

CCCSFAAA's annual Spring Trainings have been scheduled for:

- Wednesday, April 4th at LA Mission College in Sylmar
- Thursday, April 5th at Mt. San Jacinto College in Menifee
- Monday, April 9th at Chabot College in Hayward



Each event is a one day drive in workshop beginning with check in and on site registration at 8am and ending with a general session which will conclude by 3:30 pm. During the day there will be general sessions that will include a CCCSFAAA update by our CCCSFAAA President or President Elect as well as a Chancellor's Office Update. Although session topics and presenters are still being confirmed, current plans for breakout sessions include:

- Web Grants hands-on training
- Implementing AB 131
- Administering Clock Hour Programs and R2T4 for Modular Programs
- Program Integrity-Course Repeats and Gainful Employment
- Vet Net Ally-A half day Veteran's Track
- Effective Ways to Say No

Please check the CCCSFAAA website www.cccsfaaa.org for updated program and interest session information under the training link.

The cost for the day's training which includes a continental breakfast and lunch is $25 for CCCSFAAA members and $75 for non members (includes a complimentary 2012 membership).

Watch for a REGISTRATION ANNOUNCEMENT on the CCCSFAAA list serve.

Fundraising for our annual CCCSFAAA scholarships for students will also be part of our spring training events. Raffle tickets will be sent to each college's financial aid office prior to the event. Raffle tickets will be available for sale at the events as well. The funds raised from this raffle allows us to give student scholarships to each of the ten regions in the state.

We understand that budgets are tight and travel funds may be limited. This cost effective one day workshop will be content filled and should not be missed. Organize a carpool! Our association is proud to offer this training to our members to aid them in being effective financial aid professionals.

We look forward to seeing you at one of our three trainings throughout the state.

Thank you, thank you, thank you.

I was deeply touched by all the cards and wishes I received from my CCCSFAAA friends in December. I missed seeing you at conference and I am humbled to know that in the midst of all the chaos of conference you stopped to send me cards. They are wonderful.

In a nutshell, I had a backache in October and November of 2011 and couldn't find relief with the over-the-counter pain relief. I went to my physician complaining of the backache and a tingling that was starting in my legs. She ordered x-rays and found a stress fracture in my back. In four days I was basically numb from the middle of my back to my toes and had to go to the emergency room via ambulance. After an MRI and CT scan, it was determined that I had a tumor growing in the middle of my back which fractured the spinal column. I was sent to the Kaiser Hospital in Los Angeles for spinal surgery which took place on December 8, 2011. The biopsy of the tumor confirmed that it was multiple myeloma.

After recovering for a time at the Kaiser Hospital in Los Angeles, I was sent to a skilled nursing facility, AKA convalescent hospital in Anaheim on December 19. That's closer to home so it was easier for family to visit. And boy, do I have stories about spending a month in a convalescent hospital! While I was there I made 5 trips to Kaiser Ontario for radiation treatment. I had to travel by gurney van so it was quite the event each time. I began physical and occupational therapy in Anaheim. On January 13, I was transferred to an acute rehabilitation hospital in Tustin for more intense physical therapy. I worked with the therapists for 3 or 4 hours each day and increased my strength, flexibility, and coordination. I was discharged on February 1.

I am still in a wheelchair and do not have full sensation in my legs or feet. I continue to work with a physical therapist who comes to the house twice a week and I will work with out-patient physical therapy at Kaiser in the coming weeks. I have exercises to do to continue to improve strength and coordination. Tomorrow I will begin chemotherapy and in the coming months I may have stem cell replacement therapy.

I am hoping to return to work part-time sometime in March, but that depends on the side effects of chemotherapy. I have been blessed to work in the community colleges for 32 years and have had good health. I have more than enough sick leave accumulated to carry me through this journey and I could not ask for better medical insurance.

Thank you again for your support through prayers and kind words.
Toni M. DuBois

Credits:

Editor, Graphic Design and Layout:
Greg Ryan

Copy Editors:
Angelina Arzate

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