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Contact: Linda Conard
Director of Communications
(202) 785-6958
ConardL@NASFAA.org

News from NASFAA

2008 Student Aid Year in Review

Washington, D.C. (February 2009) – The new president and new Congress have hit the ground running – passing massive bills with significant increases for financial aid. With everything moving so fast in 2009, it is easy to forget 2008. NASFAA glances back at the forces that shaped the student aid landscape in 2008.

2008 Student Aid Events

- The reauthorization of the Higher Education Act
- The Credit Crunch and ECASLA
- The Post 9/11 GI Bill
- New NASFAA President & CEO Dr. Philip Day
- NASFAA's National Conversation Initiative (NCI)
- Barack Obama's Election as the 44th President of the U.S.

The HEA and the HEOA

President Bush signed the Higher Education Opportunity Act (HEOA) into law on August 14, 2008. Congress passed the bill with bipartisan support. The long-awaited legislation effectively reauthorized the Higher Education Act (HEA) for the first time in more than 10 years. The HEOA encompassed 11 titles, ranging from Student Aid (Title IV) to General Provisions (Title I) to International Education Programs (Title VI) to Studies and Reports (Title XI). Each title included numerous regulations and reporting requirements that present a significant challenge for institutions to implement.

To help members understand and implement the HEOA, NASFAA provided several resources, including a [general summary](#) of the bill and [Webinars](#) highlighting provisions that will have the greatest impact on the financial aid office.

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While the authors of the bill said they hoped it would help “streamline” the student financial aid process, the actual legislation was a mix of some simplification and additional counseling and reporting requirements. The legislation also included some important benefits for students. Some provisions in the new law include:

- Replacing the 7-page FAFSA with a simplified, 2-page “EZ-FAFSA”
- Requiring colleges with the highest tuition increases in their respective sectors to provide detailed reports explaining why their costs have risen and what steps they are taking to control the increases
- Requiring colleges to adhere to a code of conduct when awarding student loans
- Allowing low-income students to have year-round access to Pell Grants
- Expanding eligibility for ACG and SMART Grants
- Extending loan forgiveness to students who become civil legal aid lawyers, prosecutors, public defenders, teachers, and other public-service professions
- Allowing students with intellectual disabilities to receive Federal Pell and Federal Work-Study funds
- Requiring lenders to disclose the terms of their loans “in simple and understandable terms,” rather than “in plain English,” as previously written
- Broadening eligibility for financial aid to include home schooled students and students of proprietary and vocational institutions who are concurrently enrolled in a secondary school as regular students

In December 2008, the Department of Education announced its intent to establish five [negotiated rulemaking](#) committees to prepare proposed regulations under Title IV of the HEA. NASFAA will be an integral part of the negotiated rulemaking process to ensure that the needs of financial aid offices and the students they serve are represented.

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The Credit Crunch and ECASLA

2008 found the country embroiled in a “credit crunch” that seriously threatened the student loan industry. As the credit market began to freeze, Federal Family Education Loan Program (FFELP) and private student loan providers saw their ability to raise funds for student loans severely disrupted. Many student loan companies were forced to temporarily or permanently suspend lending. In addition, loan criteria became more stringent for private loan borrowers. These trends sparked concern on campus and in the media about the future availability of FFELP student loans. This prompted Congress to act quickly and pass the Ensuring Continued Access to Student Loans Act (ECASLA).

ECASLA gave the Department the authority to purchase loans from FFELP providers, which injected liquidity into the student loan market. The severity and length of the frozen credit markets prompted Congress to extend ECASLA for another year to ensure that students continue to have unhindered access to student loans in the 2009-10 academic year.

ECASLA also provided additional benefits to students. To help students who could no longer get a private loan, ECASLA increased annual and aggregate Stafford loan amounts and allowed, but did not require, lenders to approve PLUS Loan applicants with extenuating circumstances that contributed to the delinquency of mortgage loan or medical payments. ECASLA also made a number of changes to eligibility limitations for the ACG and SMART Grant Programs. A Dear Colleague Letter (DCL) by the Department of Education provides a detailed [summary of ECASLA provisions](#).

The full impact of the credit crunch has yet to be felt, but it is obvious that it extends far beyond the student loan industry. At the end of 2008, financial aid offices as well as other areas of higher education institutions began reporting some serious challenges that will be exacerbated by the slowing economy. These trends include:

- A record high demand for higher education, as the largest number of college-age students in history begins enrolling in college at the same time as an increasing number of unemployed adults hoping to gain new job-skills
- Rising demand for financial aid due to the increasing number of students (including a greater percentage of low-income students) and families facing rising college prices while their ability to pay is undermined by the many consequences of the faltering economy

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- Dwindling financial resources for higher education institutions due to state budget cuts, diminishing endowments, and fewer private donations

These trends prompted President Obama and Congress to pass an economic stimulus package that includes funding to increase the Pell Grant and provide funding to higher education institutions.

The GI Bill

On June 20, 2008, President Bush signed into law the [Supplemental Appropriations Act](#) to pay for the wars in Iraq and Afghanistan. The law includes the Post-9/11 Veterans Educational Assistance Act of 2008, which contains a host of new benefits for GIs who have served in the military since the 9/11 terrorist attacks. It is the most comprehensive GI education benefits package since the original GI Bill was signed into law in 1944.

The Post 9/11 GI Bill provides:

- Up to the amount of the maximum tuition and fees for an in-state student at the most expensive public school in that state
- Up to \$1,000 per academic year for books, supplies, equipment, and other educational costs
- A monthly housing stipend equal to the amount of basic housing for military personnel in military housing, adjusted by ZIP code. Individuals with a skill or specialty that is in critically short supply, as designated by the Secretary of Defense, may have their monthly stipend increased
- Up to \$100 per month for up to 12 months for students who require tutoring, as certified by the instructor leading the course
- A \$500 relocation/travel assistance grant for those living in county with less than seven persons per square mile and who relocate at least 500 miles to attend school or who must travel by air to attend an institution because it is too far to drive
- Up to \$2,000 for one licensing or certification exam

NASFAA Welcomes A New President and CEO

When Dr. A. Dallas Martin retired after 32 years at the helm of NASFAA, a search committee had already begun the process that ultimately identified NASFAA's new leader, Dr. Philip R. Day, Jr. Dr. Day came to NASFAA with more than 32 years of higher education experience, and most recently served as chancellor of City College of San Francisco.

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From his first day in office, Dr. Day focused on his goal of amplifying NASFAA's voice with legislators and policymakers to advocate for equity in access and success in higher education.

As Day explained, "The more challenging our economic times, the more essential NASFAA membership, training, and advocacy become for institutions."

Under Day's leadership, NASFAA has provided guidance and recommendations on pending legislation such as HEOA, ECASLA, and the economic stimulus package that was recently signed into law. He also continues to represent the interests of financial aid professionals with other higher education associations and the Department of Education.

NASFAA's National Conversation Initiative (NCI)

During NASFAA's 2008 National Conference, Dr. Day kicked off NASFAA's [National Conversation Initiative](#), a campaign to increase college access and success for low-income, minority, first-generation, and other disadvantaged students by improving the U.S. financial aid system. NASFAA solicited countless recommendations online and through town hall listening sessions held around the country. NASFAA staff, practicing aid administrators, and noted researchers are currently analyzing these recommendations as well as pertinent studies to develop recommendations for reforming the student aid process.

The resulting recommendations will be presented to the Obama administration within the first 100 days of his presidency. Ultimately, the goal is to launch a campaign to enact workable solutions to help improve outcomes for underserved student populations. Additional information about the project appears on the NASFAA [web site](#), and updates will appear regularly in *Today's News*.

President Barack Obama

The election of Barack Obama as the nation's 44th president will inevitably have a lasting impact on financial aid and higher education. Education is clearly an important part of his agenda, as he emphasized during his campaign when he said, "We need to put a college education within reach of every American. That's the best investment we can make in our future."

Obama didn't waste any time. On Feb. 17, he signed the American Recovery and Reinvestment Act (ARRA) into law. The new law includes roughly \$17 billion for the Pell Grant program and creates a new \$2,500 tax benefit that is 40% refundable.

It remains to be seen what Obama's legacy on higher education will ultimately be, but he is starting off on the right foot. However, getting the ARRA through Congress and signed into law

may have been the easy part. America faces a daunting deficit in the coming years and Obama will likely have to make some tough budget decisions to tackle this growing debt.

Looking Into the Future

Recent history has not been extremely kind to the financial aid community, but these ordeals have done little to deter the community from its goal of removing the financial barriers to higher education. The short-term outlook is relatively positive as the stimulus package provided a much-needed boost in financial aid and higher education funding. The long-term outlook is less certain. Financial aid offices and higher education institutions face a number of daunting challenges.

Meeting these challenges will require a concerted effort by all higher education stakeholders. And the higher education community's ability to overcome the numerous challenges it faces will have an inevitable impact on the future success of the nation.

*By Duane Van Bergen
NASFAA Communications Intern*

The National Association of Student Financial Aid Administrators (NASFAA) is a nonprofit membership organization that represents more than 20,000 financial aid professionals at nearly 3,000 colleges, universities, and career schools across the country. Each year, financial aid professionals help more than 16 million students receive funding for postsecondary education. Based in Washington, D.C., NASFAA is the only national association with a primary focus on student aid legislation, regulatory analysis, and training for financial aid administrators. In addition to its member Web site at www.NASFAA.org, the Association offers a Web site with financial aid information for parents and students at www.StudentAid.org.