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**Overview of Student Aid Changes in the Health Care and Education Reconciliation Act of 2010**

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**SAFRA Timeline**

- Original version of SAFRA
  - The Student Aid and Fiscal Responsibility Act of 2009 (H.R. 3221) passed the House on 9/17/2009
  - Action in the Senate was delayed to preserve budget reconciliation for the health care reform legislation
- Reconciliation version of SAFRA
  - SAFRA was included in the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152), but with major modifications
  - SAFRA passed the Senate 56 to 43 and the House 220 to 207 on 3/25/2010, and was signed into law on 3/30/2010

  
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**Elimination of FFELP**

- All new federal education loans, including Stafford, PLUS and Consolidation loans, will be made through the Direct Loan program starting July 1, 2010
- All Title IV colleges and universities must switch to Direct Lending, without exception
  - Technical assistance is available through the US Department of Education
  - The National Direct Student Loan Coalition ([www.directstudentloancoalition.org](http://www.directstudentloancoalition.org)) is also providing assistance


  
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**Key FFEL/DL Differences for Students**

- The interest rate on DL PLUS is lower (7.9% vs. 8.5%)
- The approval rate on DL PLUS is higher, probably due to some FFELP lenders incorrectly implementing the adverse credit history criteria
  - Some FFELP lenders use a five-year look-back for 90-day delinquencies instead of just a current 90-day delinquency
  - Analysis of 2007-08 NPSAS data shows a Parent PLUS loan denial rate of 42% in FFEL and 21% in DL
- Obtain new loans through the financial aid office


  
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**Temporary In-School Consolidations**

- Borrowers with loans in at least two of DL, FFEL and ECASLA may consolidate their loans while they are in school from 7/1/2010 to 6/30/2011
  - Weighted average interest rate will not be rounded
- Most borrowers should not use this provision as they will lose the remainder of the six-month grace period on their loans and there is no real benefit to consolidating while they are in school
  - The interest rates on federal education loans since 7/1/2006 are already fixed
  - Borrowers can consolidate after entering repayment


  
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**Income-Based Repayment Changes**

- Cuts monthly payment by one-third from 15% of discretionary income to 10% of discretionary income
- Accelerates forgiveness of remaining balance from 25 years to 20 years (public service loan forgiveness unchanged at 10 years)
- These changes are effective for new borrowers of new loans made on or after July 1, 2014
- The changes are not retroactive. Current borrowers will not benefit. (Current borrowers can still use the current IBR program.)

  
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Pell Grant Changes



- Maximum Pell Grant will be \$5,550 in 2010-11 through 2012-13, indexed to CPI-U from 2013-14 through 2017-18, and then flat through 2019-2020
  - Projected maximum grant of \$5,975 in 2019-2020
  - Average annualized increase of CPI-U minus 0.75%
- Eligibility cutoff for 2010-11 will increase to \$5,273 from \$4,617 (95% of overall maximum)
- Still a combination of discretionary and mandatory funding, so not a true entitlement



Provisions Dropped from SAFRA



- Perkins loan expansion and reengineering
- CPI-U + 1% indexing of maximum Pell Grant
- Additional FAFSA simplification changes
  - Replacement of 6 asset questions with a net asset cap on eligibility for need-based federal aid
  - Elimination of 12 untaxed income & benefit questions
- College Access Challenge Grant program funding cut from \$3 billion to \$750 million
- Community College funding cut from \$10 billion to \$2 billion and aimed at career training grants



Thank You



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