ISFAA Bits & Bytes
FEBRUARY 2006
Newsletter of the Indiana Student Financial Aid Association

College Goal Sunday 2006 is February 12th

In This Issue

Is There Life After Financial Aid?

Doug Irvine

After twenty years in the financial aid office, first at Ivy Tech in South Bend, then at Holy Cross College, I was looking for a change in the routine when a blind ad appeared in the local newspaper, seeking an "experienced financial aid professional." I responded on a whim, and the results were the most satisfying activities of my aid career.

A new aid director at Ancilla uncovered issues that did not "look right." Julie Arthur, the Institutional Improvement Specialist with the Department of Education, was called in for assistance, and she requested further review through a Federal Program Review and by the Office of the Inspector General. I was brought in to respond to the review, which required a three-year, 100% file review of all Title IV recipients. I was also responsible for developing policies and procedures, and staff training.

It took about five moths to complete the file review. Fortunately, the Department allowed me to base the review on documentation within Ancilla's computer system, and I did not have to manually root through each and every hard-copy file, although individual files were pulled when necessary for clarification of what was in the system. An Access Database template was provided by the Department, and all information was submitted for their analysis. There were liabilities, mostly relating to overawards, and final institutional liability was limited to less than $50,000.00.

The Final Determination Letter was not received until late in 2004. Once received, my work at Ancilla was basically completed. I could have stayed on in a non-financial aid capacity, but I'm an aid guy – retirement looked like a better option than working in areas that I haven't been doing since 1982............

There was a lot of satisfaction in helping to turn a program around. The college administration was most supportive, and we also received a lot of assistance

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from "The Feds," notably Julie Arthur and Rick Reinhardt, the Program Reviewer. I also enjoyed working with Tom Utz and Jonathan Greenblatt, from the OIG. Mike Schmaltz, the Director of Financial Aid at Ancilla College, did a fantastic job coming into a bad situation and realizing what had to be done to make things right. I'm very appreciative that the Administration now recognizes the importance of continuing the professional development of financial aid staff, and now support Mike in his emerging involvement in ISFAA.

Shortly before leaving Ancilla, I received a call from Saint Mary's College. As they had several position openings and were short-handed as the spring awarding cycle was at hand, they were looking for some temporary assistance, and I filled in for three days a week until the Memorial Day weekend. It was quite a learning experience from the enrollment management perspective, and I appreciated the opportunity to help out. I do heartily recommend working a reduced week – it sure helps in the stress reduction, and my lawn and garden look better than ever!

In a career that extends more than twenty years, and includes a variety of educational settings, I've seen considerable change in financial aid, more than is just reflected in the Reauthorizations that have occurred. Among the most obvious (to me,) is the change in the relationships between schools and "the Feds"; in the early ' 90's, there was a marked shift from an adversarial and hierarchical relationship to a more collegial and supportive working relationship. We've also experienced massive changes in the area of student loans – not just the tremendous increase in volume, but the vast improvement in servicing and delivery systems brought about by the growth of electronic processing and the competitive improvements brought about by FFEL's response to DL.

A major concern I hold is the slow erosion of focus on need-based financial aid. I see this in the huge growth in merit aid, as schools on all levels use "financial aid" as a marketing device. I see this in the use of the tax code for providing deductions and credits to population groups more likely to vote than those with the highest financial need. I see it on the state level, with a legislature that adds merit components to the state grant programs, at the expense of those with greater need. We all see it in the families that come before us, indicating that their student will not be able to attend our institution unless more aid is provided – despite their $200,000 AGI. I'm very glad my kids have completed their education (or at least the portion we're funding – they're on their own as grad students,) and they did so without loan debt.

Throughout my career, ISFAA has been a positive – not only as a source of continuing professional development, but even more importantly, as a source of colleagues and friends, one of my primary support groups. If you want to know why some of us "hang on" to ISFAA after we leave the financial aid office, it's because of the great people within the organization, and I can't give that up – ISFAA people mean too much to me, and have at every step of my financial aid career, from "first-time attendee" through President of the Association.

What lies ahead? I don't want another full-time position – I like having flexibility and some freedom. As my wife of 38 years still plans on teaching for a few more years, I would consider additional consulting, interim, or especially clean-up opportunities. Financial Aid's a lot more fun when one is not responsible for the day-to-day administration of the office, and when instead one can take on new challenges within the field.

Bits and Bytes

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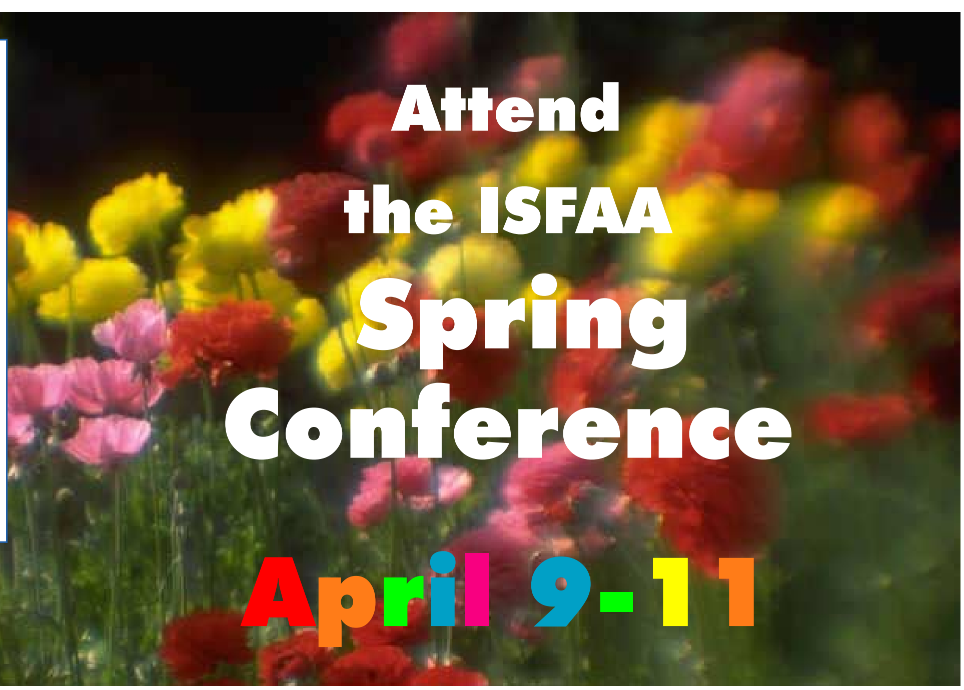

SSACI Update-Early Spring 2006

As we wait for the Indiana General Assembly to finish their work and determine our fortune and fate for the upcoming year here's an update of what's doins' downtown at SSACI.

eStudent and eGrads redesign

eStudent, the Internet application students use to view and update their SSACI file, and eGrads, the Internet application colleges use to view student information on file at SSACI, are undergoing major renovation. The two will be combined into one application for use by both students and college financial aid office staff but functionality will be different for each type of user. Once the redesign is complete, both students and colleges will access what will be known as **eStudent** to view and update student information. Stay tuned for more details. The application should be up and running in April 2006.

> Internet applications, eStudent and eGrads, are undergoing major renovation.

March 10, 2006 FAFSA Receipt Date Deadline for SSACI Purposes

The 2006-2007 Free Application for Federal Student Aid (FAFSA) must be received by the Federal Processor by the March 10, 2006 SSACI receipt date deadline. Although in past years the initial receipt date deadline was extended, that is not likely to happen this year so encourage all students to apply on time!

June 10, 2006 FAFSA Correction Receipt Date Deadline for SSACI Purposes

If the student makes a mistake on the FAFSA which prevents SSACI from being able to determine award eligibility, the FAFSA must be fixed with the Federal Processor by the June 10, 2006 correction receipt date deadline.

How SSACI Handles FAFSA Information

When SSACI downloads FAFSA information from the Federal Processor it is immediately edited. Information is then available on eGrads (soon to be known as eStudent) for colleges to view. During the Application Cycle, SSACI makes the information available to the students' first choice college via iXchange in the form of an electronic APPL file every Monday morning. It's the responsibility of the colleges to download the information and work with it in the manner best suited to the college.

SSACI Update

Students are likely correcting some of their edits now, especially those which SSACI shares in common with the Federal Processor since those are brought to the students' attention on the Student Aid Report (SAR.) Encourage your students to look at their SSACI application materials on-line at eStudent, *www.ssaci.IN.gov/estudent/* . Students can get a jump on correcting SSACI edits now.

You've Got Mail

In late April SSACI will send notification via mail, to the address the student provided on the FAFSA, information about necessary FAFSA corrections. Students have until June 10, 2006 receipt date deadline to make all necessary corrections.

The form of that snail mail communication may be a postcard (a change from the past) or a letter. SSACI will be making the decision on the form of communication soon and will keep the financial aid community updated with information and examples.

Encourage students to read and respond to the SSACI Edit Notification (in whatever form it may be) since the state and federal edits can differ (see chart at end of article.) Ignoring the SSACI Edit Notification because the Student Aid Report (SAR) indicates everything is okay will lead to loss of SSACI funds for an otherwise eligible student.

The phrase, "If it ain't broke, don't fix it" applies to SSACI edits. If, after SSACI sends notice via mail, a student creates new edits when resubmitting FAFSA information, be aware that no additional information will be sent to the student via mail to draw their attention to the need to make a fix. Encouraging students to get in the habit of monitoring their SSACI application on-line at eStudent is the best way to assure they have a clean SSACI application on file.

Making Awards

In early May 2006 SSACI will contact Directors of Financial Aid for the 2006-2007 Tuition and Fee information. Worksheets will be provided which must be completed and returned to SSACI by May 19, 2006. This information, in combination with the budget information from the Indiana General Assembly, will allow SSACI to begin the award process. If all goes as planned, Award Notifications will be provided to students in early July.

Preliminary estimates for grants and scholarships for 2005-06 indicate that SSACI will be able to maintain the current caps in the 2006-07 year. The caps are $5,172 for public institutions and $10,014 for independents. SSACI is working with various stakeholders to see if it can raise the caps. Watch for SSACI Update emails!

College Choice

If students file a renewal FAFSA, whether paper or on the web, and used a SSACI award in 2005-2006, SSACI will use the college where the award was paid in 2005-2006 as the first choice college for 2006-07 if that college is on the list of colleges on the renewal FASFA, but not listed first. If the college where the 2005-2006 award was paid is not on the renewal FAFSA list, then the college which is listed first will be used for 2006-2007.

SSACI instituted this rule several years

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ago because many students who file a renewal FAFSA fail to update the college list, and the college listed first on the 2006-2007 renewal FAFSA is not the college they will attend. As always, students may make a change of college choice using eStudent, *www.ssaci.IN.gov/estudent*, if the college listed on their Grant Notification is incorrect.

Clearing Up Professional Judgments

When exercising professional judgment (PJ) to change a student's FAFSA information, be sure to mark the appropriate box in the software used to submit the FAFSA information to the federal processor so that the output will indicate that professional judgment has been applied. Otherwise, when SSACI receives the information, it is treated as the next Institutional Student Information Report (ISIR) transaction, and award recalculation may take place on a transaction the college didn't intend SSACI to use. The result is that the college then must provide a paper copy of the correct ISIR which SSACI staff then use to manually update SSACI records. This can result in award delays.

When FAFSAs are correctly coded as PJ by the college, the downloaded record is coded as SSACI Edit 18 (PJ based on dependency override) or Edit 19 (PJ based on change to PC/EFC) and placed in a WAIT status. The college must then indicate on the application, notification or reconciliation file the reason for the PJ so that SSACI knows whether to use the current or previous (the only two from which SSACI can chose) ISIR transaction to calculate the award. It's best to clear PJs on the application (APPL) file. That way, SSACI will be able to calculate an award for the student from the outset. As a reminder, the PJ reason codes are:

Edit 18 PJ based on dependency override

- 01 Irreparable breakdown of the family
- 02 Death of sole supporting parent
- 03 Other, unique circumstances previously discussed with SSACI
- 04 (NEW) Student is a veteran as evidenced by a DD214 (which has been reviewed by the college financial aid office staff) issued for active service other than training
- 99 Does not qualify for dependency override for SSACI purposes

Edit 19 PJ based on change to PC/EFC

- 51 Medical/dental expenses that are in excess of amounts that can be deducted from income
- 52 Death of a parent
- 53 Uninsured expenses resulting from loss or damage to home or car
- 54 Insurance payments received from loss or damage to home or car
- 55 Other, unique circumstances previously discussed with SSACI
- 56 Parent(s) verifiably in college
- 99 Does not qualify for an PC/EFC override for SSACI purposes

Of course, there will always be goofy-wait situations. Please contact SSACI early in the term to resolve these wait status students.

Resources Available to Colleges

SSACI makes information available to colleges through iXchange and eGrads (soon to be eStudent). These two tools provide the most current information available on SSACI pro-

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grams, policy, procedure and student records.

Please make sure that your "front line" staff has access to and is trained to use eGrads. In mLost cases, the information your staff needs to help students is right at their finger tips. With a few keystrokes in eGrads, your staff will be able to answer most student questions and resolve matters quickly. And, isn't that the goal of your customer service team – friendly, efficient service? SSACI has given you the information to help you meet that goal. We've even given students the information they need to get the answers themselves at eStudent. Encourage them to give it a try at — *www.sssaci.IN.gov/estudent/*.

But, when matters do arise for which you need help, please feel free to phone or E-mail the SSACI staff. You can find the SSACI staff listed on our web site at: *http://www.in.gov/ssaci/staff/staff.html*. Or, give us a call at 317-232-2350. We are here to help.

SSACI Edits Which Can Be Particularly Challenging

Edit 02 (Res) – FAFSA Questions 18,19,20 (student) and 67, 68, 69 (parents)	The Feds don't care where you live or when you got there, but SSACI does.
Edit 05 (Inc) – Any FAFSA Questions	This means the FAFSA is a mess and SSACI can't calculate grant eligibility. The student probably needs the FAO's help to get things straightened out.
Edit 12 (Schools) FAFSA Questions 86—96	SSACI got the FAFSA information, but the college probably didn't.
Edit 16 (Pledge)	A Twenty-first Century Scholar may have broken the Scholar's Pledge. Student must contact SSACI Twenty-first Century Scholar staff.
Edit 17 (Default/Overpayment) NSLDS Match	This is difficult to resolve in and of itself. For SSACI purposes, best to resolve during application and notification phases.
Edit 20 (SSA Match) FAFSA Questions 1-3, 8, 9 and Social Security Administration Match	In addition to correcting SAR, student must send copy of SS card and birth certificate to SSACI.
Edit 22 (Addr/Leg Res) FAFSA Questions 4-7, 18 (stu), 67 (par)	The student provided a permanent address in a state other than Indiana, but questions 18 (student) or 67 (parent) indicated Indiana residency.

Ignoring the SSACI Edit Notification will lead to loss of SSACI funds for an otherwise eligible student.

Taxpayers Can Take Advantage of Higher-Education Benefits

Students and families who paid college expenses during 2005 may qualify for higher-education deductions or credits when they file their federal income-tax returns. Tax-law changes in recent years have added and expanded higher-education tax benefits.

As they prepare their 2005 federal income-tax returns, students and families should be advised to see if they qualify for savings under these tax-law provisions.

Student-loan-interest deduction—Taxpayers may be able to reduce their taxable income by up to $2,500 for interest paid during the tax year on their student loans.

Hope Tax Credit—Taxpayers may reduce their federal income tax by as much as $1,500 per student for out-of-pocket tuition and fees for each of the first two years of study toward a degree or certificate from a college or vocational school. Students must be enrolled at least half time to qualify.

Lifetime Learning Credit—This credit offers the opportunity for taxpayers to reduce their federal income tax by as much as $2,000 for qualified tuition and related expenses paid for students enrolled in eligible postsecondary institutions. The maximum credit equals 20 percent of the first $10,000 of qualified expenses.

Deduction for higher-education expenses—Students and parents may be able to reduce their taxable income by up to $4,000 for qualified higher-education expenses that they paid during the tax year. This deduction may benefit them if their income is too high to qualify for either the Hope or Lifetime Learning credits.

Employer-provided education benefits—Taxpayers may exclude from their taxable incomes up to $5,250 in higher-education assistance provided by their employers each year.

529 college-savings plans—Students and their families may be able to exclude from their taxable income earnings from qualified-tuition programs, commonly known as 529 savings plans, that they used to pay qualified education expenses. These plans permit individuals to prepay or invest to pay higher-education expenses.

Coverdell Education Savings Accounts—Taxpayers may contribute up to $2,000 annually to a Coverdell Education Savings Account, formerly known as education IRAs, on behalf of designated beneficiaries who are younger than age 18 or are special-needs beneficiaries, to pay qualified education expenses. Although these contributions are not tax-deductible, they will grow tax-free until with-

ISFAA Gets Recognized at end of NASFAA Press Release

Students and Families Can Get FREE Help Filling Out Financial Aid Forms for College

Visit the College Goal Sunday Site in Your Area

Washington, D.C. (January 4, 2006) – College Goal Sunday[SM] has helped thousands of students and families navigate the financial aid paperwork hurdle as they prepare for education beyond high school. In January and February 2006, the typical financial aid season, 25 states and the District of Columbia will set up multiple sites staffed by financial aid volunteers who will walk students and families line by line through the Free Application for Federal Student Aid (FAFSA). This federal form is required to determine a family's eligibility for federal and state financial aid for higher education expenses.

College Goal Sunday offers the opportunity to receive free assistance in completing the FAFSA, which many families find difficult to navigate on their own. Attendees will also receive instructions on what their next steps should be, once their FAFSA form has been filed.

What to Bring:

- Students who are under 24 years of age (dependent status) need to bring a parent or legal guardian, along with income and latest tax information for both student and family.
- Students 24 years and older will need the student's income and latest tax information.
- To file the FAFSA electronically, a PIN number is needed and can be obtained at *www.pin.ed.gov*. Both parent and student need a separate PIN number if the student is a dependent filer. The FAFSA in paper form will be available at all sites.

To find out if your state has a College Goal Sunday program and to find the site nearest you, go to *www.CollegeGoalSundayUSA.org* or call (202) 785-0453, Ext 111.

College Goal Sunday was created by the Indiana Student Financial Aid Association with funding from Lilly Endowment, Inc., and with supplemental support from Lumina Foundation for Education.

Alternative Loans: Bridging the Educational Loan Gap

Sherry Nelson, Customer Relations

College tuition has been rising steadily, making it difficult for students and their families to cover costs. Even if a student receives the maximum amount of federal loans available, it's still unlikely that will cover tuition and expenses. A PLUS loan (Parental Loan for Undergraduate Students) is also available for dependent students, but parents are not always able to take on a loan for the student.

Over the past several years, lenders realized that students needed new ways to bridge the gap between college costs and federal financial aid. To meet this need, they began offering what are known as *alternative loans*.

Before going further, let's separate alternative loans from federal loans. Both are educational loans, yes, but that's where the similarity ends. Alternative loans are not subsidized or guaranteed by the federal government. They are a type of consumer loan, like an auto loan. And, like any consumer loan, students must shop around, considering interest rates, fees, credit requirements, and other benefits before making a decision.

Interest Rates

Lenders usually base an alternative loan's interest rate on either the London Interbank Offered Rate (LIBOR) or Prime rate, although other indexes can be used. The lender then adds (or sometimes subtracts) a specific percentage. The percentage added or subtracted is based on the borrower/cosigner's credit. The better the credit score, the lower the interest rate.

The interest rate charged is variable, and depending on the index, can change monthly or quarterly.

As of January 4, 2005, 3-month LIBOR was 4.54% and Prime was 7.25%. Consequently, you might be thinking, "I'd definitely go with a lender that used LIBOR. It's a better deal!" Well, not so fast. Added percentages, fees, credit requirements, and other benefits associated with the loan should also be considered.

Fees

Lenders may charge front-end and back-end fees for alternative loans. Front-end fees are deducted from the loan amount at disbursement and vary based on credit. There are no limits to what can be charged, although fees of 0-6% of the loan amount are common. Back-end fees are charged prior to repayment and are usually calculated using the original principal amount plus any accrued interest.

So maybe a lender using LIBOR sounds like a better deal, but are the fees they're charging higher than those lenders that use Prime? Maybe the fees will end up costing more.

Credit Requirements

Since a college student typically doesn't have much of a credit history, a cosigner is usually needed, and in some situations required. Credit requirements can vary greatly between lenders. Common factors used in approving or denying loans include:

- Credit score is too low

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- Too many delinquencies
- Reports of bankruptcy
- Too much debt when compared to income

Other Benefits

When choosing an alternative loan, students should consider additional benefits, such as:

- In-school and back-to-school deferments
- Forbearance
- Extended repayment period
- Interest rate reduction for automatic payments

Conclusion

The bottom line is, like any consumer loan, students need to research and read the fine print before choosing an alternative loan. Since lenders must stay competitive, it's possible to find a loan that's both a good fit and a good deal.

NASFAA, Partners Award Training Grants to Katrina States

NCHELP, KHEAA Cover Costs of Training Materials and Training-of-Trainers

Washington, D.C. (January 10, 2006) – The National Association of Student Financial Aid Administrators (NASFAA) announced a total of $18,300 in training grants to the Alabama Association of Student Financial Aid Administrators, the Louisiana Association of Student Financial Aid Administrators, and the Mississippi Association of Student Financial Aid Administrators. The grants, funded by the National Council of Higher Education Loan Programs (NCHELP) and the Kentucky Higher Education Assistance Authority (KHEAA), were used to cover expenses associated with NASFAA training provided last fall, including materials, training of trainers, and related costs.

Colleges and universities that were damaged by high winds and flooding due to Hurricane Katrina, particularly in the New Orleans area and the Alabama and Mississippi Gulf Coast regions, are reeling under the toll the disaster took on their operating budgets. Without these training grants, many financial aid administrators in the affected areas would have been unable to participate in last fall's training series.

Under a "decentralized" training model, NASFAA develops training materials and hosts training-of-trainers in Washington, D.C., while state and regional financial aid associations that choose to participate actually conduct the training workshops. Normally, the state and regional associations bear the costs of training-of-trainers while materials and other costs are covered by registration

Training Grants to Katrina States

fees, association dues, and/or sponsorships. Additional costs for participants include travel and per diem.

The topic of last fall's training was "Administrative Capability: Campus-Wide Compliance."

"We are grateful to NCHELP and KHEAA for having made the fall training series possible in states that were affected by Katrina's devastation," said NASFAA President Dallas Martin. "It is a fortunate coincidence that the theme of this year's series is administrative capability, a capacity that many institutions are now rebuilding after losing both infrastructure and records as a result of the storm," he continued.

NCHELP President Brett Lief concurred. "Appropriate and timely training is an ongoing responsibility for all of us," he said. "We all gain when financial aid professionals are up-to-the-minute on the skills required for compliance with the myriad federal regulations governing student aid programs, and the need is that much more urgent this year than in most others. Our members wanted to support their school colleagues as they continue to meet the challenges resulting from Hurricane Katrina."

KHEAA Executive Director Joe L. McCormick praised the state financial aid associations and the individuals participating in the training workshops. "After all they have experienced—and continue to experience—these organizations and their members are moving on, proceeding with their plans, and getting the training they need and deserve," he said. "We at KHEAA are pleased to partner with NASFAA and NCHELP to give something back to the community."

Please visit *http://www.NASFAA.org/falltraining.asp* for more information on NASFAA's fall training and how to purchase the reference materials distributed at the workshops.

EDITOR'S NOTE: "I want to thank Doug Irvine for sharing his thoughts with the newsletter, and contributing this update. I would ***love*** to interview and get a story from other ISFAA long time members that they would like to share with the membership! A quick email to *wwozniak@ismloans.org* is all it will take to set something up. Thank you!"

Help Your Students Evaluate Credit Card Offers

As your students repay their holiday shopping debts, now is the time to ask them whether their credit cards really are working for them.

College students are a targeted consumer group for credit card companies, which lower their income-eligibility requirements just for this group. And 95 percent of graduate and professional students carry credit cards, with an average of four cards per student and an average debt load of nearly $5,000.

The following tips from the USA Funds® Life Skills® financial-literacy program can help your students weigh the costs and benefits of incentives offered by credit card companies. Advise students to watch out for the following offers:

College students are a targeted consumer group for credit card companies, which lower their income-eligibility requirements just for this group.

- **Incentives that appear to provide bonuses for card use.** Most notable are cards that offer frequent-flyer mileage. Accumulating miles for redemption is expensive. Keep in mind that you might have to charge between $25,000 and $30,000 in order to qualify for one "free" ticket. Moreover, these accumulated miles often are difficult to redeem.
- **Introductory interest rates that expire soon after you begin to use the card.** These introductory rates climb to a higher rate almost immediately—and the credit card company has to give you only a 15-day notice to change the rate. These notices often are buried within your monthly statement.
- **Balance-transfer deals.** Credit card companies offer a lower initial interest rate if you transfer a balance from any of your other cards. They often charge a transfer fee of 2 percent to 4 percent. At 4 percent the charge to transfer a $5,000 balance would be $200. In addition, the initial interest rate typically climbs.
- **Late-payment interest penalties.** Some low-rate cards have exorbitant penalties associated with late payments. Being even a couple of days late in payment can result in a dramatic interest-rate increase, ranging from 10 percent to 20 percent.
- **Other credit card fees.** Credit card companies can charge late fees, annual fees that can reach $150, fees for exceeding your limit, fees for nonuse and even fees for paying off the balance in full. Read the fine print.
- **Cash-advance offers.** If you ever have been tempted to use the "checks" that come in the mail from your credit-card company, you should realize that these companies generally charge a 2% to 4% fee for use of the checks. Additionally, the interest rate can be several points higher than the rate charged on purchases.
- **Variable due dates.** Credit card companies can set and reset their payment-due dates. You might pay your balance on what you thought was the due date only to discover that you were charged both a late fee and interest. Examine the due date on your credit card statement each month to ensure on-time payment.