HEA 101
A Primer on the Higher Education Act

March 6, 2003

Association of American Universities
National Association of State Universities and Land-Grant Colleges

Based on a summary prepared by Suzanne Day, Director of Federal Relations, Harvard University
ACRONYMS & TERMS

- IHE
- SPRE
- The Triad
- Return of Title IV funds
- PBO/FSA
- OPE
- Section 458
- FAFSA
- EFC
- COA
- FM & IM
- Packaging
- Need Analysis
- FFELP
- PLUS
- Stafford
- Sub & Unsub
- Mandatory
- FDSL
- TRIO
- LEAP/SSIG
- SEOG
- Title IX
- Section 568
TITLE I — GENERAL PROVISIONS

- **PART A** – Definitions. Sec. 101(a), 101(b) and 102 offer definitions of Institution of Higher Education (IHE)

- **PART B** – Other Provisions. Including Antidiscrimination, protection of student speech and association rights (fraternity issue), disclosure of foreign gifts, binge drinking, drug and alcohol abuse prevention.

- **PART C** – Cost of Higher Education. NCES study and web-based college cost information system.

- **PART D** – Administrative Provisions for Delivery of Student Financial Assistance. Creation of FSA – the performance based organization (PBO) for student aid.
Created in 1998, this grant program supports teacher quality grants to states and to partnerships of local education agencies and IHE’s and grants to support the recruitment of teachers. In FY03, funded at approximately $90 million – $40.5 million each for state and partnership and $9 for recruitment (per the provisions of Title II that divide the funding 45/45/10).

Title II also contains the institutional and state teacher reporting and accountability requirements.
TITLE III — INSTITUTIONAL AID

This title offers assistance to developing institutions and those with historic federal ties. Funding for these programs, particularly those targeted to moderately identifiable groups of institutions, is growing. Not in this title, but similar, is the program supporting Hispanic-Serving Institutions (HSI’s) in Title V.

- **PART A – Strengthening Institutions.** *FY03 $81.5 million*
  - Strengthening Tribally-Controlled (Sec. 316). *FY03 $22.9 m*
  - Strengthening Alaska Native and Native-Hawaiian Serving (Sec. 317). *FY03 $8.2 million*

- **PART B – Strengthening HBCU’s.** *FY03 $214 million*
  - Strengthening Historically Black Graduate Institutions (Sec. 326). *FY03 $53 million*

- **PART C – Endowment Challenge Grants for Part A or B institutions**

- **PART D – HBCU Capital Financing.** *FY03 $207,000*

- **PART E – Minority Science and Engineering Improvement.** *FY02 $9 million*
TITLE IV — STUDENT ASSISTANCE

- PART A — Grants to Students In Attendance at Institutions of Higher Education
- PART B — Federal Family Education Loan Program
- PART C — Federal Work-Study Programs
- PART D — William D. Ford Federal Direct Loan Program
- PART E — Federal Perkins Loans
- PART F — Need Analysis
- PART G — General Provisions Relating to Student Assistance Programs
- PART H — Program Integrity
TITLE V — DEVELOPING INSTITUTIONS

- PART A — Hispanic-Serving Institutions

New in 1998, this title authorizes a program providing federal support to institutions serving high populations of Hispanic students. FY03 $92.4 million
TITLE VI — INTERNATIONAL EDUCATION PROGRAMS

Supports centers, programs and fellowships at IHE’s in foreign languages, area studies and other international studies. FY03 -- $93.2 million for domestic programs and $13 million for overseas programs. Several discrete programs divide up these funds.

PART A – International and Foreign Language Studies

Sec. 602 – Graduate and Undergraduate Language and Area Centers and Programs
Sec. 603 – Language Resource Centers
Sec. 604 – Undergraduate International Studies and Foreign Language Programs
Sec. 605 – Research, Studies
Sec. 606 – Technological Innovation and Cooperation for Foreign Information Access
Sec. 609 – American Overseas Research Centers.
PART B – Business and International Education Programs

Sec. 612 – Centers for International Business Education (CIBER’s)

PART C – Institute for International Public Policy

Funded at $1.6 million in FY03, this program supports an institute to increase the number of African Americans and other underrepresented minorities in the international service, including private international voluntary organizations and the foreign service of the US through support for junior study abroad, fellowships for graduate study, internships, and intensive academic programs such as summer institutes and language training.
PART A – Graduate Programs

- **Subpart 1 – Jacob K. Javits Fellowship Program.**
  Authorizes portable fellowships in the arts, humanities and social sciences for students selected on the basis of superior ability, financial need and exceptional promise. *Funded at $10 million in FY03.*

- **Subpart 2 – Graduate Assistance in Areas of National Need**
  Authorizes grants to academic departments and other academic units of IHE’s to support graduate education in areas of national need through assistance of graduate students. *Funded at $31 million in FY03.*

- **Subpart 3 – Thurgood Marshall Legal Education Opportunity Program**
  *Funded at $5 million in FY03,* this program provides low-income, minority or disadvantaged college students with the information, preparation and financial assistance to gain access to and complete law school.
PART B -- Fund for Improvement of Post Secondary Education (FIPSE)

Funded at $171.6 million in FY03, this account is home to many special Congressional projects (earmarks). The base program, which accounts for approximately $32 million of the overall budget, funds exemplary, locally developed projects that are models for innovative reform and improvement in postsecondary education.

PART C – Urban Community Service

PART D – Demonstration Projects to Ensure Students with Disabilities Receive a Quality Higher Education

Funded at $7 million in FY03, this program supports innovative, model projects to provide technical assistance or professional development for faculty and administrators in order to provide student with disabilities a quality postsecondary education.
TITLE IV – STUDENT ASSISTANCE IN DEPTH

This title is home to the major federal student aid and student assistance programs and many of the related requirements.

Part A – Grants to Students

- **Subpart 1** – Federal Pell Grants. *FY03, $11.365 billion, maximum grant $4050*

- **Subpart 2** – Federal Early Outreach and Student Services Program
  - **Chapter 1 – Federal TRIO programs** – six programs that support the progress of first-generation, at-risk students toward college and completion of their degrees. *Funded at $827 million in FY03.*
    - Sec. 402B – Talent Search
    - Sec. 402C – Upward Bound
    - Sec. 402D – Student Support Services
    - Sec. 402E – McNair, Post baccalaureate Achievement
    - Sec. 402F – Educational Opportunity Centers
Part A – Grants to Students-Continued

- **Chapter 2 – GEAR UP** – supports state grants and grants to partnerships for early intervention services and scholarships for cohorts of students beginning in middle school. *Funded at $293 million in FY03.*

- **Subpart 3** – Federal Supplemental Educational Opportunity Grants– a campus-based aid program (with a 25 percent matching requirement) to provide supplemental grants to the most needy Pell recipients. *FY03 $760 million.*

- **Subpart 4** – Leveraging Educational Assistance Partnership (LEAP, formerly SSIG) provides matching grants to states to encourage state funding of grant assistance. *FY03 $66.6 million.*

- **Subpart 5** – Students from Migrant and Seasonal Farmworker Families. *FY03 $28 million.*

- **Subpart 6** – Robert C. Byrd Honors Scholarship program – scholarships for meritorious students from each state. *FY03 $40.7 million.*

- **Subpart 7** – Child Care Access program – grant program to support programs providing on campus childcare services to students and their children. *FY03 $16 million.*

- **Subpart 8** – Learning Anytime Anywhere Partnerships – grant program to support the development of distance education programs.
Part B – Federal Family Education Loan Program (FFELP)

This part authorizes the FFELP programs, also known as the federal guaranteed student loan program. There are several different types of loans: Stafford Subsidized Loans, Stafford Unsubsidized Loans, PLUS loans for parents, and consolidation loans. Direct Loans (Stafford Subsidized, Stafford Unsubsidized and PLUS) are authorized in Part D, but follow most of the terms and conditions as they apply to borrowers in Part B and Perkins Loans are authorized in Part E. Part B establishes all the terms and conditions for borrowers from interest rates to deferments and forbearance and details the roles and responsibilities of the various players in the FFELP programs (lenders, guaranty agencies, secondary markets, etc.). Sec. 428J authorizes the Loan Forgiveness Program for Teachers, which provides mandatory loan forgiveness for Stafford borrowers who teach and meet certain other conditions. Sec. 428K authorizes Loan Forgiveness for Child Care providers, but must be funded through discretionary accounts (FY03 $1 million).

Part C – Federal Work-Study Program

*Funded at $1.004 billion in FY03*, this campus-based program (with a 25 percent campus match) supports part-time work for needy students. The HEA requires that seven percent of the funds go to support community service work, with certain on campus jobs counting toward this requirement and varying match requirements depending on the type of service.
Part D – William D. Ford Federal Direct Loan Program

Authorizes the Direct Loan program, which provides federal loans (with federal capital) through schools directly to students. Approximately 1/3rd of overall loan volume is generated in the Direct Lending program. DL offers students and parents basically the same loans at the same terms as FFELP – Stafford Subsidized, Stafford Unsubsidized, PLUS loans and consolidation Loans. There are some differences between DL and FFELP in loans repayment (DL borrowers can choose Income Contingent Repayment), in consolidation and in some discretionary incentives.

Part E – Federal Perkins Loans

Another campus-based program (with a 25 percent match) offers needy students low cost loans with significant forgiveness benefits for many low paying, public service careers. The loans originate from a campus-based revolving fund that is funded each year with federal capital contributions, institutional match dollars, and repayments from borrowers. FY03 $99 million in capital contributions, $67 million for loan cancellations.
STAFFORD LOANS

- Student is the borrower
- Low interest rates (capped)
- No collateral or credit check needed
- No payments required while in school
- Various repayment, deferment, and forbearance options
- Loan limits apply
- Mandatory spending
- Federal subsidies throughout program
STAFFORD LOANS

SUBSIDIZED vs. UNSUBSIDIZED

- **Subsidized Loan:**
  - Awarded as part of calculated need
  - Interest paid by government while in school, six-month grace period, and deferment

- **Unsubsidized Loan:**
  - Awarded over and above calculated need (replace EFC)
  - Interest paid by student while in school (or capitalized)
STAFFORD LOAN LIMITS

- Undergraduate Loan Maximums for Sub and Unsub as defined by need:
  - 1st year = $2,625
  - 2nd year = $3,500
  - 3rd, 4th, 5th years = $5,500
- Graduate Loan = $8,500
- HEAL = $8,500

- Additional Unsub Maximums for Independent Students and Dependents w/ PLUS denial:
  - 1st, 2nd year = $4,000
  - 3rd, 4th, 5th years = $5,000
- Graduate = $10,000 per year
- HEAL = $30,000
OTHER FEDERAL LOANS

Consolidation Loans
- Merge several types of Federal loans and repayment schedules into one loan
- Interest rate is a fixed rate based on the “weighted average” of all underlying loans
- FDSL/FFELP different terms apply
- “Student” vs. “Borrower”

Parent (PLUS) Loans
- Borrower is parent of undergraduate student
- Similar terms
- Slightly higher interest rate (capped)
- Must be credit-worthy
- Unsubsidized
- Repayments start while the student is still attending school
OTHER FEDERAL LOANS

Perkins Loans

- Campus-based: institution originates, administers, and collects loan.
- Awarded on basis of need
- 5% interest rate
- Loan forgiveness for public service
- No interest while in school or during nine month grace period
- Loan Limits: Undergrad - 4,000 per year Graduate - $6,000 per year
Part F – Need Analysis

The foundation of all student aid, Part F establishes the federal methodology for determining student need for federal assistance. Basically, need equals the cost of attendance (which varies by institution) minus the expected family contribution (determined by the federal formula) minus estimated financial assistance not received under Title IV. Included in this title are the provisions on treatment of various family and student assets, treatment of student income and the distinction between dependent and independent students.
NEED ANALYSIS

**Cost of Attendance (COA):**
Tuition, Room & Board, Books, Miscellaneous, Travel

**Expected Family Contribution (EFC):**
Determined by Federal & Institutional Methodology

**Needs Equation:**
COA – EFC – Other Non-Title IV Aid = Financial Need

**Packaging:**
Institutional policies on meeting need through the award of various types of aid

**Professional Judgment:**
Statutory authority for financial aid offices to adjust need analysis
ROLE OF THE FINANCIAL AID OFFICE

- Determines eligibility for financial aid
- Packages aid
- Sends an award notification which includes:
  - Student’s cost of attendance
  - Student’s EFC
  - Amount of student’s financial need
  - Programs and amount from each program for which the student is eligible
  - How and when aid will be disbursed
  - Terms and conditions of student’s award
To the extent they are able, parents have primary responsibility to pay for their dependent children’s education.

Students also have a responsibility to contribute to their educational costs.

Families should be evaluated in their present financial condition.

A family’s ability to pay for educational costs must be evaluated in an equitable and consistent manner, recognizing that special circumstances can and do affect its ability to pay.
COST OF ATTENDANCE

- Tuition and fees
- Room and board
- Books and supplies, equipment, transportation, and miscellaneous personal expenses
- Loan fees
- Study abroad costs
- Dependent care expenses
- Expenses related to a disability
- Expenses for cooperative education program
DEFINITION OF NEED

Cost of Attendance (COA)

- Expected Family Contribution (EFC)

= Financial Need
NEED VARIES BASED ON COST

Cost of Attendance (Variable) \[\begin{array}{c}
1 \\
2 \\
3 \\
\end{array}\] — Expected Family Contribution (Constant) — Need (Variable)

EFC

EFC

X

Y

Z
Federal Methodology is the formula created by Congress to determine the Expected Family Contribution (EFC).
INDEPENDENT STUDENT DEFINITION

- At least 24 years old by December 31st of the award year covered by the FAFSA;
- Graduate or professional student;
- Married;
- Has legal dependents other than a spouse;
- Orphan or ward of the court;
- Veteran of the U.S. Armed Forces; or
- Determined to be independent by the financial aid administrator
EFC FOR INDEPENDENT STUDENT

- No parental contribution
- Independent with dependents
  - Student contribution similar to calculation for parent of dependent student
  - Variable percentage of available income
  - 12% of net assets after protection allowance
- Independent with no dependents
  - 50% of available income
  - 35% of net assets after protection allowance
### Smith Family

*Married with two children, one in college.*

#### Income:
- Parents Combined Income: $40,000
- Student Income: $3,000 (Approximately 10hrs/week at $5.50/hr)

#### Assets:
- Parents Savings: $2,000
- Student Savings: $1,000

#### Allowances and Contributions:

<table>
<thead>
<tr>
<th></th>
<th>Parents</th>
<th>Student</th>
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<tbody>
<tr>
<td>Cash, Savings, Checking</td>
<td>$2,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>Other Assets</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Net Worth</td>
<td>$2,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>Asset Protection Allowance</td>
<td>$44,400</td>
<td>$44,400</td>
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<tr>
<td>Discretionary Net Worth</td>
<td>($42,400)</td>
<td>($42,400)</td>
</tr>
</tbody>
</table>

| Available Income | $11,200 (assessed at 22%) | Available Income from Assets | $0 |
| Contribution from Income | $2,467 | Contribution from Assets | $0 |

<table>
<thead>
<tr>
<th></th>
<th>Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, Savings, Checking</td>
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</tr>
<tr>
<td>Other Assets</td>
<td>$0</td>
</tr>
<tr>
<td>Net Worth</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

| Student Available Income | $450 (assessed at 50%) | Available Income from Assets: $1,000 (assessed at 35%) |
| Contribution from Income | $225 | Contribution from Assets | $350 |

**Total Estimated Family Contribution:** $3,042
AID PACKAGING EXAMPLE
(Assumptions)

- Public Four-Year Institution
- Student has sophomore standing
- Student is full-time enrolled for both semesters
- Student is resident of institution’s state
- Award is for standard academic year (two semesters)
- Award is for 2002-2003
AID PACKAGING EXAMPLE

The Smith Family

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
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<tbody>
<tr>
<td>COA</td>
<td>$14,000</td>
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<tr>
<td>EFC</td>
<td>$3,042</td>
</tr>
<tr>
<td>Need</td>
<td>$10,958</td>
</tr>
<tr>
<td>Pell</td>
<td>$950</td>
</tr>
<tr>
<td>+SEOG</td>
<td>$600</td>
</tr>
<tr>
<td>+Inst Grant</td>
<td>$400</td>
</tr>
<tr>
<td>+Stafford</td>
<td>$3500</td>
</tr>
<tr>
<td>+Wkst</td>
<td>$2800</td>
</tr>
<tr>
<td>+Perkins</td>
<td>$2708</td>
</tr>
</tbody>
</table>

= Need $10,958
Part G – General Provisions relating to Student Assistance Programs

A hodgepodge of key provisions falls under this part. Highlights include definition of academic year, the master calendar, provisions related to the FAFSA (Federal Application for Federal Student Aid), student eligibility in Sec. 484 (includes provisions on citizenship, default status, satisfactory academic progress, drug-related offenses), refunds, institutional information reporting and dissemination requirements (from The Clery Act on campus crime in Sec. 485(f) to refund policies and athletic expenditures), National Student Loan Data, the Distance Education Demonstration program, the Advisory Committee on Student Aid, and the requirements on negotiated rulemaking.
Part H – Program Integrity

This part identifies the role of the triad – the states, the accrediting agencies and the federal government – in ensuring program integrity at IHE’s participating in federal student aid programs. To participate in Title IV programs institutions must meet the requirements of each of these gatekeepers.

- **Subpart 1 – State Role (Licensing)** Once home to the SPRE’s (State Postsecondary Review Entities), this subpart simply requires states to submit information to the Secretary of Education on their activities in licensing institutions of higher education within their state.

- **Subpart 2 – Accrediting Agency Recognition (Accreditation)** Establishes Department of Education recognition of accrediting agencies and standards for this recognition. To participate in federal aid programs, IHE’s must be accredited by a recognized accrediting agency.

- **Subpart 3 – Federal Eligibility and Certification Procedures** Requires that the Secretary determine that qualifying institutions are licensed, accredited and have the administrative capability and financial responsibility to meet the requirements of Title IV and then enter into a participation agreement with qualifying institutions. Also details follow-on activities in this area, like periodic program reviews.
OTHER HEA-RELATED PROGRAMS, NOT IN THE HEA

Olympic Scholarships, Title XV, Part E of HEA of 1992

Authorizes a program to offer financial assistance to Olympic Athletes pursuing postsecondary education. FY03 $1 million.

Study of Market Mechanisms in Federal Loan Program, Sec. 801 of HEA of 1998

Authorized comprehensive study of federal loan programs and alternate market based mechanisms of delivering these loans.

Community Scholarship Mobilization (Dollars for Scholars), Sec. 811 of HEA of 1998

Supports the efforts of a local community scholarship initiative.
State Grants for Workplace and Community Transition
Incarcerated Youth Offenders, Section 821 of HEA of 1998
  Support grants to states for education and training of youth offenders. FY03 $18.3 million.

Grants to Combat Violent Crimes Against Women on Campuses, Sec. 826 of 1998 HEA
  Support grants from Attorney General to IHE’s to assist in combating violent crimes against women through effective security, victim services, and partnerships with other agencies.

Web-based Education Commission, Sec. 851 of 1998 HEA
  Established a commission to examine distance education.
RESOURCES

- Senate HELP Committee web site: [www.senate.gov/~labor/](http://www.senate.gov/~labor/)
- AAU web site section on HEA Reauthorization: [www.aau.edu/education/legislat.html](http://www.aau.edu/education/legislat.html)
- NASULGC web site: [www.nasulgc.org](http://www.nasulgc.org)