

Overview of the Title IV Programs

Time Estimate:

Lecture 55 minutes

Total Time: 55 minutes

By the end of this session, you will be able to:

- *explain the difference between a grant and a loan,*
- *recognize the basic facts about the Title IV programs, and*
- *locate specific information in The Student Guide.*

INTRODUCTION

This session provides an introduction to the six main Title IV programs. Much of what we mention here will be discussed in greater detail later in the week.

Those of you who are new to the Title IV programs should bear in mind that this session is only the start of the explanation.

During this session, we'll work as a group to answer all of the quiz questions found on pages 4 and 5 in your Workbook. All of the answers can be found in *The Student Guide*. [IG, pgs. 14-15]

Let's begin by looking at *The Student Guide*.

The Student Guide is an excellent resource for students and parents who are interested in learning more about the federal student aid programs administered by the U.S. Department of Education (ED). If you are not already familiar with it, then please add it to your list of things to read once you get back to your office.

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Instructor's Notes

THE TITLE IV PROGRAMS

Turning to page 2 in *The Student Guide* and page 4 of your Workbook, please take a minute to answer the first quiz question.

» Allow participants 1 minute to read and answer the question.

As you have just read, a grant **does not** have to be paid back, but students **must** pay back a loan. Grants are often referred to as “gift aid” and loans as “self-help aid.”

Many students don’t understand the difference between a grant and a loan. One of your ongoing challenges will be to help generations of students understand this basic concept.

The Federal Pell Grant Program

Please turn to page 9 in *The Student Guide* as we discuss the Pell Grant Program. Before we begin the discussion, please answer Questions 2 and 3 in your Workbook.

» Allow participants a few minutes to read and answer the questions.

Page 9 in *The Student Guide* tells you about the Pell Grant providing a foundation of financial aid for the student because it’s the first source of aid that a student is awarded. It is a grant for undergraduates only. They may be enrolled fulltime, halftime, or (unlike loans) less than half time.
(OH 1)

The maximum Pell Grant award for each award year is established by Congress.

Q2: What is the maximum Pell Grant award for 1996-97? For 1997-98?

A2: That’s right. You should have filled in \$2,470 for the 1996-97 award year. This amount has been increased for the 1997-98 award year to \$2,700.

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Instructor's Notes

Even though this amount is not listed in *The Student Guide*, you may have already read about this increase through the mailings ED sends to you. It's important to keep up to date with ED mailings, because things can change frequently in federal student financial aid!

The amount a student can actually receive is based on his or her Expected Family Contribution (EFC). The EFC, whose components are defined by statute, is generated from the data a student and his or her parent(s) or spouse report on the Free Application for Federal Student Aid (FAFSA).

Working with an official federal document that shows the applicant's data and EFC, a school's financial aid administrator checks student eligibility and determines the Pell Grant award amount using payment schedules published annually by ED.

- The payment schedules take into account the student's cost of attendance (also sometimes called the cost of education) at the postsecondary institution, EFC, and enrollment status.

Pell funds aren't awarded on a school-by-school basis, so there's no Pell Grant limit at a school. This means that **every** student receives the maximum Pell Grant for which he or she is eligible.

The total Pell Grant award is divided into payments for specific payment periods during the award year.

So, looking at Question 3 on page 4 in your Workbook, you found out that in most cases, schools may not disburse Title IV aid in a single chunk. Instead, the disbursements are spread over the course of the year.

We will be discussing the Federal Pell Grant Program in more detail when we get to Sessions 18-21.

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Instructor's Notes

Let's look now at the federal loan programs, which are:

The William D. Ford Federal Direct Loan (Direct Loan) Program and the Federal Family Education Loan (FFEL) Program.

The Direct Loan Program and FFEL Program loans include:
(OH 2)

- Subsidized and unsubsidized loans,
- PLUS Loans (for parents), and
- Consolidation Loans.

The primary difference between the Direct Loan Program and the FFEL Program is the source of funds.

Looking at page 10 in *The Student Guide*, please answer Questions 4, 5, and 6 in your Workbook.

» Allow participants 2 minutes to read and answer the questions.

Q4: Since the primary difference between the Direct Loan Program and the FFEL Program is the source of funds, what answer did you find for Question 4?

A4: For the Direct Loan Program, ED is the source of funds. It pays students through the school, with the school disbursing loan proceeds to the students. For the FFEL Program, private lenders (such as guaranty agencies, banks, and credit unions) are the source. They disburse student loan proceeds to the school. The school then delivers the funds to the students.

The application procedure for the two programs is also different. To apply for subsidized and unsubsidized loans, a student must complete:

- a FAFSA for the Direct Loan Program or

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Instructor's Notes

- a FAFSA and a common loan application for the FFEL Program.

A student attending a school that offers both Direct and FFEL Program loans may not receive loans from both programs in the same award year. If a student is receiving a FFEL Program loan, for instance, he or she would not be able to get a Direct Loan the same year. The school decides for which type of loan the student may apply.

Subsidized and Unsubsidized Loans

There are two types of loans—subsidized and unsubsidized.

Q5: What differences did you find between a subsidized loan and an unsubsidized loan?

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A5: A subsidized loan is based on financial need; the unsubsidized is not. The government pays—or doesn't charge—interest while the student is in school or in deferment for the subsidized loan. An unsubsidized loan accrues interest that is paid by the borrower from the time the loan is made until it is repaid in full.

The maximum interest rate is 8.25%.

Undergraduate, graduate, and professional students must be enrolled at least half time to be eligible. Also, Pell Grant eligibility must be determined before a school can certify loans.

There are annual loan limits for both dependent and independent students as shown on page 10 of *The Student Guide*.

Q6: What answer did you find for the largest loan a first-year, dependent student may borrow?

A6: \$2,625.

Note to Instructor:
The interest rate for Stafford Loans made on or after July 1, 1997 is 7.66%.

Instructor's Notes

Students may receive both subsidized and unsubsidized loans in an award year. Schools must make sure not to exceed the allowed loan limits when determining these loan amounts.

- This can get tricky when considering such factors as students transferring into your school who borrowed previously at other schools and students whose programs of study vary in length.

Repaying loans and the interest that accrues on them begins 6 months after the borrower ceases to be at least a half-time student.

Students generally have up to 10 to 30 years to repay FFEL Program Loans and Direct Loans.

Loans have deferment, forbearance, and cancellation provisions.

- Deferment and forbearance mean that the loan payments are temporarily suspended or reduced.
- Cancellation means that the borrower is no longer obligated to pay back the loan.

The PLUS Program

Turning to page 17 in *The Student Guide*, you can learn about PLUS Loans, which are loans for parents. Both the Direct Loan Program and the FFEL Program offer these parent loans.

The PLUS Loan Program allows parents to borrow on behalf of their dependent children who are at least half-time undergraduate students. To apply for a PLUS Loan, the parent borrower must complete a PLUS Loan application.

- There is a variable interest rate with a maximum annual rate of 9%.

Note to Instructors:
The interest rate for PLUS Loans made on or after July 1, 1997 is 8.72%.

Instructor's Notes

- Unlike loans for students, there is no grace period; loan repayment begins 60 days after the loan is fully disbursed.
- Parents have up to 10 years to repay, depending on certain repayment criteria; for example, there are payment minimums.
- PLUS Loans have some deferment provisions for eligible borrowers.
- The maximum PLUS Loan that a parent can borrow is equal to his or her dependent student's cost of attendance minus any other financial aid the dependent student receives.

Q7: If Susan is receiving \$2,000 in financial aid, and the cost of attendance is \$8,000, how much PLUS Loan can her parents borrow?

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A7: \$6,000. (\$8,000 cost of attendance minus the \$2,000 Susan is receiving in financial aid.)

- There is no dollar maximum for a PLUS Loan, but the PLUS Loan, together with all other financial aid, cannot exceed the cost of attendance at the institution.
- To receive a PLUS Loan, a parent cannot have an adverse credit history. If a parent borrower is unable to get a PLUS Loan because of adverse credit, the dependent student is eligible to apply for an additional unsubsidized loan amount.

Consolidation Loans

Information on Consolidation Loans is provided in *The Student Guide* beginning on page 20.

Consolidation Loans allow a borrower to combine different types of federal student loans to simplify repayment.

We will be discussing more about the Direct Loan and FFEL Programs in Sessions 24 and 25.

The Campus-Based Programs

Please turn now to page 22 in *The Student Guide*.

The Title IV campus-based programs are:

- The Federal Supplemental Educational Opportunity Grant (FSEOG),
- The Federal Work-Study (FWS) Program, and
- The Federal Perkins Loan Program.

The programs are called campus-based because the school administers all aspects of the programs.

The amount of any campus-based aid award, as determined by the school, is based on:

- the student's financial need,
- the amount of campus-based aid funds available at the school, and
- the school's student aid packaging policies.

Take a few minutes now to answer Question 8 in your Workbook, on page 5.

» Allow participants a few minutes to read and answer the question.

Q8: Why might the amount of an FSEOG, FWS, or Perkins Loan a student can receive depend on when the student applies for Title IV aid?

A8: Because limited campus-based funds are available at each school, no funds may be available for an applicant who applies late in the award year.

Instructor's Notes

Note to Instructor:

Schools are approved to participate in campus-based programs through the "Application for Approval to Participate in Federal Student Financial Aid Programs." Each year, however, approval for the upcoming year is **renewed** through the "Fiscal Operations Report and Application to Participate (FISAP)."

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Instructor's Notes

The FSEOG Program

To be eligible for the FSEOG program, a student must be an undergraduate without a previous B.A. or B.S. degree.

In the FSEOG program, priority is given to Federal Pell Grant recipients with the lowest EFCs.

- Nontraditional students—that is, independent or less-than-full-time students—must receive 5% of the FSEOG funds available at the school.

Take a few minutes now to answer Question 9 in your Workbook.

» Allow participants a few minutes to read and answer the question.

Q9: What's a major difference between an FSEOG and Federal Pell Grant?

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A9: ED guarantees that eligible students will receive a Federal Pell Grant, but there's no guarantee that every eligible student will receive an FSEOG.

FSEOG funds must be made reasonably available to students throughout the award year. In addition, schools with multiple financial aid deadline dates must make FSEOG funds reasonably available to eligible students who apply by those deadline dates.

The FSEOG award limits are shown on the overhead.
(OH 3)

- Using these limits, the amount of student FSEOG awards are determined by the institution.

The FWS Program

Federal Work-Study (FWS) is an opportunity for students to earn financial aid. FWS employment is for undergraduate, graduate, or professional students.

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Take a few minutes now to answer Question 10 in your Workbook. The answer is on page 23 in *The Student Guide*.

» Allow participants a few minutes to read and answer the question.

Q10: Where can FWS jobs be located?

A10: FWS job placement may be with an eligible on-campus employer or off-campus employer, or it may be in community-service work. Jobs off-campus tend to be for private, nonprofit organizations or public agencies. (OH 4)

A school is required to use at least 5% of the total FWS funds granted to the institution to compensate students employed in community-service activities, unless the school is granted a waiver by the U.S. Secretary of Education.

The employer must pay at least the federal minimum wage—currently \$4.75 per hour. The total amount a student can earn, which is an amount the school determines prior to the student's employment, is based on the student's financial need.

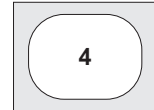
Federal Perkins Loan Program

Perkins Loans are low-interest loans for students with exceptional financial need. Undergraduate, graduate, and professional students are eligible.

The school's Federal Perkins Loan Fund is maintained and administered by the institution.

Funds for new loans come from:

- New federal allocations to the school, called the Federal Capital Contribution (FCC), which provide 75% of new funding;
- the school's matching share, called the Institutional Capital Contribution (ICC), which is 25% of the new funding;

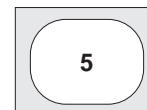


Note to Instructor:
The minimum wage goes to \$5.15 on September 1, 1997.

Instructor's Notes

- repayments made to the fund by previous borrowers;
- interest earned on the Perkins Loan funds (the funds must be deposited in an interest-bearing account); and
- ED payments to reimburse the fund for teacher, military, Peace Corps/VISTA, and law enforcement/correction officer loan cancellations.

The maximum amounts that can be borrowed are shown on the overhead, including annual and aggregate loan limits. (OH 5)



Please look at the last question in your Workbook and take a moment to find the answer to it on page 24 in *The Student Guide*.

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» Allow participants 1 minute to read and answer the question.

Q11: Who does a Perkins Loan borrower repay?

A11: The school. Since Perkins is a campus-based program (which means it is administered by the school), the student must repay the school.

Repaying a Perkins Loan begins after the student graduates, withdraws, or drops to less-than-half-time enrollment.

- An initial grace period of nine months is allowed before the first payment must be made.
- The student has up to 10 years to repay, depending on certain repayment criteria; for example, there are payment minimums and maximums.
- As with Direct Loans and FFEL Program loans, there are cancellation, deferment, and forbearance provisions for special circumstances.

Schools that participate in the Perkins Loan Program must follow important due diligence requirements. These include:

- full and timely disclosure to borrowers of their rights and responsibilities and

Instructor's Notes

- the use of extensive, persistent, and diligent procedures for collecting loans, such as mailing demand letters and using credit bureaus and skip-trace agencies.

There will be more about the campus-based programs in Sessions 22 and 23.

Other Federal Programs

You may have heard references to other federal student aid programs, including the State Student Incentive Grant (SSIG), the Douglas Scholarship, and the Byrd Scholarship. Funding levels vary from state to state and year to year.

The Paul Douglas Teacher Scholarship, for future teachers, is regulated under Title V of the HEA.

The Robert C. Byrd Honors Scholarship is for students who demonstrate outstanding academic achievement and show promise of continued academic excellence.

A chart on page 2 of your Workbook provides references to the *1997-98 Federal Student Financial Aid Handbook*, the HEA, and the Title IV regulations for each of the main Title IV programs we just discussed. The chart on page 3 summarizes the type of aid, application requirements, who determines award or loan amounts, aid recipients, award or loan limits, need analysis, and disbursement and repayment requirements. [IG, pgs. 16-17]

Let's take a moment to look at the charts.

» Allow participants 1 or 2 minutes to review the charts.

Before we finish this session, does anyone have any questions?

PW 2

PW 3

BACK AT THE OFFICE

Once you get back to your office, you will probably want to become more familiar with *The Student Guide*, especially with the sections on the Title IV programs your school plans to administer. Also, you'll want to keep the charts handy for easy reference.

What else should you do when you return to your office?

Instructor's Notes

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Title IV Quiz

Referring to your copy of *The 1997-98 Student Guide*, answer the questions listed below.

1. What is the basic difference between a grant and a loan?

Grants do not have to be paid back. Loans must be paid back.

2. What is the maximum Pell Grant award for 1996-97?
\$2,470 For 1997-98? **\$2,700**

3. How often must a school disburse a Pell Grant award to a student during an academic year?

At least once per term for standard-term schools and at least twice during the award year for schools that do not use standard terms.

4. What is the source of funds for Direct Loans? How about for Federal Family Education Loans?

For the Direct Loan Program, ED is the source of funds.

It pays students through the school, with the school disbursing loan proceeds to the students.

For the FFEL Program, private lenders (guaranty agencies, banks, and credit unions) are the source. They disburse student loan proceeds to the school. The school then delivers the funds to the students.

5. What are the differences between a subsidized loan and an unsubsidized loan?

A subsidized loan is based on financial need; the unsubsidized is not. The government will pay (or not charge) interest while the student is in school or in deferment for the subsidized loan.

Instructor's Notes

Instructor's Notes

An unsubsidized loan accrues interest that will be paid by the borrower from the time the loan is made until it is repaid in full.

6. What is the largest loan a first-year, dependent student may borrow?

\$2,625

7. If Susan is receiving \$2,000 in financial aid, and the cost of attendance is \$8,000, how much PLUS Loan can her parents borrow?

\$6,000

8. Why might the amount of an FSEOG, FWS, or Perkins Loan a student can receive depend on when the student applies for Title IV aid?

Because limited campus-based funds are available at each school, there may be no funds available for an applicant who applies late in the award year.

9. What's a major difference between an FSEOG and a Federal Pell Grant?

ED guarantees eligible students will receive a Federal Pell Grant, but there's no guarantee every eligible student will receive an FSEOG.

10. Where can FWS jobs be located?

FWS job placement may be with an eligible on-campus employer or off-campus employer, or it may be in community-service work. Jobs off-campus tend to be for private, nonprofit organizations or public agencies.

11. Who is repaid by a Perkins Loan?

The school. Since Perkins is a campus-based program (which means it is administered by the school), the student must repay the school.

Title IV Programs

Title IV Program	Description	Law (HEA)	Regulations	1997-98 FSFA Handbook
Federal Pell Grant	Grants for financially needy undergraduate students who have not earned bachelor's degrees or a first professional degree.	Part A	Part 690	Chapter 4
Federal Supplemental Educational Opportunity Grant (FSEOG)	Grants for undergraduate students with "exceptional financial need." (Federal Pell Grant recipients with lowest EFCs)	Part A	Part 676	Chapter 8
Federal Work-Study (FWS)	Self-help program that provides on-campus and off-campus employment to eligible undergraduate and graduate students.	Part C	Part 675	Chapter 7
Federal Perkins Loan	Low-interest loans for financially needy undergraduate and graduate/professional students.	Part E	Part 674	Chapter 6
Federal Direct Subsidized Loan	Loans to help financially needy graduates and undergraduates; interest subsidized by federal government; made by federal government.	Part D	Part 685	Chapter 11
Federal Direct Unsubsidized Loan	Loan funds without interest subsidies for graduate and undergraduate students; made by federal government.	Part D	Part 685	Chapter 11
Federal Direct PLUS Loan	Loans to parents for college expenses of their dependent undergraduate children; made by federal government.	Part D	Part 685	Chapter 11
Federal Subsidized Loan	Low-interest loans to help financially needy students; from lenders, guaranteed and interest subsidized by federal government.	Part B	Part 682	Chapter 10
Federal Unsubsidized Loan	Loan funds without interest subsidies for undergraduate and graduate students; from lenders, guaranteed by federal government.	Part B	Part 682	Chapter 10
Federal PLUS Loan	Loans to parents for college expenses of their dependent undergraduate children; from lenders, guaranteed by federal government.	Part B	Part 682	Chapter 10

Title IV Programs Summary

Title IV Program	Type of Aid	Application Required	Award/Loan Determination	Aid Recipient	Award/Loan Limits	Need Analysis	Disbursement/ Repayment
Federal Pell Grant	Gift Aid	FAFSA	Specified in ED's annual payment and disbursement schedule	Only undergraduates	\$2,470 1996-97 \$2,700 1997-98	Based on need	School acts as ED's agent to disburse. No repayment.
Campus-Based Aid Programs							
FSEOG	Gift Aid	FAFSA	School's financial aid policy and available funds	Only undergraduates, with priority given to Pell Grant recipients	\$4,000 a year except in case of study abroad, where up to \$400 more a year is allowed	Based on need	The school disburses funds to students. No repayment.
FWS	Self-Help Aid			Undergraduate or graduate/professional students	No annual award maximum		School disburses earned funds to students at least monthly. No repayment.
Federal Perkins Loan					\$3,000 a year for undergraduates and \$5,000 a year for graduate/professional students		
Direct Loan and FFEL Programs							
Subsidized Loan	Self-Help Aid	Direct Loan: FAFSA only	A student's subsidized loan added to the EFC and other EFA cannot exceed COA.	Undergraduates or graduate/ professional students	The annual and aggregate loan maximums apply to the sum of subsidized and unsubsidized loans.	Based on need	Direct Loan Program: School disburses funds. Repayment required.
Unsubsidized Loan		FFEL: FAFSA and FFEL common application	The student's unsubsidized loan added to other EFA cannot exceed COA.			Not based on need	FFEL Program: Lender disburses, school delivers funds. Repayment required.
PLUS Loan		PLUS Loan application	The parent's PLUS Loan added to the student's other EFA cannot exceed student's COA.	Parents of dependent undergraduates	The parents' PLUS loan added to student's other EFA cannot exceed student's COA.		