

# Overview of HEOA of 2008

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# Provisions of New 90-10 Law

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- ❑ Now in PPA section instead of definition
- ❑ Calculation method described in detail
- ❑ Specific sanctions for violation
- ❑ Disclosure to public
- ❑ Reports to Congress

# Impact of Move to PPA

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- ❑ No longer an immediate death penalty
- ❑ Some additional latitude for DOE enforcement discretion for schools one year out of compliance
- ❑ But still applies only to for-profit schools

# Calculation Method

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- ❑ Much of current regulation now enacted into law
- ❑ Several permanent changes
- ❑ Two temporary changes
- ❑ Still some areas for regulation

# Carried Over from Current Regulation

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- ❑ Presumption that Title IV funds are used to pay tuition and fees
- ❑ Cash basis of accounting (with one temporary exception)
- ❑ Certain of the exceptions to the presumption

# Revenue Includes Funds From

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- Tuition, fees and other institutional charges for Title IV programs
  - Activities necessary for education if:
    - Conducted at facility under school's control
    - Conducted under faculty supervision
    - Required of all students in a program
  - Certain non-Title IV program revenue (new)
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# Non-title IV Program Revenue

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Includes funds paid by a student or third party if the program is:

- Approved or licensed by State;
- Accredited by recognized agency; or
- Provides an industry-recognized credential or certification

# Funds that Overcome the Presumption

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- Grant funds from non-federal agency
- Private sources independent of the institution
- Contractual arrangement with government agency for training of low-income persons
- Tax-favored educational savings plans
- Certain institutional scholarships

# Institutional Scholarships

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- ❑ Provided in form of monetary aid or tuition discounts
- ❑ Based on merit or need
- ❑ Disbursed from a restricted account and only to the extent such funds are from an outside source or from interest earned on an account

# “Extra” \$2,000 in Stafford Loans

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- ❑ For loans disbursed from 7/1/08 to 6/30/11
- ❑ Treat as revenue received from non-Title IV sources the amount disbursed above the normal Stafford loan limits
- ❑ Intent was to overcome the presumption

# Institutional Loans: Phase-In

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- ❑ For loans made on or after 7/1/08 and prior to 7/1/12
- ❑ Can use “net present value” of loans made during the school’s fiscal year on an accrual basis
- ❑ Estimated in accordance with GAAP

# Requirements for Institutional Loans

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Must be:

- Evidenced by promissory notes;
- Issued at intervals related to enrollment periods; and
- Subject to regular repayment and collections.

# Institutional Loans After 7/1/12

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- ❑ Only includes repayments made on loans (back to cash basis)
- ❑ No double-counting – excludes loans which school used for prior years as net present value

# Exclusions

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- Work-study funds, unless the school credits payment to student's account
- LEAP funds
- Institutional matching funds
- Amounts refunded or returned
- Books and supplies cost unless included in institutional charges

# Sanctions for 1-Year Noncompliance

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- Provisional certification for institution's next 2 fiscal years
- Other means in Secretary's discretion

# Sanctions for 2 Consecutive Years

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- ❑ Loss of eligibility for at least 2 fiscal years
- ❑ To regain eligibility, must demonstrate compliance with all eligibility and certification requirements for 2 FYs while ineligible

# Information Disclosure

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- ❑ College Navigator will disclose schools out of compliance
- ❑ Annual report to Congress with each institution's percentage of Title IV funds

# Compliance Tips

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- ❑ Analyze where you are, but also where you will be with all of the new aid that is now available to your students
- ❑ Think about a 5-year plan
- ❑ Focus on non-title IV revenue sources, such as veterans programs
- ❑ Work with accreditor and state for non-Title IV programs
- ❑ Use several compliance options

# Non-Title IV Programs

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- ❑ Employer-generated, such as skills updates or certifications
- ❑ Community focused, such as cooking classes, “certified” babysitters, camps for summer or school breaks
- ❑ Dual enrollment program with high schools
- ❑ Other within scope of programs

# Activities Necessary for Education

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- ❑ The language does not limit this to Title IV programs
- ❑ Think creatively – child care center for education programs; bakery for pastry program; etc.

# Institutional Scholarships

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- Create a scholarship fund from outside sources such as:
  - Alumni contributions
  - Employer contributions
  - Donations from groups you provide services to (i.e., offer to provide services such as massages to convention groups, catering, etc. in exchange for donations to the fund)

# Institutional Loans

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- ❑ If you will need some revenue from these in years after 2012, monitor carefully how much you use for current compliance
- ❑ Possibly use these for transition while other things get up and running
- ❑ Possibly use these only for students who can't get gap loans at reasonable rates
- ❑ Be aware of need to follow additional rules and regulations (fair credit, safeguards, etc.)

# Other Tips

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- ❑ If you have multiple campuses, examine the demographics of each campus and main/additional location group to tailor its compliance strategies – one strategy may not work for all
- ❑ Look at program mix
- ❑ Look at tuition levels

# Example for Extra Stafford Loan

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## □ Student Payments

■ Pell	\$2000
■ Stafford Loan	\$3500
■ Extra Stafford	\$2000
■ Cash	\$500
■ Total Payments	\$8000

# Tuition \$ 7500

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□ Tuition \$7500

■ 90/10 5500/7500 --- 74%

□ \$2000 extra Stafford counts as non-Title IV funds

# Tuition --\$6,000

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□ Tuition                      \$6000

■ Pay out Excess funding (Credit Balance) -  
\$2000

■ Not Title IV                      5500/6000 --- 92%

■ Non-Title IV                      4000/6000 --- 66%

# Tuition \$ 10,000 with Institutional Loan

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□ Tuition \$10,000

■ 90/10 5500/???? --- ??%

□ Institutional Loan for \$2000 over 5 years.

□ How much to count?

At 25% 5500/8500 ---65%

At 50% 5500/9000 ---62%

# Issues at Neg. Reg.

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- Defining Promissory Note
- Net Present value
- What happens in present value year to year
- Change from year to year.
  - Present value verses cash basis

# Issues at Neg. Reg.

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- ❑ Defining course certification and accreditation
- ❑ For extra \$2,000 in Stafford, order of returning funds on returns of federal funds
- ❑ For extra Stafford, how to pro-rate for loan periods that cross fiscal years
- ❑ Transition from back in 2011 and 2012

# Unanswered Questions

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- For institutions that pay stipends/living expenses to students, how will the stipends be allocated to the new unsubsidized loans and institutional loans under the presumption rule?
- In regards to new institutional loans, should we establish reserve rates under Generally Accepted Accounting Principles at the time of the first loan made to the first student even if we have no experience rate? If so where should we look for guidance?

# Unanswered Questions

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- Once we have established reserve rates for institutional loans, what happens if our institutional loans perform better or worse in the following year(s)? Do we get an add back or a deduction in the following year(s).
- What and/or how should we post the institutional loans to our student ledger cards?

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