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# Heroes Act

## Higher Education Relief Opportunities for Students Act of 2003

# AGENDA

- Intent of the law
- Who does it apply to?
- How does it affect schools?
- How does it affect student loan borrowers?



# EFFECTIVE DATES

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- **HEROES Act of 2003**

- Signed into law: August 18, 2003
- Effective: December 12, 2003
- Expires: September 30, 2005

The law authorized the US Dept. of Education (ED) to identify waivers of federal Student Financial Assistance (SFA) rules for students affected by military deployments and national emergencies. ED published waivers in the Federal Register on Dec. 12, 2003, which were effective immediately.

# INTENT (1)

- To protect the financial position, in relation to student financial assistance, of qualified, affected individuals DURING PERIODS OF
  - WAR OR OTHER MILITARY OPERATION
  - NATIONAL EMERGENCY



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## INTENT (2)

- To assure that affected individuals are not
    - unduly subject to administrative burden, inadvertent technical violations, or defaults
- OR**
- penalized in SFA need analysis

# INTENT (3)

- To exempt affected individuals from the requirement to return or repay overpaid grant funds



# INTENT (4) - Institutions

- Provide temporary relief from administrative requirements for institutions
  - located in a disaster area declared in connection with a national emergency
  - OR
  - significantly affected by such a disaster



# KEY DEFINITIONS

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- **Active duty:** Service members on active military duty (except for training or attendance at a service school)
- **Military operation:** as identified by the President and the Pentagon
  - *“Operation Iraqi Freedom”*
- **National emergency:** as declared by the President and supported by federal funds



# Who are “affected individuals”? (1)

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- SFA recipients who
  - are serving on qualifying active military duty
  - OR
  - are performing qualifying National Guard duty during war, military operations, or a national emergency.

# Who are “affected individuals”? (2)

- SFA recipients who
  - reside or are employed in a disaster area declared in connection with a national emergency
  - OR
  - suffer economic hardship as a direct result of war, military operations, or a national emergency.



# Qualifying “Active Duty” (1)

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- **Who**: A reserve member of an Armed Force or a retired member of an Armed Force ordered to active duty for service in connection with a war/military operation/national emergency
- **Where**: regardless of the location at which that active duty service is performed

# Qualifying “Active Duty” (2)

- **Who:** any member of an Armed Force on active duty in connection with any war, military operation, or national emergency
- **Where:** assigned to a duty station at a location other than the location at which the individual is normally assigned



# Qualifying “National Guard Duty”

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- A member of the National Guard on **full-time National Guard duty**
- **under a call to active service** authorized by the President or the Secretary of Defense
- **for a period of more than 30 consecutive days** in connection with a war, military operation, or national emergency

# How does this affect schools?

- The following SFA provisions of Title IV of the Higher Education Act (HEA) and ED's regulations are **modified or waived** for affected individuals:
  - FAFSA signature requirements
  - Needs Analysis and Professional judgment
  - Verification of Adjusted Gross Income (AGI) and U.S. Income Tax Paid
  - Verification signature requirements

# Schools

- **Modified or waived:**
  - Cash Management
  - Borrower Request for Loan Cancellation
  - Cash Management
  - Student and Parent Authorizations
  - Satisfactory Academic Progress
  - Leaves of Absence



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# Schools

- **Modified or waived:**
  - Return to Title IV Funds (refunds for withdrawals, “R2T4”) – Grant Overpayments owed by students
  - R2T4 – Amount of Unearned Funds owed by the school
  - R2T4 – Postwithdrawal Disbursements
  - Treatment of Title IV Credit Balances when a student withdraws



# Schools/**Parent Signature** on FAFSA

- **HEROES Act allows:**
  - A dependent applicant to submit a FAFSA (*Free Application for Federal Student Aid*) without parent's signature when parent unavailable due to status as an affected individual.
  - If applicant adequately documents such circumstance, high school counselor or financial aid administrator may sign FAFSA on affected parent's behalf.

# Schools/**Need Analysis & Professional Judgment**

- Determine the most beneficial Need Analysis calculation for affected individuals by:
  - using the AGI plus untaxed income and benefits received in the first calendar year of the award year
  - using the prior year's AGI plus untaxed income and benefits in the need analysis calculation (making no changes to the original Need Analysis calculation)
  - using professional judgment

# Schools/**Need Analysis**

- Calculation of student's Expected Family Contribution (EFC)
  - Includes adjusted gross income (AGI) plus untaxed income and benefits, minus excludable Income.



# Schools/**Need Analysis**

- **Normally:** schools use a student's prior year tax return for current award year's Need Analysis calculation.
  - **Example:** Need Analysis for 2003-2004 uses 2002 tax & income information
- **Under HEROES Act:** School can substitute AGI + untaxed income and benefits received in the first calendar year of the award year in question.
  - **Example:** 2003-2004 Need Analysis calculation would use 2003 tax & income information.

# Schools/**Professional Judgment**

- Authority to adjust, **on a case-by-case basis**, the income information for Need Analysis calculation to reflect a student's special circumstance
  - HEROES Act allows schools to **disregard the “case-by-case” basis** for affected individuals.
  - Reasons for Need Analysis adjustments must be **clearly documented**.

# Schools/Verification of AGI & U.S. Income Tax Paid

- Under HEROES Act:
  - Affected individuals are not required to submit a copy of IRS Form 4868 or a copy of the IRS extension approval **IF**
    1. not required to file an income tax return by the filing deadline because called up for active duty or for qualifying National Guard duty during a war/military operation/national emergency **AND**
      - not required to file an extension.

# Schools/Verification of AGI & U.S. Income Tax Paid

- **Under HEROES Act:**

In lieu of an income tax return for verification of AGI or income tax paid, schools must accept:

1. A written statement **certifying that they have not filed and were not required** to file an income tax return or extension request because of active duty or qualifying National Guard duty during a war, military operation, or national emergency,  
**AND...**

# Schools/**Verification of AGI & U.S. Income Tax Paid**

2. A copy of each W-2 received for the base year, or for a self-employed individual, a statement signed by the individual certifying the amount of AGI for the base year.

**However,**

The student must submit the tax return to the school once it is filed with the IRS for the school to re-verify the AGI and taxes paid.



# Schools/Verification Worksheet Signature Requirements

- **HEROES Act allows:**
  - Waiving the requirement that a dependent student submit a Verification Worksheet signed by a parent **WHEN**
  - no parent is available because of status as affected individual.



# Schools/Cash Management – Borrower request for Loan Cancellation

- Under HEROES Act:
  - Affected individuals are allowed **60** days, rather than 14, to request cancellation of all or a portion of loan proceeds credited to their account.
  - If notice received after 60 days, schools return of loan proceeds is optional



# Schools/Cash Management – Student & Parent Authorizations

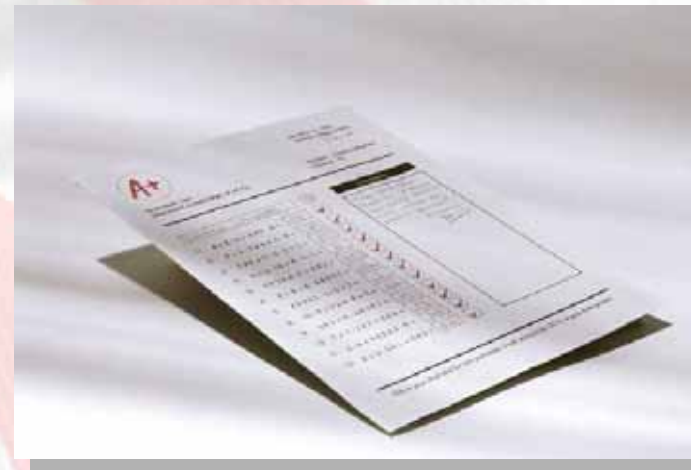
- Current required written authorizations
  - Disburse Title IV funds to a bank account designated by the student or parent
  - Use Title IV funds to pay for current charges other than tuition, fees, room, and board, if contracted through the school
  - Hold on behalf of the student or parent any Title IV funds that would otherwise be paid directly to the student or parent

# Schools/Cash Management – Student & Parent Authorizations

- **HEROES Act:**
  - allows schools to accept oral rather than written authorization,  
**IF**
  - student or parent is prevented from providing a written authorization because of status as an affected individual.

# Schools/Satisfactory Academic Progress

- Normally:
  - Students must meet a qualitative and quantitative component of Satisfactory Progress.
  - If students do not meet any or all of the components they could be placed on Financial Aid Suspension (lose eligibility for any more Title IV aid).



# Schools/Satisfactory Academic Progress

## Under HEROES Act:

- Schools may apply “other special circumstances” provision for a student failing, **as a direct result of being an affected individual**, to meet satisfactory academic progress requirements,
- thereby allowing such students to continue education and receive Title IV aid.



# Schools/Leaves of Absence (LOA)

- **Normally:**

- Students must provide a written, signed, and dated request, which includes the reason for the request, either
- prior to the leave of absence,
- OR**
- at a later date if the student is prevented from providing a prior written request by unforeseen circumstances.

# Schools/Leaves of Absence (LOA)

- Under HEROES Act:
  - Requirement for a written request is waived for those who would have difficulty providing a written request as a result of being an affected individual.
  - If LOA granted under HEROES Act, school must document
    - 1.reason for granting it,
    - AND
    - 2.reason for waiving the requirement for written request.



# Schools/R2T4 – Grant Overpayment Owed by Student

- **Waived:**
  1. Requirement that student return or repay any overpayment of grant funds.
  2. Requirement that school notify student of grant overpayment & actions necessary to resolve overpayment.



# Schools/R2T4 – Grant Overpayments Owed by Student

3. Requirement that schools deny eligibility to a student who owes an overpayment and does not take action to resolve the overpayment
4. Requirement that the school refer an overpayment to ED under these conditions.

## However,

- Schools must document in the student's file the amount of any overpayment.

# Schools/R2T4 - Unearned Funds Owed by School

- **Normally:**
  - When a student withdraws from all classes the school is required to use the amount of school charges at the time of withdrawal (prior to tuition adjustment) in the R2T4 Calculation.
- **HEROES Act**
  - excludes from student's total school charges any school charges that the school is required to cover, and has covered, with non-Title IV sources of aid.

# Schools/R2T4 – Post withdrawal Disbursements

- **Normally:**
  - School must provide a postwithdrawal disbursement if student/parent responds to school's notification within **14** days of date institution sent notice.
  - If response is late, post withdrawal disbursement is optional (not required).

# Schools/R2T4 – Post withdrawal Disbursements

- For affected individuals under HEROES Act:
  - School must provide a post-withdrawal disbursement if student/parent responds to school's notification within 45 days of date institution sent notice.
  - If response is late, post-withdrawal disbursement is optional (not required).



# Schools/Title IV Credit Balances & Student Withdrawals

- When a student has paid more to the school than required at time of withdrawal, the student has a credit balance. **Normally**, schools are required (within 14 days) to complete
  - return of credit balance to the student
  - OR**
  - return of credit balance to Title IV loan program (if there was a loan, with student's permission).

# Schools/Title IV Credit Balances & Student Withdrawals

- Under HEROES Act:
  - School must **attempt to contact** student for permission to return balance to loan program within 14-day timeframe.
  - School must allow **45** days for response to request for permission.
  - If no response, within 45 days, school must promptly return funds to loan program.

# Schools/School Charges & Refunds

- HEROES Act encourages schools to
  - Fully refund tuition, fees, and other school charges for the portion of a period of instruction student was unable to complete or receive academic credit for
  - OR
  - provide a credit in comparable amount against future charges
  - because student was called up for active duty or qualifying National Guard duty during a war/military operation/national emergency.



# Schools/**Reenrollment**

- **HEROES Act** also encourages schools to
  - consider providing easy and flexible reenrollment options to students who are affected individuals.



# How does this affect Student Loan Borrowers?

- The affected individual is granted waivers for:
  - In-school status and grace periods
  - Deferments and forbearance
  - Default collection activities
  - Consecutive payments to reinstate Title IV eligibility after default, or to rehabilitate or consolidate a defaulted loan
  - Schools are also affected if they have Federal Perkins Loans.

# Borrower/**In-School Period**

- **Normally:** When a borrower drops to less-than-half-time status, the grace period begins.
- **Under HEROES Act, affected individual:**
  - retains “in-school” status for up to **3 years** when drops below half-time status
  - includes the time necessary to resume enrollment in the next available enrollment period

# Borrower/In-School Period

- **Under HEROES Act**, affected individual also:
  - retains full grace period after reenrollment at next available enrollment period.
- **However**,
  - If affected individual does not reenroll in school, the full grace period begins immediately upon return from active duty.



# Borrower/**Grace Period**

- **Normally:** Borrower receives a 6-month Grace Period prior to conversion to repayment for a Federal Stafford Loan (9 months for Perkins Loan).
- **Under HEROES Act,** affected individual remains in the grace status up to **3 years** when
  - a member of an Armed Forces reserve component and is called or ordered to active duty for a period of more than 30 days.

# Borrower/Grace Period

- Upon return from active-duty deployment,
  - If affected individual enrolls at the next available enrollment period, retains full 6-month grace period eligibility (9 months for Perkins Loans):
  - If borrower does not re-enroll in school, the full grace period begins immediately upon return from active duty



# Borrower/In-School or Graduate Fellowship Deferment

- **Normally:** Loans convert back to repayment when a borrower drops below half-time enrollment after being on an in-school or graduate fellowship deferment (borrower had previously used up grace period and entered repayment).
- **Under HEROES Act**, affected individual:
  - retains deferment status for up to **3 years** during which borrower is an affected individual
  - remains eligible for interest subsidies

# Borrower/**Military** Deferment

- **Normally:** Military Deferment cannot exceed 3 cumulative years (applies to old loans made before July 1993)
- **Under HEROES Act:**
  - Military Deferment may be requested by family member or other reliable source
  - One year deferment without documentation





# Borrower/**Military Deferment**

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## **Under HEROES Act:**

- Documentation of military mobilization is required to extend beyond one year (may come from borrower's family member, or another reliable source).
- Period during which borrower has Military Deferment as an affected individual on active duty is excluded from normal 3-year cumulative Military Deferment limit.
- Applicable interest subsidies apply during extended period of deferment.

# Borrower/**Forbearance**

- **Normally:** A borrower who requests a forbearance must provide the loan holder with documentation as evidence of military mobilization.
- **Under HEROES Act:**
  - Request may be made by affected individual, family member, or other reliable source.
  - Oral request is permissible.

# Borrower/Forbearance

- Under HEROES Act:
  - Affected individual gets up to **1-year** forbearance + **3-month** transition period without documentation.
  - Documentation of Military Mobilization required to extend the forbearance beyond the one year period



# Loan Cancellation

- **Normally: Borrowers** must perform uninterrupted qualifying service (e.g., teaching, child care) for a specified length of time or consecutive periods of time for loan cancellation
- **Under HEROES Act :**
  - Requirements for uninterrupted service are waived, if interruptions are related to borrower's status as affected individual.
  - Borrower's period as an affected individual, including the 3-month transition period, will not be considered a disqualifying interruption.

# Collection of Defaulted Loans

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- Guaranty agencies must attempt to recover amounts owed from defaulted FFEL borrowers
- **Under HEROES Act:**
  - Collection activities may stop upon notification by the borrower, family member, or other reliable source, of the borrower's status as an affected individual.



# Collection of Defaulted Loans

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## Under HEROES Act:

- Collection activities must resume after the borrower notifies that he or she is no longer an affected individual and must include a 3-month transition period.
- Loan holder must document file why collection activities suspended on the loan.
- No documentation is required **during** suspension of collection activities

# Consecutive Payments for Defaulted Borrowers

- **Normally:** A borrower must make a specified number of consecutive, on-time monthly payments to qualify for different programs after default:
  - To consolidate a loan out of default: 3 payments
  - To re-establish Title IV eligibility: 6 payments
  - To rehabilitate a defaulted loan: 12 payments  
(without interruption)



# Consecutive Payments for Defaulted Borrowers

- **Under HEROES Act:**
  - Count of consecutive payments is frozen when the borrower becomes an affected individual.
  - When borrower is no longer affected, or in the 3-month transition period, qualifying payments may resume at the point they were discontinued.





# Heroes Act

**For more information, please call the  
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