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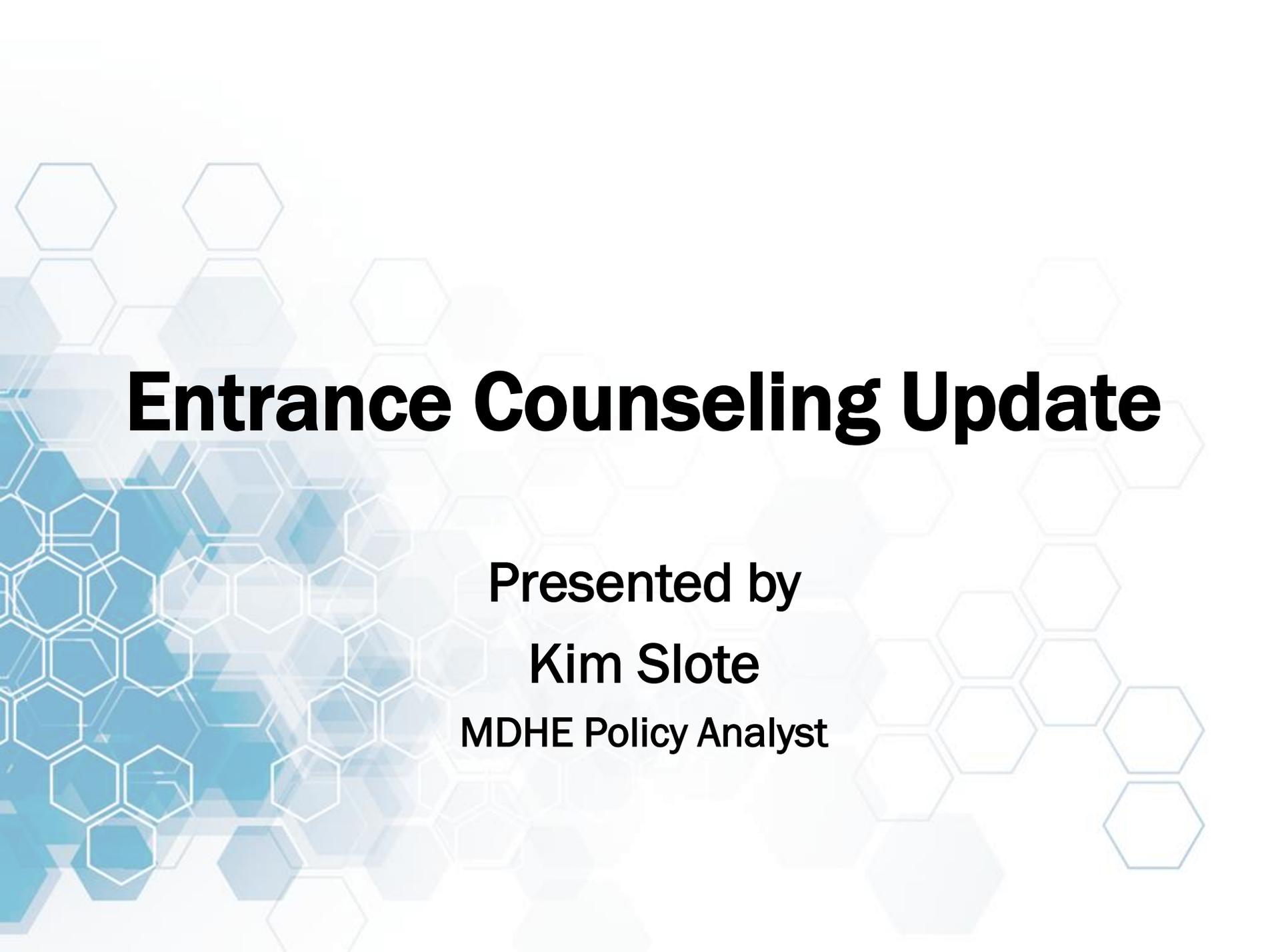
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Entrance Counseling Update

Presented by

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Loan Counseling

Requirements and Flexibilities

- Dear Colleague Letter [GEN-15-06](#)
- Published April 6, 2015
- Guidance discussing requirements for entrance counseling and institutions' flexibility in supplementing that counseling
- This applies to all Direct Loan participating institutions, including institutions that are required under statute to submit default management plans to the Department.

To Help Struggling Federal Student Loan Borrowers Manage Debt

- Result of [Presidential Memorandum](#)
- Issued June 9, 2014
 - Expand President's PAYE Plan to more Federal Direct Loan borrowers
 - Improve communication strategies to vulnerable borrowers
 - Encourage support and awareness of repayment options for borrowers
 - Promote stronger collaboration to provide students and families information needed for better borrowing decisions

Statute and Regulation

- All first-time borrowers must undergo entrance counseling before an institution can disburse any Direct Loan Funds to the borrower.
- Once entrance counseling is completed, a borrower cannot be required to participate in any subsequent counseling to receive another Direct Loan.
- Entrance counseling must have required elements.
- Section 485(l)(1)(A) of the HEA
- [34 CFR 685.304\(a\)](#)

Statute and Regulation

- Borrower makes decision on whether to borrow and how much to borrow (up to statutory annual and aggregate limits), not the institution.
- Only exception is through professional judgment provision, that allows an institution to reduce a loan amount or refuse to originate a loan on a case-by-case basis.
 - Must notify student and document professional judgment decision.
- Section 479A(c) of the HEA
- [34 CFR 685.301\(a\)\(8\)](#)

Direct PLUS Loan

- Any parent or graduate/professional Direct PLUS Loan applicant who is initially denied a Direct PLUS Loan due to an adverse credit history, but subsequently qualifies by obtaining an endorser or providing documentation of extenuating circumstance, must complete PLUS Loan counseling provided by the USDE before receiving the Direct PLUS Loan.
- [79 Federal Register 63317](#)
- Published October 23, 2014

Question and Answer

- May institutional entrance counseling policies provide that, as a condition for receiving a Direct Loan, the student must undergo counseling that includes additional information beyond what is required by statute and regulations and/or provided in the Department's online counseling?
- Yes. An institution may include in its required entrance counseling additional content beyond what is required by the statute and regulations and included in the Department's online counseling. In all instances, the amount and scope of the additional material must be reasonable and may not unreasonably impede a student's ability to borrow.

Question and Answer

- As part of its entrance counseling, may an institution require a first-time student borrower to take a test or other evaluation of the material that is included in the counseling?
- Yes. An institution may include, as part of its entrance counseling, a test or other evaluation to assess the student's knowledge of the information presented. However, it may not unreasonably impede a student's ability to borrow.

Question and Answer

- As part of entrance counseling, may an institution require a first-time student borrower to complete a worksheet or other exercise, such as developing a budget or providing estimates of earnings after graduation?
- Yes. As part of its entrance counseling, an institution may require a first-time student borrower to complete a worksheet, budget, or other exercise designed to improve financial literacy and a student's understanding of the implications of borrowing.

Question and Answer

- May an institution require a first-time student borrower to participate in a workshop, loan orientation presentation, or similar activity before a loan can be disbursed, as part of its required entrance counseling policy?
- Yes. An institution may require a student borrower to participate in a workshop or similar activity if that is how the institution has chosen to implement, in whole or in part, its required loan entrance counseling.

Question and Answer

- May an institution require students who previously completed entrance counseling to participate in additional or ongoing counseling as a condition of receiving a Direct Loan?
- No. An institution may not require students to participate in counseling beyond the required entrance counseling for first-time student borrowers as a condition for receiving a Direct Loan, regardless of when or where the earlier counseling occurred.

Question and Answer

- May an institution provide, on a credit or non-credit basis, a financial literacy course, which could include, for example, information on budgeting, debt management, anticipated earnings by profession, and elements of loan counseling?
- Yes. Offering such a course is the academic prerogative of the institution, and we encourage institutions to counsel and educate their students about their finances and debt obligations.

Question and Answer

- May an institution require, as part of its Title IV satisfactory academic progress (SAP) policy, that students who have submitted SAP appeals be required, in addition to other academic conditions, to participate in loan counseling beyond the required entrance counseling for first-time borrowers?
- No. Institutions may not require additional loan counseling beyond the counseling required for first-time borrowers. Institutions may, in its SAP policies, provide that a student failing SAP meet certain academic requirements before the student can receive additional Title IV aid.

Question and Answer

- May an institution use the loan counseling flexibilities described in this set of Q&As for only certain defined groups of students, for example, students in certain majors or at certain grade levels?
- Yes. Institutions may develop a policy that uses information about their borrowers to identify who might benefit from additional information (e.g., by academic major, year in school, aggregate loan amounts, academic performance).

Resources

- <https://www.whitehouse.gov/the-press-office/2014/06/09/presidential-memorandum-federal-student-loan-repayments>
- <http://ifap.ed.gov/fregisters/FR102314.html>
- <http://ifap.ed.gov/dpcletters/GEN1506.html>
- [Blue Book, Vol. 8, Ch. 6](#)

Resources

- [2014-2015 FSA Handbook, Vol. 2, Ch. 6](#)
- Financial Awareness Counseling Tool
 - <https://studentloans.gov/myDirectLoan/counselingInstructions.action>
- www.studentloans.gov
- www.studentaid.gov/budget

Questions?



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