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New bill may simplify the FAFSA

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The College Aid Made EZ Act, a bill sponsored by U.S. Representatives George Miller and Rahm Emanuel, would simplify the paperwork required for the Free Application for Federal Student Aid (FAFSA). Presently, to qualify for grants, loans, or aid offered by higher education institutions, students need to fill out an application consisting of 100 questions and more than five pages accompanied by three pages of instructions. Critics observe that, at times, students and their families avoid answering or fail to answer all of the questions, which results in their not receiving benefits for which they are eligible. If passed, the new law would create an abbreviated "FAFSA-EZ" form for students whose families earn less than \$20,000 or students who pre-qualify for certain government aid programs, such as the earned income tax credit or food stamps. The bill also aims to simplify the form for everyone else and gives the Department of Education five years to condense the application so that it contains 50 or fewer questions. Department of Education officials contend that current financial aid formulas require the information requested on the FAFSA form and that any alteration would require an act of Congress.

Proposed legislation may end marriage penalty on student loan deduction

Individual taxpayers are currently allowed a tax deduction of \$2,500 in student loan interest. When married and filing a joint return, a couple is allowed the same deduction, even if both spouses have student debt. New legislation introduced by Congressman Lee Terry proposes an alteration of the U.S. Tax Code to end the marriage penalty. The Married Student Debt Relief Act would allow a deduction of \$5,000 for married couples who file joint tax returns when both spouses are paying off student loans. According to Terry, the \$2,500 deduction for a married couple illustrates unfairness in the Tax Code, and couples should not be penalized because they are married. Terry also proposed the Parents' Tax Relief Act of 2007, which, apart from eliminating the marriage penalty, makes the child tax credit permanent, broadens the dependent care tax credit for stay-at-home parents with young children, and encourages telecommuting.

U.S. Department of Education sued for allegedly overcharging student loan borrowers

A class-action lawsuit was filed against the U.S. Department of Education, which allegedly overcharged about 3 million student loan borrowers due to a computer error. Filed by law firm Sprenger & Lang, the suit alleges that a complex billing problem has affected \$72 billion in consolidated loans. It says that the department charged borrowers late fees despite the fact that their payments had been made on time. Lead plaintiff Brenda K. Pfeiffer discovered that although she made her June payments on time, she was penalized for not making a separate payment for

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days between the date of her June payment and June 30; her next payment was not due until July 21. The fines imposed were added to her outstanding principal and, thus, capitalized. The Education Department's student loan programs have long been surrounded by controversy and have come under Congressional inspection. Investigations into potential mismanagement and conflicts of interest have led to new legislation proposals calling for a revamping of the functions of the two major federal student loan programs.

Davidson College to eliminate student loans

North Carolina's Davidson College has announced that it will eliminate student loans in need-based aid packages and provide students with more grants and work-study programs, effective August 2007. The only national liberal arts college in the nation to adopt such a policy, Davidson intends to raise additional funds to fuel the initiative. According to Chris Gruber, vice president and dean of admissions and financial aid, recent capital campaigns raised about \$90 million for financial aid, and more campaigns will fund grants and student-employment programs. With the new move, the college aims at allowing students to graduate debt-free. Davidson intends to cover 100% of a student's demonstrated need with grants and work-study opportunities. However, educational loans will also be available.

Kennedy's letter asks private lenders to reveal financial deals with schools

Massachusetts Democrat and Chairman of the Education Committee Senator Edward M. Kennedy wrote a letter to 16 student loan lenders, including Sallie Mae and Nelnet, expressing concerns that private lenders may be granting improper favors to schools they have offered federally guaranteed student loans. The letter asked the companies to provide all documents pertinent to their financial deals with higher education institutions. In a statement, Kennedy said that he had learned of "a number of disturbing lender tactics," including providing college administrators with free sporting-event tickets and luxury-hotel accommodations. The move comes on the heels of a letter written by the Attorney General of New York, Andrew M. Cuomo, to 400 college presidents stating that his investigation had found evidence of inappropriate incentives provided by lenders.