Financial Aid (Bill Schilling, Val Sandillo, Nathan Franklin)

Nate: Dan asked us to come and speak about financial aid on the school and University level and federal level. We want to make sure we have plenty of time to answer any questions that may be on your mind. 30,000 foot view of financial aid here at the University. Actually a complicated process to handle financial aid for 12 different schools. All departmental awards are set at the school level. Any merit based and need-based scholarships are given out through the schools. Any gift aid you receive from the University and outside...we work in conjunction with the schools to establish the cost of attendance budget and any gift you receive get subtracted from that budget, and we determine your eligibility for financial aid to meet your cost of attendance. This is critical in financing your education. The cost of attendance budget is set at the university level. We work in conjunction with the Provost office and with the schools for each academic year. We are compelled by various federal regulations with what we’re allowed to include. We look for information on and off campus, such as off-campus living, dining meal plans, and other components such as travel. We’ll go to SEPTA and we’ll look for city transpass, understanding that grad students will be going in and out of the city while traveling. Now the federal regulations are fairly strict with what we are able to or not able to include in your packages. We receive a lot of feedback about the budgets. The federal govt have 2 basic premises. 1 – it’s an educational budget, we can only include items related to your educational pursuits in that academic year, if your program is 10 months, then you’ll be given financial aid for 10 months for educational expenses. The 2nd premise – student budget. This is the most challenging areas, b/c we know that a lot of our students are coming with spouses and dependent children. A lot of it is defined at the undergrad level...so it’s a little tricky when it comes to students with families to support. We are generally not permitted to include spousal support, but federal govt will allow us to include dependent care like day care, on a case by case basis. Fees are set at either at the Trustees level or at each schools. We also include books and supplies. If you’re involved with dental school or med school, your supplies cost will be higher than say education. The other component that fed govt says we can include is room and board obviously. We are also allowed to include travel expenses and personal expenses – things like laundry, clothing, entertainment, recreation. One of the challenges when it comes to housing in the Philadelphia area is students have a wide array of choices to choose from. The fed govt instructs us to use reasonable cost. We look for a range of the rental units in the area, and the govt asks, what is the expected living cost for average student. Our budget tends to allow for an increase on case by case budget. The vast majority do live frugally and live within the educational budget, but there are some students who come in and say, I’ve signed a lease with this group, but unfortunately there’s only so much we can do.

Dependent care is one of the things we are able to include. We can look at the student situation and most of the time we’ll go ahead and increase the eligibility of the student for loans. The less you borrow while you’re in school, the better you’re going to be in the
long term. But we will look at different budget components to see where we can increase the eligibility for those. The fed govt will allow us to cover your first certification or licensing exams. In those cases if the students ask us to review their eligibility, we will increase their budget. We’ll also generally increase the budget for computer purchases. If you incur medical expenses not covered by insurance, we can increase your budget for that. Car payments – we can’t increase the educational budget to cover. Credit card debt – a lot of students come in with this. We don’t want to add additional loans. That’s the general overview of how budgets are made.

Bill: I’m going to talk about the various loan programs. If you have been keeping track of the media, and able to get beyond the presidential campaign and Britney Spears, you may have noticed some news about the financial budget. A couple of things have happened in the last 8 months that have affected student loans. Congress last month passed an act that...CCRA (College Cost Reduction and Access Act)...reduced the return guaranteed to Federal Stafford and plus and consolidation programs. This had an immediate effect on Oct. 1. Many of you who have borrowed Stafford loans had loans from different lenders with different borrower benefits. Sometimes it was an upfront reduction in interest rates. Lot of cases they were conditional benefits, like making a certain # of ontime payments. Given the reduction of return to borrowers, we saw an immediate change in borrower benefits. They either disappeared almost entirely or dramatically scaled back. We did put up a lender list, a Stafford list, aug 31 on our website. Within a month or 2, that info had become obsolete. But the lenders weren’t sure what they were going to change to immediately. But we’ve updated that list. The lenders have less latitude to offer benefits now.

Lenders who were dependent on selling their loans to 2ndary market in order to raise capital for new loans are really hitting a brick loan. They’re not able to get new money at a rate they feel can enable them to continue the program. Only capital they have is what they can get from 2ndary markets...and those options have been failing the past few months. They cannot get the funds. Does this mean the Stafford program is gone for 08-09? It means there will be fewer lenders. We have gotten announcements from a number of banks, Chase, Fargo, what their rates are for Stafford. Penn itself is a lender. And we anticipate being a lender next year. At this point we certainly do not expect there will be no Stafford loans available. But they will have different borrower benefits. The same is true of grad plus. The legislation slashed the lender return for all of the federal loan programs. We anticipate loans will be available but not quite the same benefits. We sent out a request for info to quite a few lenders for info on their 08-09 products. Stafford, grad plus, alternative loans, private loans. We are waiting for responses and our goal is to have 08-09 lender list with their products on our website by last week of april. We don’t have an indication at this point that banks in the federal programs are going to pull out, so we do expect for loan money to be available. So the interest is going to be essentially what the legislation sets it to be. Breaks on on-time payments may not happen. The other thing we have seen is the news is that prior loans...a # of lenders have said they are going to cut back, based on the school. They are not going to be making loans that are higher risk to students and schools that are higher risks. I think if private loans disappear for penn students they will then disappear for any students. so I think we will see a private loan market continue for next year. These are the primary sources of aid. Federal Stafford, grad plus, alternative loans. If you’re going
to borrow, you should probably borrow Federal Stafford due to the interest rates and the govt benefits that come with that. The interest rate, grad plus loan was set at 8.5%. you may be able to get a lower rate with private loans.

You won’t have to pay 15% of your income in excess of the poverty level. For those who go into public service or unemployed, they will have a cap. The act provides for cancellation of any remaining debt that hasn’t been paid. But it’s 25 years. You have to have 25 years of fairly low income or fairly high debt to qualify for forgiveness. If you are in public service, still to be defined, and you’re on an income based repayment and you still have a balance left for 10 years, you can cancel the balance of your debt. So this is something that some students may want to think about.

Beyond the Stafford and gradplus and private loans, the primary loan used is Perkins. It’s not an entitlement. Basically any student enrolled in a program can get one. Statutory maximum is $6000 a year. The schools get a new allocation each year, and also get repayments from previous Perkins borrowers. It has been at least 5 years since Congress has appropriated any new money for Perkins program. So Penn is funding new Perkins out of repayments we’re getting from previous borrowers. And that repayment level has also gone through shockwaves in the last 10 years. And the reason for that is loan consolidation. It’s no longer the case, but students could consolidate their Stafford and Perkins loans at a fixed rate. It doesn’t make economic case but that was the law. We had a tremendous amount of students that consolidated these loans to lock in that rate. It pays off the Perkins loan at 100%, so we had this huge spike in our Perkins loan b/c of these repayments. At that time, about 3 years ago, we increased the level of Perkins loan able to lend and even then when we gave every eligible student the maximum....what has happened the consolidation rules have changed so we’re not going to see the huge influx anymore. The consolidations took those borrowers out of the receivables...so the receivables have dropped from where they were.

Once we’re in 08-09, we will be at fairly steady state of repayments for a fairly staggered procedure. Some schools have other loans, the dental and vet have health professions loans. The health professions were also consolidated, and we had the same issues with them. Some schools have their own institutional loans.

Lucas: about the cost of attendance budget…this is a tremendous helpful resource for us…for prospective students and well as for us. We actually had this data, so that was part of the reason why stipends were raised. So thank you for the data, but it was actually pretty difficult to obtain this data (the cost of attendance budgets). If you could send it to us and we can put it on the gapsa website to make it available to everyone. It would be really helpful. I’d like to request the cost of attendance budget to be included into the minutes of this meeting.

Nate: we want to disaggregate…make a line by line standard budget. Students would put what their expectations are and a lot of times they don’t understand what our expectations are. Whenever you look at your budget, there may be another component in the COA budget that you may already be saving on. Say you found out that food expenses are actually coming under our expectations, which can offset your increase in board budget.
Anne: financial aid for international students. Since international students don’t have access to federal funding, what are the options?

Nate: centrally with SFS, we would work with the international students to try to help them secure a loan to cover whatever gap may arise between COA and the gift they may be receiving from the school or sponsor. It does get very tricky because these federal loan programs aren’t available. Many times we do have to tell international students that they have to find a US co-signor to get private loans. We have partnered with Citibank over the years, and they actually opened the citiassist program for educational financing to international students without a co-signor. However, there are risks with deciding to do so, and they’re limiting the loan to certain populations: dental, law, vet, and Wharton. We’ve asked them to consider opening this up to other programs. As of latest contact, they haven’t been willing to do so. It’s something we continue to work on. International students in these schools who choose to take out the citiassist loan without a co-signor will still be charged the premium. At prime + 1.5 without a co-signor for international students. In this climate, it does disadvantage a lot of international students.

Anne: there are universities that act as co-signors for international students. Is there a consideration for this?

Bill: we have done this before in the Wharton school with Citibank. But it would have to be the school acting as the co-signor. It would mean the school would have to set aside enough money to arrange this. We could follow that up, but the question is whether each school has the budget to do this.

Anne: a lot of international students will be willing pay a larger interest just to have the chance. This is a paramount issue for international students.

Bill: we can raise the issue again with the provost and the schools. It would be helpful if the students also raised the issue with their schools. The financial responsibility will be on the school. If the loss is greater than a certain limit, will have to get Trustee approval.

Andrew: in our research student council, we looked at the budget and in generally we thought it was good. But one thing missing we noted was there’s no amount for deductible or copays in health insurance.

Nate: the reason why copays aren’t included, is that reasonable cost is the cost that is average. We do have the authority on a fed level to increase the student budget on a case by case basis. If the student has more severe medical treatments and needs, then that is something our office will absolutely look at and can increase the budget for.

Andrew: students on average are paying $200 on average, over the course of the year, rather than $20.

Dan: the student health insurance office will have the list of charges.
Andrew: we did contact Chickering but they never got back to us. So my other question....when is this budget put out? Is there a specific time?

Nate: Tends to follow Trustees meeting – 3rd Thursday of March. What we do in April and May, we get in contact the folks in health insurance, we start looking at off campus living, dining services…and see where the averages fall out, for the most recent academic calendar year. And we try to pull all this together by the trustees meeting so that when April 1 comes, we’ll know what that budget looks like.

Bill: in the graduate area, tuition is often set by the individual schools.

Victor: internships – programs that run for 18-21 months. Will that be covered on a case by case basis?

Nate: that is a challenge. Based on fed regulations, we cannot cover any period of non-enrollment. At least on dental side, they do have 11 month academic years, that 1 month term, we understand they are not looking for jobs to cover that rent, but unfortunately it is considered a period of non-enrollment and cannot fund that. If the student is not enrolled, there is no financial aid available.

Alexis: are there any red flags, things we should know about, if we’re thinking of getting private loans?

Nate: the best advice is understand the benefits and responsibilities that come with each loan. There are back-end benefits... look at the interest rates, if you have several loans, target the one with the highest interest first. Make sure that as you approach graduation you stay in contact with your lender (address change etc.). If you get out of school and don’t have employments immediately, there are ways to wait with the installments.

Bill: If you have concerns that you cannot pay for the loan, contact the lender, there are possibilities to negotiate. If you don’t, the consequences may be for the rest of your life.

Nate: When you get a note from your lender to consolidate your loan, you lose all the benefits associated with the original loan. You may be better off in keeping that loan. Based on the amount borrowed, you can extend repayment for up to 25 years, that doesn’t require consolidation, but is tied to higher and longer payments. If your lender suggest to consolidate a federal loan with a private loan, you lose the benefits of a federal loan.

Cost of Attendance Budget 07-08

Below are the assumptions used for the current 2007-08 academic year (the 2008-09 academic year living budget won’t be established until late March):

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
<th>per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Room</td>
<td>$10,200</td>
<td>$1,133</td>
</tr>
<tr>
<td>Rent</td>
<td>$925</td>
<td>$925</td>
</tr>
<tr>
<td>Utilities</td>
<td>$178</td>
<td>$178</td>
</tr>
<tr>
<td>Category</td>
<td>Amount</td>
<td>Rate</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------</td>
<td>----------</td>
</tr>
<tr>
<td>Insurance</td>
<td>$30</td>
<td>$30/month</td>
</tr>
<tr>
<td>Board</td>
<td>$4,200</td>
<td>$467/month</td>
</tr>
<tr>
<td>Books/Supplies</td>
<td>$1,200</td>
<td>$200/course</td>
</tr>
<tr>
<td>Health Insurance</td>
<td>$2,468</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$2,682</td>
<td>$298/month</td>
</tr>
<tr>
<td>Transportation</td>
<td>$78</td>
<td></td>
</tr>
<tr>
<td>Laundry</td>
<td>$40</td>
<td></td>
</tr>
<tr>
<td>Telephone/Cell</td>
<td>$60</td>
<td></td>
</tr>
<tr>
<td>Cable/Internet</td>
<td>$60</td>
<td></td>
</tr>
<tr>
<td>Personal</td>
<td>$60</td>
<td></td>
</tr>
</tbody>
</table>

**Total COL** $20,750

The above living allowance is then added to program tuition/fee costs to come up with the overall cost-of-attendance budget, and thus the maximum financial aid eligibility for students.

A few things to keep in mind when looking at the budget: 1) it assumes a modest, yet manageable, living allowance, 2) it is based on federal guidelines for what can be included (and based on provisions that these items reflect "reasonable" costs, and 3) graduate students living with their parents or students in executive-type programs (those working full time) are generally only given travel and miscellaneous allowances only. Also, most of the items, except for health insurance, are discretionary. If a student has higher room costs but is more frugal in other areas such as board or miscellaneous, the bottom line amount may still be sufficient to cover that student's living costs. Overall, the above categories are used as a guide for establishing and reviewing student budgets.

Finally, there is always a fine line between creating a reasonable budget and encouraging students to take on additional loan debt. Certain schools/programs may choose to deviate a bit from this standard budget based on their own knowledge of their student population or school recommendations.

**Roll Call**

Did NOT meet quorum!!!
Short 2 Professional Student reps!
Please make sure to designate proxy if you absolutely cannot come to meeting!

**Constitution Changes**

**Anne:**
- Change VC for Pluralism to VC for Equity and Access
- Add election rules as appendix
- Strike articles on provisional assembly (don’t need this now b/c we have a GA)
- Creation of Vice Chair exec position
- Select committee on pluralism to be formed at discretion of VC for Equity and Access
- International council added as Select Committee, chaired by VC International
- Relax requirements for exec members, eg. decide on a year to year basis who is serving on which committee, don’t prescribe in constitution
- VC Student Life – distribute some responsibilities to other positions
  - Monitor Ombudsman → Chair
  - Monitor judicial and grievance procedures → VC Research and Professional
  - Strike: share responsibilities with VCs International, Equity, Professional & Research
  - Add: main areas of concern: housing, safety, transit
- Vice Chairs Research, Professional
- Add seat on UC Steering Committee
- Executive Review:
  - Establish new position: Vice Chair (for???)
    - Assist chair in preparing meetings, agendas, reports, responsible for exec “internal affairs”
    - Acting Chair in Chair’s absence
    - Organize special events

Lucas: I wanted to quickly mention that exec board did have a Vice Chair, and when it was remodeled last year, there was a political struggle b/w having smaller or a larger exec board. As one of the people who spoke on the side of those who favored a smaller exec board, I no longer think the original reasons for eliminating the Vice Chair position are valid today.

Anne: the exec board can work more efficiently if we have more people on board.

What we will do is, we’ll send out the document – the old constitution with tracked changes that we suggest. We would ask you to go through this and see if you’re ok with that, and hopefully we’ll be able to have a vote on that on March 19. We need quorum for that.

**GradFest Reallocation**

Dan: gradfest has done a really good job at fundraising but we still need more to keep the tradition going. The proposal was to take out funds from social activities budget and from administrative budget that hasn’t been spent.

**Election of New VC for Communications**

Alina will be leaving the university. She is going to be taking a teaching position elsewhere. So we’re going to put the position out there. Ask your friends if they’re interested.

Lucas: I was going to talk about quorum. Since we’re trying to change the constitution, maybe we should think about if quorum is a danger for us to function well if we don’t reduce it.

Dan: there are pros and cons to that, and we’re open to discussing that.
Meeting adjourned: 9pm