

6. Higher Education

Direct Student Loan and Family Education Loan Programs

Pell Grants

Vocational and Technical Education State Basic Grants

Work-Study Program

Supplemental Educational Opportunity Grants

Perkins Loan Program

Educational and Training Vouchers Program for Youth Aging Out of Foster Care

Direct Student Loan and Family Education Loan Programs

Statutory Authority	Title IV of the Higher Education Act, as amended, 20 U.S.C. §§ 1070 and 1071 et seq.
Federal Agency	Office of Federal Student Aid, Department of Education
Program Type	<p>Subsidized and unsubsidized loans for students. This fact sheet covers the Federal Family Education Loan (FFEL) Program and the Federal Direct Loan (Direct Loan) Program. Both the FFEL and Direct Loan programs provide funds to students and together are generally known as Stafford Loans. The same loans are also available to parents, when they are known as Plus Loans. Federal Stafford/Plus loans are both subsidized and unsubsidized.</p> <p>The FFEL program makes loans to students and their families through some 3,500 private lenders. Thirty-five state and private nonprofit guaranty agencies administer the federal guarantee protecting FFEL lenders against losses related to borrower default. These agencies also collect on defaulted loans and provide other services to lenders. The FFEL program accounts for about 75 percent of new student loan volume.</p> <p>Under the Direct Loan program, the federal government uses Treasury funds to provide loan capital directly to schools, which then disburse loan funds to students. The Direct Loan program now accounts for about 25 percent of new student loan volume.</p>
Eligibility, General	<p>For any of the Direct Student Loans or Family Education Loans, the applicant must:</p> <ul style="list-style-type: none">◆ demonstrate financial need (except for a Stafford unsubsidized loan);◆ be a U.S. citizen or an eligible non-citizen;◆ demonstrate qualifications to enroll by one of the following means: high school diploma, GED certificate, passing test score on an approved ability-to-benefit test (ATB), meet home-school completion standard or other approved standard set by the state;◆ be enrolled or accepted for enrollment as a regular student working toward a degree or certificate in an approved associate, bachelor's or graduate degree program; and.◆ demonstrate satisfactory academic progress set by the postsecondary school
Eligibility, Other	<p>Individuals incarcerated in a federal or state penal institution are not eligible while incarcerated but are, once released. A student is not considered incarcerated if in a halfway house or home detention, or if serving time only on weekends. Ineligibility applies only to convictions on a student's record (not expunged or sealed juvenile records). Individuals with drug convictions are either barred for a period of time or, with a third offense, permanently barred from receiving aid.</p>
Eligibility, Financial	<p>Subsidized loans are awarded on the basis of financial need, determined from information provided on the Free Application for Federal Student Aid (FAFSA). The unsubsidized loans are not awarded on the basis of need.</p>

Youth in Transition

Student loans are not targeted towards youth in transition. However, a youth in transition would qualify for any of the loan programs if attending a postsecondary education program and meeting the other eligibility rules.

Activities

Federal student loan programs from the Department of Education provide a way for students to borrow money to pay for education after high school.

- ◆ Subsidized Direct Loan: The loan is made to the student and the Department of Education pays the student's interest on the loan while the student is in school.
- ◆ Unsubsidized Student Loan Program: The loan is made to the student. The student is responsible for interest that accrues while in school and is charged interest from the time the loan is disbursed until it is paid in full. Interest can be paid while in school or it may accumulate, in which case it will be added to the principal.
- ◆ PLUS Program. The loans are made to the parents of students and the same rules apply regarding interest and payback as under the direct loans to students (see above).

Through the federal consolidation program, loans to students and PLUS loans to parents can be consolidated after the student leaves school into a single loan for repayment purposes. Consolidated loans often obtain a more favorable interest rate. Repayment periods can also be extended for various reasons, including inability to repay due to low earnings.

- ◆ Dependent undergraduate students may borrow up to: \$2,625 if a first-year student enrolled in a program of study that is at least a full academic year; \$3,500 if a student has completed the first year of study and the remainder of the program is at least a full academic year; or \$5,500 a year if completed two years of study and the remainder of the program is at least a full academic year.
- ◆ Independent undergraduate students or dependent students whose parents have been denied a PLUS Loan may borrow up to: \$6,625 if a first-year student enrolled in a program of study that is at least a full academic year (at least \$4,000 of this amount must be in unsubsidized loans.); \$7,500 if a student has completed the first year of study and the remainder of the program is at least a full academic year (at least \$4,000 of this amount must be in unsubsidized loans), or \$10,500 a year if the student has completed two years of study and the remainder of the program is at least a full academic year (at least \$5,000 of this amount must be in unsubsidized loans.)
- ◆ Graduate or professional students, in most cases can borrow up to \$18,500 each academic year, at least \$10,000 of which must be in unsubsidized loans. In certain health-related professions (such as medicine, dentistry or optometry), students may be eligible to borrow an additional \$20,000 per academic year in unsubsidized Stafford loans.

The total debt that can be outstanding from all federal education loans combined is: \$23,000 as a dependent undergraduate student; \$46,000 as an independent undergraduate student (no more than \$23,000 may be subsidized); \$138,500 as a graduate or professional student (no more than \$65,000 may be subsidized), and \$189,125 as a professional student of medicine, dentistry or optometry (no more than \$65,500 may be subsidized).

The interest rate for federal loans is variable, but will never exceed 8.25 percent. The interest rate is adjusted each year on July 1.

After graduating, leaving school or dropping below half-time enrollment, students have a grace period of six months before they must begin repayment. The amount of each payment depends on the loan amount and on the length of the repayment period.

Funding

Funds available for new student loans:

New Direct Loans: FY 2005, \$13.9 billion; FY 2006 budget request, \$15.2 billion

New Federal Family Education Loans: FY 2005, \$42.9 billion; FY 2006 budget request, \$47 billion

Relevance for Youth with Serious Mental Health Conditions

These loans support youth who wish to pursue a college education and can benefit youth with serious mental health conditions. For many schools (particularly community college or state institutions) the loans can cover up to the full cost of undergraduate education. These loans are therefore a potentially significant benefit for students from low- and moderate-income families. Loans must be repaid after graduation, although deferments are possible in certain circumstances. Issues that may prevent a youth with serious mental health conditions from benefiting from these programs include the fact that to be eligible students cannot be enrolled less than half-time. Youth with convictions for drug offenses lose their eligibility for financial aid, either for a fixed period of time or, with a third offense, indefinitely.

Pell Grants

Statutory Authority	Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §1070a
Federal Agency	Office of Federal Student Aid, Department of Education
Program Type	Grants to individual students. Pell Grants are awarded to a student through the institution he or she is attending.
Eligibility, General	<p>Eligibility criteria are based on acceptance either into an undergraduate program or some post-baccalaureate programs and on financial need. Other factors that determine whether the individual receives a grant, and the amount of the grant, are the cost of the program or institution, whether the student is full- or part-time and whether the student attends for a full academic year or less.</p> <p>A student who is accepted into a program must complete the Free Application for Federal Student Aid (FAFSA) annually to apply for a grant.</p>
Eligibility, Financial	Whether an individual will receive a Pell Grant, and in what amount, depends on the student's expected family contribution. The Department of Education calculates what the family could possibly contribute, based on family income and assets. The lower the expected family contribution, the greater the possibility that a student will receive a Pell Grant and greater the likelihood of receiving the maximum amount of \$4,050.
Eligibility, Other	Incarcerated individuals are not eligible while incarcerated but are, once released. A student is not considered incarcerated if in a halfway house or home detention or only serving time on weekends. Ineligibility applies only to convictions on a student's record (not expunged or sealed juvenile records). Individuals with drug convictions are either barred for a period of time or, with a third offense, permanently barred from receiving aid.
Youth in Transition	Not targeted. Youth in transition would need to be accepted into an undergraduate program or an approved post-baccalaureate program. They would also need to meet the expected family-contribution standard.
Activities	<p>Pell Grants normally cover undergraduate study for only four years, but may extend to five years if the program is meant to be a five-year program. Grant awards are not extended if students need extra time to complete the degree. Schools can either apply the Pell Grant to outstanding tuition or fees or pay it directly to the student. Schools may use the grant to pay charges for tuition, fees and room and board without the student's permission.</p> <p>The maximum annual Pell Grant to an individual for 2005 was \$4,050. The FY 2006 budget proposes to raise this to \$4,150. Even with the increase in the maximum award, the maximum Pell Grant will cover only 39 percent of the cost of attendance at a four-year public college.</p>
Funding	<p>FY 2005, \$12.365 billion; FY 2006 budget request, \$13.199 billion</p> <p>Approximately \$4.7 billion of the FY 2006 request is to make up for a budget shortfall of \$4.3 billion in FY 2005 and the \$100 increase in the maximum student award.</p>

**Relevance for
Youth with Serious
Mental Health
Conditions**

Youth with serious mental health conditions who wish to pursue a college education can benefit from Pell Grants. While the grant level is not sufficient to cover all costs for most institutions, it is a significant amount for low-income families, whose children can receive the maximum level of support. Moreover, the costs of community colleges and public universities could be more affordable for youth who qualify and receive a grant. Unlike the various federal loan programs, Pell Grants do not have to be repaid. A youth with a drug conviction will either be barred for a period of time or, if it was for a third offense, permanently barred from receiving aid.

Vocational and Technical Education State Basic Grants

Statutory Authority	The Carl D. Perkins Vocational and Technical Education Act of 1998, Title I, 20 U.S.C. § 2301 et seq.
Federal Agency	Office of Vocational and Adult Education, Department of Education
Program Type	Formula grants to states
Eligibility, General	<p>Only State Boards for Vocational Education are eligible to apply for the State Basic Grants. Funds are distributed based on priorities established by the state in accordance with an approved state plan for vocational-technical education. States determine what share of these funds should be allocated to secondary and postsecondary institutions in the state.</p> <p>Generally, states distribute the funds by formula to local educational agencies, vocational and technical schools, community colleges and nonprofit programs that meet the law’s requirements. However, there is great variability in how the states allocate the funds between secondary and postsecondary programs.</p> <p>Individuals enrolled in a particular vocational education program that receives funds can then benefit from this funding.</p>
Eligibility, Other	Incarcerated individuals are not eligible while incarcerated but are, once released. A student is not considered incarcerated in a halfway house or home detention, or if serving time only on weekends. Ineligibility applies only to convictions on a student’s record (not expunged or sealed juvenile records). Individuals with drug convictions, once released, are either barred for a period of time or, with a third offense, permanently barred from receiving aid.
Youth in Transition	Not targeted, but youth in transition could benefit from this program if they participate in a program of vocational education that receives the funds.
Services	<p>This program provides support for state leadership activities, administration of a state plan for vocational and technical education, and grants to eligible local programs to improve vocational and technical education. Funding is not directed at creating new programs nor does it target specific populations. Rather the intent is to strengthen existing vocational education programs. Funds may be used for a variety of purposes:</p> <ul style="list-style-type: none"> ◆ occupationally relevant technology/equipment; ◆ vocational curriculum materials; ◆ materials for learning labs, curriculum development or modification; ◆ staff development; ◆ career counseling and guidance; ◆ efforts to integrate academic and vocational programs; ◆ remedial education; ◆ supplemental services for special populations; and ◆ expansion of technical preparation programs. <p>Services offered vary greatly between community colleges, nonprofits targeting a specific population and traditional vocational schools.</p>
Funding	FY 2005, \$1.194 billion; FY 2006 budget request, \$0

The Administration's FY 2006 budget proposes that funds for Vocational Education Basic State Grants be regrouped under the President's High School Intervention Initiative, which replaces seven programs: Vocational Education State Grants, Vocational Education National Programs, Tech Prep, Upward Bound, Talent Search, GEAR UP and Smaller Learning Communities. Total funding for all these programs in FY 2005 was \$2.170 billion. The President's FY 2006 for the combined High School Intervention Initiative is \$1.240 billion.

However, Congress is expected to renew the program and on May 4, 2005 the House passed a reauthorization bill (HR 366).

Evaluation

States are held accountable for the performance of the programs that receive federal funds. The Act requires that states report on 14 indicators for any program that receives federal funds, including:

- ◆ student attainment of challenging state-established academic, vocational and technical skill proficiencies;
- ◆ student attainment of a secondary school diploma or equivalent or a credential;
- ◆ placement in or completion of postsecondary education or advanced training, or placement in military service; and
- ◆ student participation in and completion of vocational and technical education programs that lead to nontraditional training and employment.

States must provide disaggregated data for students considered to be in a special population such as individuals with disabilities.

Relevance for Youth with Serious Mental Health Conditions

To receive these formula grants, states are required to submit five-year plans (revised annually) that include a description of how they will provide to special populations (including youth with serious mental health conditions) programs that prepare them for further learning and for skilled, well-paid careers. While there is the expectation that states will have strategies and services for youth with special needs, states are also given broad discretion to determine how they will allocate funding. States are likely to invest to varying degrees in programs for special populations, and programs for youth with serious mental health conditions must compete with other vocational education funding priorities. A youth with a drug conviction will either be barred for a period of time or, if it was for a third offense, permanently barred from receiving aid.

Work-Study Program

Statutory Authority	Higher Education Act of 1965, as amended, Title IV, Part C, 42 U.S.C. §§ 2751-2756b
Federal Agency	Office of Federal Student Aid, Department of Education
Type of Program	Formula grants to institutions of higher education to assist students in financing the cost of postsecondary education
Eligibility, General	<p>Institutions of higher education may apply for an allocation of funds that will then be awarded to undergraduate, vocational and graduate students enrolled or accepted for enrollment at the participating school. Institutional allocations are based on institutional requests for program funding under a statutory formula. Under the formula, funds are distributed to institutions, first on the basis of the institution's base guarantee plus the pro rata share received during the previous award year under the program and then on the basis of the aggregate need of the eligible students in attendance.</p> <p>Employers of Work-Study Program recipients must contribute 25 percent of the funding, except in the case of private, for-profit organizations, which must contribute 50 percent. The matching requirements can be waived by the Department of Education in cases where this could further the goals of the program.</p>
Eligibility, Financial	<p>Students receive awards from participating institutions after filing the Free Application for Federal Student Aid (FAFSA) with the Department of Education. Financial need of individual students is determined by the Department, using a standard formula established by Congress. The formula takes into account the financial information reported on the FAFSA and the expected family contribution. The fundamental elements in this formula are the student's and, in the case of dependent students, the parents' income and assets, the family's household size, and the number of family members (excluding parents) attending postsecondary institutions.</p>
Youth in Transition	<p>Not targeted. Although there is no specific age limit for Work-Study Program support, youth are the primary recipients. To be eligible, an individual youth needs to be willing to work while in a higher education program.</p>
Activities	<p>The federal Work-Study program provides funds (which the student earns through part-time employment) to students at more than 3,300 participating postsecondary institutions. Institutional financial aid administrators at the participating institutions have substantial flexibility in determining the amount of the award.</p> <p>Hourly wages for the part-time employment must be at least equal to the federal minimum wage. While pay is based on federal minimum wage standards, it varies with job requirements, skill and experience levels.</p> <p>Students may be employed by:</p> <ul style="list-style-type: none"> ◆ the institution itself; ◆ a federal, state or local public agency; ◆ a private nonprofit organization; or ◆ a private for-profit organization.

The Department of Education encourages colleges and universities to use Work-Study Program funds to promote community service activities. Institutions must use at least 7 percent of their allocation to support students working in community service jobs, including as reading tutors of preschool or elementary school children, mathematics tutors for students enrolled in elementary school through ninth grade or literacy tutors in a family literacy project, performing family literacy activities.

Funding

FY 2005, \$990 million; FY 2006 budget request, \$990 million

**Relevance for
Youth with Serious
Mental Health
Conditions**

Youth with serious mental health conditions who intend to attend a postsecondary institution can apply for a Work-Study Program grant that can supplement other student aid for which they may be eligible. Individuals with drug convictions, are either barred for a period of time or, with a third offense, permanently.

Supplemental Educational Opportunity Grants

Statutory Authority	Higher Education Act of 1965, as amended, Title IV, Part A, Subpart 3, 20 U.S.C. § 1070b-1070b-3
Federal Agency	Office of Federal Student Aid, Department of Education
Program Type	Formula grant/student grant
Eligibility, General	Allocations are made to eligible institutions to provide grants to needy undergraduate students attending the institution. Institutional allocations are based on requests for funding under a statutory formula. Under this formula, funds are distributed first on the basis of the institution's base guarantee plus the pro rata share received during the previous award year and second, on the basis of the aggregate need of the eligible undergraduate students. Institutions must contribute 25 percent of the funding.
Eligibility, Other	Incarcerated individuals are not eligible while incarcerated but are, once released. A student is not considered incarcerated if in a halfway house or home detention, or only serving time on weekends. Ineligibility applies only to convictions on a student's record (not expunged or sealed juvenile records). Individuals with drug convictions, are either barred for a period of time or, with a third offense, permanently.
Eligibility, Financial	The program provides need-based grants to low-income undergraduate students to promote access to postsecondary education. Grants are for undergraduates with exceptional financial need, that is, students with the lowest expected family contributions. Priority is given to students who receive federal Pell Grants.
Youth in Transition	Not targeted, but would qualify for a grant if attending a postsecondary institution that received these funds. The individual youth would need to have significant financial need in order to receive the grant.
Activities	<p>Students can receive Supplemental Educational Opportunity Grants at any one of approximately 3,800 participating postsecondary institutions. Institutional financial aid administrators at the participating institutions determine the exact amount of the award. Between \$100 and \$4,000 a year is available for a student, depending on when the student applies, his or her level of need and the funding level of the school attended. Students do not have to repay these grants.</p> <p>Unlike the federal Pell Grant program, there's no guarantee that every eligible student at a school will be able to receive a Supplemental Education Opportunity grant. Students at each school are paid based on the availability of funds.</p>
Funding	FY 2005, \$779 million; FY 2006 budget request, \$779 million
Relevance for Youth with Serious Mental Health Conditions	Financially needy youth with serious mental health conditions who intend to attend a postsecondary institution can apply for a federal Supplemental Educational Opportunity Grant that will provide some level of financial aid. A youth with a drug conviction will either be barred for a period of time or, if it was for a third offense, permanently barred from receiving aid.

Perkins Loan Program

Statutory Authority	Higher Education Act of 1965, as amended by P.L. 105-332, Title IV, Part E, 20 U. S. C. §§ 1087aa-1087ii
Federal Agency	Office of Federal Student Aid, Department of Education
Program Type	Federally guaranteed low-interest Perkins Loans are awarded to a student through the institution he or she is attending.
Eligibility, General	The Perkins Loan program provides low-interest loans to help needy students finance the costs of postsecondary education. Students can receive Perkins loans at any one of approximately 2,000 participating postsecondary institutions. Institutional financial aid administrators at participating institutions have substantial flexibility in determining the amount of Perkins Loans to award to students who are enrolled or accepted for enrollment.
Eligibility, Financial	Financial need is determined through a formula based on financial information reported by the student on the Free Application for Federal Student Aid (FAFSA). This information determines the student's expected family contribution (EFC). The formula assesses the student's (or in the case of dependent students, the parents') income and assets, family size and number of family members attending postsecondary institutions.
Eligibility, Other	Incarcerated individuals are not eligible while incarcerated but are, once released. A student is not considered incarcerated if in a halfway house or home detention, or only serving time on weekends. Ineligibility applies only to convictions on a student's record (not expunged or sealed juvenile records). Individuals with drug convictions are either barred for a period of time or, with a third offense, permanently.
Youth in Transition	Not targeted, but youth in transition may qualify for Perkins loans if they have been accepted into a postsecondary institution that provides financial aid to its students. They would need to meet the required eligibility guidelines, such as completing a FAFSA and meeting the financial-needs requirements.
Activities	<p>This campus-based program provides low-interest loans to undergraduate, graduate and professional students. Loan funds are provided through new Federal Capital Contributions, institutional matching funds and collections from prior borrowers. Part or all of the loan may be forgiven for borrowers who work in certain occupations. This has helped provide law enforcement officers, teachers and nurses to many rural and inner-city areas.</p> <p>Undergraduates may borrow up to \$4,000 per year, up to a maximum of \$20,000. Graduate students may borrow up to \$6,000 per year, up to a maximum of \$40,000 (including any undergraduate Perkins Loans). The amount awarded depends on both the student's financial need and the school's level of funding.</p> <p>In 2002-03, the Federal Perkins Loan Program provided new federal loan funds to more than 728,000 students at about 1,750 postsecondary institutions. The average loan was \$2,003. Nearly half of undergraduate dependent borrowers were from families with incomes of \$30,000 or less. In FY 2004, \$98.8 million was provided to students.</p>

Since its inception, more than 10 million students have received more than \$15 billion in loans from the Perkins program. A key factor of the program's success is the central role of the college that originates, services and collects the loans, while providing loan counseling for the borrower.

Institutions of higher education may apply for an allocation of funds to be awarded to undergraduate, vocational and graduate students enrolled or accepted for enrollment at participating schools.

Payments on Perkins loans begin nine months after graduation (or when the student leaves school for any reason). Students may take up to 10 years to pay back Perkins loans. In some cases, they may postpone loan repayments through deferments or forbearance procedures.

Borrowers who undertake certain public, military or teaching service employment are eligible to have all or part of their loans canceled. In general, schools are reimbursed for 100 percent of the principal amount of the loan canceled, and the reimbursement must be reinvested in the school's revolving loan fund. These institutional reimbursements for loan cancellations are an entitlement.

Funding

FY 2005, \$66.1 million; FY 2006 budget request, \$0

**Relevance for
Youth with Serious
Mental Health
Conditions**

Perkins loans are low-interest loans to help needy students. Loans may be for varying percentages of the costs of the education, and must be repaid upon graduation, although deferments are possible in certain circumstances. These loans could benefit students with serious mental health conditions by putting the cost of a community college or public university education within reach even of youth with very modest incomes and resources. A youth with a drug conviction will either be barred for a period of time or, if it was for a third offense, permanently barred from receiving aid.

Educational & Training Vouchers Program for Youths Aging Out of Foster Care

Statutory Authority	Section 477 of Title IV-E, Social Security Act, 42 U.S.C. § 677(a)(6). The Educational and Training Vouchers Program for Youth Aging out of Foster Care adds a sixth purpose to the Chafee Foster Care Independence Program (see section 7).
Federal Agency	Children’s Bureau, Administration for Children and Families, Department of Health and Human Services
Program Type	Discretionary funding that is allotted to states using the same formula as for the Chafee Independence program (see section on Independent Living for Special Populations)
Eligibility, General	Youth in foster care and youth adopted from foster care who are seeking post-secondary education and training are eligible.
Eligibility, Age	Youth are eligible after they reach 16. Individuals participating in the voucher program on the date they turn 21 remain eligible until they are 23, as long as they are enrolled in a postsecondary education or training program and are making satisfactory progress toward completion of that program.
Youth in Transition	Targeted
Services Covered	<p>The program is designed to assist students aging out of foster care to prepare for and enter postsecondary training and education institutions. The program provides resources to states for vouchers of up to \$5,000 per year per person. The program supplements the assistance authorized in the Chafee Independence Program (see separate fact sheet).</p> <p>Vouchers may be used for a variety of services and supports designed to help the youth attend and satisfactorily complete postsecondary education or training at an institution of higher education (as defined in Section 102 of the Higher Education Act of 1965). Funds may be used for tuition, fees, books, equipment (such as computers), supplies, uniforms, housing, internships, school-related travel and other purposes.</p>
Funding	<p>FY 2005, \$46.6 million; FY 2006 budget request, \$60 million</p> <p>Although Congress authorized \$60 million for the education and training voucher program when it was created in 2001, appropriators have never fully funded the program.</p>
Evaluation	The National Child Welfare Resource Center for Youth Development was commissioned by the Administration for Children and Families to study how states were implementing their Education and Training Voucher programs and to identify strategies that appeared to be working. The study focused on how states carried out the outreach, application, implementation and collaboration components of the voucher program. The study suggests that Education and Training Voucher programs should adhere to four core principles—youth development, collaboration, cultural competence and permanent connections—and that successful voucher programs will

involve youth in all phases of the program, promote community and interagency collaboration, strive to be culturally competent, and assist youth in developing lifelong permanent connections.

**Relevance for
Youth with Serious
Mental Health
Conditions**

This program has strong potential for assisting youth with serious mental health conditions who are aging out of foster care and are engaged in postsecondary education or job training. A strength of the program is that it can provide assistance to youth up to age 23, a higher age limit than most transition programs, although not as high as might be required developmentally.

On the other hand, the amount of the voucher (\$5,000), while helpful, may fall short of the costs of post-secondary education and, therefore, may not be sufficient to enable youth to pursue a college career. Furthermore, the appropriation for this program is limited and it is likely that many youth in need cannot be served.