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VPEP CHECKLIST

- Complete the Intent to Enroll Form, and mail it to us at **9001 Arboretum Parkway, Richmond, Virginia 23236**, or by fax at toll-free **1-866-757-1295**. Please ensure that we receive this Form no later than **May 19, 2011**. Submit an Intent to Enroll Form even if you are not planning to use your benefits—this lets us know your status.
- Both the account owner and the beneficiary (student) must sign the Intent to Enroll Form and it **MUST** include the student’s school identification number.
- Make sure you send in a new Intent to Enroll Form if any information on the original Intent to Enroll changes (if you transfer to another school or elect to sit out a semester).
- If it will benefit you to roll a year of your VPEP contract to VEST for the upcoming academic year, we will contact you in writing.

**Virginia Prepaid Education Program
 2011-2012 Benefits Guide**

This booklet is intended to help you and your family understand how you can get the maximum benefit from your Virginia Prepaid Education Program (VPEP) contract. **Please read all of the information in this booklet carefully.**

This booklet provides important information about the federal financial aid reporting requirements and addresses the most frequently asked questions about using your benefits and processing payments. Please also refer to your Master Agreement, which is the contract document that governs your VPEP benefits. If you have additional questions or special circumstances, please visit our website at **Virginia529.com** or call us toll free at **1-888-567-0540**.

*On behalf of everyone at the Virginia College Savings Plan,
 congratulations and best wishes for
 the future!*

GETTING STARTED

How do I begin using my Virginia Prepaid Education Program benefits?

The **Intent to Enroll Form** must be submitted before benefits can be disbursed from your VPEP account. **If you have previously submitted an Intent to Enroll Form and all the information provided on that Form is still accurate, you DO NOT need to submit a new Intent to Enroll Form.** Both the account owner and the beneficiary **must** sign the Intent to Enroll Form. The student's Social Security number and school ID number **MUST** be included on the Intent to Enroll Form. Failure to provide these identification numbers means that your Intent to Enroll Form cannot be processed. This form authorizes us to disclose the student's name and identification numbers to the educational institution indicated on the form and to request that the institution invoice VCSP each semester. This is necessary to ensure proper credit on your account.

If you have more than one VPEP contract for your student and would like to use your benefits continuously, list all of your account numbers on one Intent to Enroll Form. Your contracts will be used and depleted in the same order they were purchased. Should you wish to designate the order in which your accounts are used, you will need to submit a new Intent to Enroll Form, designating each subsequent account, until all accounts are depleted.

Even if you are not going to use your benefits during the 2011-2012 academic year, you must submit an Intent to Enroll Form stating that you do not intend to use your benefits at this time. You must submit a new Intent to Enroll Form if you have used your VPEP benefits for a semester and then decide NOT to continue using the benefits for the next semester in order to let us know that you do not want benefits paid during that semester.

Send the Intent to Enroll Form to us by May 19, 2011. We will then contact the college or university you've selected to arrange payments directly to the school. We are unable to make any payment arrangements or distributions until we receive your completed Intent to Enroll Form and your VPEP account is paid in full. ***It is CRITICAL that you send your completed Intent to Enroll Form as soon as your student selects his/her school so that we can notify the school of the VPEP benefits available and begin making the appropriate payment arrangements.***

What is the Student's Identification number?

The Student Identification Number is the number assigned to your student by his or her college or university. This is the number that is used to identify your student at his or her school. Many of the schools will assign this number to your student in the acceptance letter. This number is used in place of the student's Social Security Number. If the Intent to Enroll Form is received without the Student's Identification number, it will not be processed, which could delay payment to the school or result in your student being dropped from class rosters.

I am eligible to begin using my VPEP benefits, but I am not going to college right away. What are my options?

If you do not plan to use your VPEP benefits this year, indicate this on the Intent to Enroll Form and return it to us. You will need to submit an updated Intent to Enroll Form at the time you plan

to use your benefits. Fax this form to us toll free at 1-866-757-1295 or mail it to us at 9001 Arboretum Parkway, Richmond, Virginia 23236.

VPEP beneficiaries have at least 10 years after their projected high school graduation date to use VPEP contract benefits. In addition, any years served as an active-duty member of any branch of the United States Armed Services are added to the 10-year limit. An account owner may request an extension of the 10-year limit.

In addition, VPEP benefits may be transferred to a member of the family (see “Member of the Family” definition in the Master Agreement) as long as the new beneficiary had not completed ninth grade at the time the contract was purchased.

VPEP contracts may be cancelled at any time. If the account owner has owned the contract for at least three years, the account owner will receive a refund of the amount paid for the contract plus the reasonable rate of return. The account owner must pay income tax on the earnings portion of the refund, and the earnings are subject to an additional tax of 10 percent, which must be reported on the taxpayer’s federal tax return. If an account is cancelled for a reason other than the beneficiary’s death, disability or receipt of a scholarship, deductions previously taken from the account owner’s Virginia taxable income as a result of VPEP payments will have to be included in the account owner’s Virginia taxable income in the year the refund is received.

I need to send a deposit to hold my place in the entering class. How will this payment affect my VPEP benefits?

Some schools require a deposit when the student accepts an offer of admission. Refundable or non-refundable deposits are not paid by VPEP and must be paid by the student. Some schools apply a student’s deposit, or a portion of it, to tuition and mandatory fees, which are covered by VPEP. In these cases, when VPEP sends the school full payment for the student’s tuition and fees after the add-drop period, it may result in a partial credit to the student’s school account. The credit may be used by the student to cover other charges, or refunded, as determined by the school.

VPEP PAYMENTS

What schools are eligible to receive VPEP payments?

Federal law (Internal Revenue Code Section 529) requires that VPEP payments be made for attendance at an “eligible educational institution” in order to be tax-free. Generally, this means any accredited post-secondary educational institution offering credit toward an associates’ degree, a bachelor’s degree, a graduate-level or professional degree, or another recognized post-secondary credential. The institution must be eligible to participate in federal student financial aid programs under Title IV of the Higher Education Act of 1965 in order for VPEP to make payments to the institution. Schools that are eligible for these programs will have a “Federal School Code.” A listing of eligible schools is on the U.S. Department of Education’s website, www.fafsa.ed.gov, under the School Code Search section. Higher education institutions that choose not to participate in federal student financial aid programs or that are not accredited do not meet the definition of “eligible educational institutions” for purposes of qualified distributions from VPEP.

What information must I provide for VPEP to make payments to my school?

Once we receive your completed Intent to Enroll Form, we will contact your school to begin the payment process and to verify the amounts to be paid. Your Intent to Enroll Form authorizes us to communicate with the school and to make payments directly from your VPEP account. Each semester, schools are provided with a roster listing students with VPEP contracts who plan to use their benefits that semester. The receipt of this roster authorizes the school to submit an invoice requesting payment from VPEP on a semester-by-semester basis. If, for any reason, you do not want to use your VPEP benefits for a semester, you must notify us in writing.

Although we provide each college with a student roster, some community colleges and out-of-state schools may also require students using VPEP benefits to notify the college's Student Accounting Office at the time of registration. Please check with your community college or out-of-state school to determine if this additional notification is required. If it is, and the student fails to provide the proper notification, the community college or out-of-state school may expect payment of all tuition and fees at registration or may drop the student's classes.

We are unable to make payment arrangements until we receive your completed Intent to Enroll Form and your account is paid in full. It is critical that you submit your completed Intent to Enroll Form promptly to avoid the possibility of your student's class selections being dropped or his/her student account being frozen because the school is unaware of your intention to use VPEP benefits.

When will VPEP make payments to my school?

Generally, VPEP makes payments directly to your school after each semester's add-drop period and upon receipt of an invoice from the school. As part of the invoicing process, the school will confirm a student's enrollment and verify full- or part-time enrollment status. This minimizes the possibility of refunds, which may result in the imposition of federal tax penalties. This process is dependent upon your providing VPEP with a completed Intent to Enroll Form. Because the schools invoice VCSP after each semester's add-drop period, you may receive an invoice from the school that includes the portion of tuition and mandatory fees covered by your VPEP contract, as well as any additional funds you owe, such as room and board charges. **Do not** pay the school for tuition and mandatory fees covered by your VPEP contract, as VPEP **will not** reimburse you. Pay only any additional amount that you owe. If you fail to pay additional amounts due, such as room and board or other miscellaneous fees or costs that are not covered by your VPEP contract, you may be assessed late fees by the college or university.

The due date on your invoice does not apply to tuition and mandatory fees to be covered by your VPEP contract. The billing systems at some higher education institutions cannot produce multiple segregated invoices. Therefore, they must continue to produce invoices reflecting the entire account balance due, including sums for tuition and fees, even though the account is flagged as having a guaranteed VPEP payment.

If we must expedite a payment because your Intent to Enroll Form is late, or is not complete, you may be charged a \$50 fee, as indicated in the VPEP fee schedule. VPEP is not responsible for any late fees charged by the school if payments were delayed by your failure to submit completed forms on a timely basis.

How are payments made?

We make payments either electronically or by check directly to the school for application to your account.

How does VPEP make payments if I enroll as a part-time student?

Students who attend college part time should consider transferring their VPEP benefits on a year-by-year basis to VEST. This may result in a higher level of benefits for part-time students. VPEP benefits may be used on a fractional basis, but this may result in a lower payment than for a full-time student because of the limited number of registrations that may be paid and the school's method of determining tuition costs.

Can community college benefits be used at a four-year college or university, or vice versa?

A one-year community college contract will cover approximately one-third of the annual in-state undergraduate tuition and mandatory fees at a Virginia public four-year college or university. Conversely, a one-year university contract will cover approximately three years of community college tuition and fees. Any unused benefits may be refunded to the account owner (though tax penalties may apply), or may remain with VPEP for at least 10 years to be applied toward future higher education costs. You may also roll over your VPEP benefits to a VEST account and use the funds for other qualified higher education expenses.

What if I withdraw from school after the add-drop period?

If you withdraw after payments have been made from your VPEP account, your school may send you a refund of all or part of your VPEP distribution, depending on the school's refund policy. Any such refund could then be considered a non-qualified distribution if you do not have other qualified higher education expenses that equal or exceed the refund amount.

Federal law provides that earnings on all non-qualified distributions are taxable as ordinary income and will be subject to an additional tax of 10 percent of earnings, reported on the taxpayer's federal tax return. Please see IRS Publication 970, "Tax Benefits for Education," available at www.irs.gov, or by calling the IRS toll free at 1-800-829-3676.

Non-qualified distributions may require the recapture of some or all amounts, if any, that the account owner had deducted as a contribution to a VPEP account from his or her Virginia taxable income.

What if I transfer to a different school for my second semester or in subsequent years?

VPEP pays benefits on a semester-by-semester basis, so you will be able to apply your benefits to the new school. **You must notify us as soon as possible by submitting a new Intent to Enroll Form if you are planning to transfer so that we will have time to make payment arrangements with the new school.** If you do not let us know that you are transferring, we may pay your benefits to the first school, and you will need to make arrangements for a refund from that school.

How do I use my benefits if I have more than one VPEP contract or a combination contract?

If you have more than one VPEP contract for your student and would like to use your benefits continuously, list all of your account numbers on **one** Intent to Enroll Form. Your contracts will be used and depleted in the same order they were purchased. Should you wish to designate the order in which your accounts are used, you will need to submit a new Intent to Enroll Form, designating each subsequent account, until all accounts are depleted.

If you have a combination VPEP contract, such as a two-year university/ two-year community college contract, please indicate on your Intent to Enroll Form which years of your contract you wish to use first, the community college years or the university years. If you do not indicate which years to use, the community college years will be used and depleted first.

CONTRACT BENEFITS

What are mandatory fees?

Mandatory fees are those fees that are charged as a condition of enrollment for all students attending a particular college or university, regardless of their major or program of study. Generally, these fees include student activity fees, technology fees, and orientation fees charged to all enrolled students. Examples of fees not covered include lab fees for a particular class, fees unique to a particular major or course of study such as engineering or nursing, parking fees or parking decals charged only to certain students, individual fees for intramural sports or clubs, and any other incidental or optional fee. VPEP does not cover room and board charges, textbooks, supplies or computers, even if they are listed on a school invoice as a requirement. The student or his or her family is responsible for paying fees and charges that are not covered by VPEP.

How much will VPEP pay if I attend a Virginia public two- or four-year college or university?

VPEP will pay the in-state undergraduate tuition and all mandatory fees for the normal full-time course load for students enrolled in a general course of study. Additional charges for a specific course of study, such as nursing or engineering, or for more than a full-time course load are not covered by VPEP contracts. The number of credit hours that constitutes a full-time course load varies by higher education institution. For additional information about the full-time course load for a specific school, contact us toll free at 1-888-567-0540 or by e-mail at vcspinfo@virginia529.com.

Payments will be made on a semester-by-semester basis for the type of school and number of VPEP contract years purchased. Payments will be made directly to your school each semester following the school's add-drop period and upon receipt of an invoice from the school. Do not pay the school for tuition and mandatory fees that are covered by your VPEP account as VPEP will not reimburse you. VPEP payments **to Virginia public colleges** will not exceed the actual cost of the in-state undergraduate tuition and mandatory fees. You may be notified that you will

receive a higher return from your VPEP contract if you select the alternate payment option described on **page 9**.

How much will VPEP pay if I attend a Virginia independent (private) college or university?

VPEP will pay Virginia private schools, including certain private career schools, the **lesser** of 1) the payments made on the contract plus the actual rate of return **or** 2) the highest in-state undergraduate tuition and mandatory fees at a Virginia public school in the same academic year the benefits are used. The amount of VPEP benefits for Virginia private schools is likely to be less than the highest or even the average Virginia public college tuition and mandatory fees.

All payments will be made directly to the school on a semester-by-semester basis following the school's add-drop period and upon receipt of an invoice from the school. The student or his or her family is responsible for any additional expenses not covered by VPEP.

Because of the statutory payment formula capping private school payments at the highest in-state tuition and mandatory fees at Virginia public schools, you may be notified that you will receive a higher return from your VPEP contract if you select the alternate payment option described on page 9.

How much will VPEP pay if I attend a public or private college or university outside Virginia?

VPEP will pay the **lesser** of 1) the payments made on the contract plus interest at the composite reasonable rate of return **or** 2) the average in-state undergraduate tuition and mandatory fees at Virginia public schools for the same academic year the benefits are used. The amount of VPEP benefits for public or private colleges outside Virginia is likely to be less than the highest or even the average Virginia public college tuition and fees. All payments will be made directly to the school on a semester-by-semester basis following the school's add-drop period and upon receipt of an invoice from the school. The student or his or her family is responsible for any additional expenses not covered by VPEP. Some out-of-state schools may require a student to complete a third-party release in order to invoice VPEP. Check with your school's student accounting office to determine if this is required.

Because of the statutory payment formula capping out-of-state payments at the average in-state tuition and mandatory fees at Virginia public schools, you may be notified that you will receive a higher return from your VPEP contract if you select the alternate payment option described on page 9.

What is the reasonable rate of return?

The reasonable rate of return tracks the quarterly performance of the Institutional Money Funds Index as reported in the Money Fund Monitor by iMoneyNet. The following table shows the rate history since VPEP's inception.

Reasonable Rate of Return:

Date Range	Yield	Date Range	Yield
9/1/1996 - 8/31/1997	4.00%	1/1/2006 - 3/31/2006	3.59%
9/1/1997 - 8/31/1998	4.50%	4/1/2006 - 6/30/2006	4.07%
9/1/1998 - 8/31/1999	5.00%	7/1/2006 - 9/30/2006	4.52%
9/1/1999 - 8/31/2000	5.00%	10/1/2006-12/31/2006	4.89%
9/1/2000 - 9/30/2001	5.00%	1/1/2007 - 3/31/2007	4.92%
10/1/2001 -12/31/2001	4.00%	4/1/2007 - 6/30/2007	4.93%
1/1/2002 - 3/31/2002	2.11%	7/1/2007 - 9/30/2007	4.91%
4/1/2002 - 6/30/2002	1.57%	10/1/2007-12/31/2007	4.82%
7/1/2002 - 9/30/2002	1.49%	1/1/2008 - 3/31/2008	4.39%
10/1/2002-12/31/2002	1.43%	4/1/2008 - 6/30/2008	3.19%
1/1/2003 - 3/31/2003	1.22%	7/1/2008 - 9/30/2008	2.12%
4/1/2003 - 6/30/2003	0.95%	10/1/2008-12/31/2008	1.98%
7/1/2003 - 9/30/2003	0.85%	1/1/2009 - 3/31/2009	1.23%
10/1/2003-12/31/2003	0.67%	4/1/2009 - 6/30/2009	0.47%
1/1/2004 - 3/31/2004	0.67%	7/1/2009 - 9/30/2009	0.22%
4/1/2004 - 6/30/2004	0.66%	10/1/2009-12/31/2009	0.10%
7/1/2004 - 9/30/2004	0.68%	1/1/2010 - 3/31/2010	0.05%
10/1/2004-12/31/2004	1.03%	4/1/2010 - 6/30/2010	0.03%
1/1/2005 - 3/31/2005	1.52%	7/1/2010 - 9/30/2010	0.04%
4/1/2005 - 6/30/2005	2.04%	10/1/2010 - 12/31/2010	0.07%
7/1/2005 - 9/30/2005	2.56%	1/1/2011 - 3/31/2011	0.05%
10/1/2005-12/31/2005	3.05%		

Will VPEP pay benefits to private career schools?

VPEP will pay benefits to accredited private career schools that are eligible to participate in federal student financial aid programs. Eligible career schools in Virginia will be paid as if the student were attending a Virginia independent (private) college or university as previously described. Eligible career schools located in other states will be treated like any other out-of-state public or private college or university. Please contact us toll free at 1-888-567-0540 for more detailed information on whether VPEP benefits may be paid to a particular private career school.

Will VPEP pay benefits to a study abroad program or to universities outside the United States?

VPEP will make payments to foreign schools that meet the federal definition of an “Eligible Educational Institution.” Contact us toll free at 1-888-567-0540 to determine whether VPEP payments to a specific foreign school qualify under Section 529 or check the listing of eligible schools on the U.S. Department of Education’s website, www.fafsa.ed.gov under the School Code Search section.

If the student is studying abroad through a program sponsored by an eligible educational institution, and VPEP is invoiced from that qualified institution, the payout will be the same dollar amount that VPEP would pay if the student were attending that institution. Any differential in the costs to study abroad will be the student’s responsibility and will not be covered by VPEP.

How will my benefits be affected if I attend summer school or a mini-session?

If you are considering using your VPEP benefits for summer school or a mini-session, call us at 1-888-567-0540 to discuss how this may affect your VPEP benefits. VPEP contracts cover up to two semesters per academic year. Use of VPEP benefits for summer school or mini-sessions, for which there is an extra charge, is not covered under your VPEP contract. If you choose to use your VPEP benefits for these additional courses, it will result in reduced benefits in the final semester of your VPEP contract usage.

How do I complete my Intent to Enroll Form if I am attending more than one college or university during a semester (Dual Enrollment)?

Attendance at more than one college or university during a semester is considered **dual enrollment**. In some instances, students may enroll full-time at one college or university and choose to take one or more courses, on a part-time basis, at another college or university. If your student is enrolled at more than one college or university, and you want to use your VPEP benefits at both institutions, please list each college or university that your student is attending on one Intent to Enroll Form. Keep in mind that it may not be cost beneficial to use your VPEP benefits at multiple schools simultaneously, particularly if attendance at one school is part-time. If your student’s dual enrollment changes or is discontinued, you do not have to fill out a new Intent to Enroll Form. However, you must notify us in writing that you no longer wish to use your VPEP benefits at multiple schools. Please be sure to indicate in your notification which college or university your student will continue to attend. Should you have questions about using your VPEP benefits for dual enrollment please contact us.

ALTERNATE PAYMENT OPTION

What if my contract payments plus reasonable rate earnings are more than the tuition and mandatory fees at my school?

VPEP will automatically calculate your benefits each year that you attend college to determine if you would receive a higher return from your VPEP contract by selecting the alternate payment (described below) instead of payments under the formulas defined in VPEP's Master Agreement and in this document. If it is in your best financial interest to select the alternate payment, we will notify you of this option over the summer.

What is the alternate payment?

The alternate payment is available when the amount VPEP would pay to a school is less than the amount you paid for your contract for that year plus the reasonable rate of return. In this situation, you may transfer the amount you paid for your VPEP contract for that year plus the reasonable rate of return to a Virginia Education Savings Trust (VEST) account. You may then request a distribution from your new VEST account to be applied toward tuition and fees, as well as toward other qualified higher education expenses, including room and board. **If you choose the alternate payment, you must send us a Distribution Request Form to initiate any distribution from your VEST account, including payments for tuition and mandatory fees.** Once an academic year's benefits are rolled from VPEP to VEST, no payment will be issued from your VPEP account for that academic year unless you specifically request, in writing, that tuition and fees should also be paid from any remaining years of your VPEP contract. Using additional benefits from your VPEP contract once funds have been rolled to VEST for a specific academic year will accelerate the depletion of your VPEP benefits.

There are no transfer or application fees charged to open a new VEST account to receive the alternate payment. You may roll over one or more years of your VPEP contract to VEST. Due to tuition increases, however, we recommend that you roll over only one year of your benefits at a time. **Once you have rolled your VPEP benefits over to VEST, you cannot reinstate your VPEP contract.**

In deciding whether to roll your VPEP contract over to VEST, keep in mind the possibility of mid-year tuition increases. While mid-year tuition increases are not anticipated for 2011-2012, they are nevertheless possible. Once you have rolled over a year of your VPEP contract to VEST, we are unable to reinstate the VPEP contract for second-semester payments.

Why do I need to open a VEST account to get the higher payment?

VPEP contract payments are limited to tuition and mandatory fees. In addition, there are statutory caps on payments to Virginia private and out-of-state schools. Rolling over to a VEST account will give you the flexibility to apply your benefits (including any additional interest earnings) toward other qualified higher education expenses. While you are not required to roll over your VPEP contract to a VEST account, if you choose not to do so, you may receive a lower payment to your school under the applicable VPEP formula. Your VPEP account is a defined benefit. This means the decision **not** to roll over one or more years **does not** increase your benefits for future years.

How will I know whether I am better off transferring my VPEP benefits to VEST this year?

We will calculate this for you when next fall's tuition and mandatory fee costs for Virginia public colleges are released. **We cannot begin this process until we have received your Intent to Enroll Form.** If you will receive more money by rolling your VPEP benefits for 2011-2012 into a VEST account, we will notify you of this option over the summer. All necessary paperwork to roll over one or more years of your VPEP contract to VEST will be included in the notification. All documentation must be received by the specified deadline to ensure that payments are not made from your VPEP account. Once a payment is made for a semester from your VPEP account, you lose the option to roll remaining VPEP benefits for the current year to VEST. You may only roll VPEP benefits to VEST in one-year increments.

We will calculate this for you each academic year until your benefits are depleted, and we will continue to notify you if this option is to your benefit. If you receive notification one year but do not receive notification the next year, payment from your VPEP account is in your best financial interest. If you do not receive a subsequent notification from us and have questions about whether you should roll over additional years, contact us at 1-888-567-0540.

What is involved in rolling my VPEP contract benefits for this year into a VEST account?

If you already have an existing VEST account for the same beneficiary, you only need to complete the Rollover Request Form. You are not required to open a new VEST account if you already have a VEST account for the same beneficiary and you want the VPEP transfer to go into the portfolio selected for the existing VEST account.

If you do not have an existing VEST account, you will be required to sign the letter that will be mailed to you indicating that it is cost beneficial for you to roll one year of your VPEP account to VEST. The VEST account will automatically be created for you that reflects the information on your VPEP account. The VEST account will be set up to have the portfolio selection of Piedmont (100% stable value).

If you wish to change your portfolio after your account has been set up, you may use your one time per year Investment Direction change option.

If I roll my first year of VPEP benefits into a VEST account, may I withdraw the entire amount for first-semester costs?

Yes. If you have qualified higher education expenses (defined in the VEST Program Description) such as tuition, fees, textbooks, or room and board costs¹, you may withdraw your entire account balance to pay these expenses. **This may deplete your account, however, and leave you without any funds to cover second-semester costs.**

Am I allowed to roll my entire VPEP contract (more than one year) over into a VEST account?

Yes. You may roll your entire VPEP contract over into a VEST account at any time at no charge. You may, however, wish to compare the benefits each year. Since VEST accounts are not guaranteed to cover tuition or any other cost, the amount you would have received under your VPEP contract in subsequent years may be higher than the return on your VEST account. **Once you roll your VPEP contract over to VEST, it is not possible to reinstate your VPEP account.**

Why can't you tell me now the exact amount you will pay under my contract?

Three factors that enter into payment calculations can only be estimated before the VPEP payment is actually made. First, the 2011-2012 cost of tuition and mandatory fees at Virginia's public colleges and universities is not available until early summer. Second, calculations for VPEP payments depend upon the type of college selected and its location. Third, payments that involve interest calculations continue to earn interest through the second quarter of the calendar year. This means that any payment amount we calculate earlier is only an estimate.

FINANCIAL AID

How will my VPEP benefits affect my application for financial aid?

For need-based financial aid, VPEP contract benefits are reported on the Free Application for Federal Student Aid (FAFSA) if the contract is owned by the student's parent whose assets are reported on the FAFSA. (The FAFSA is the application most colleges and universities use for determining federal need-based financial aid eligibility.) Instructions for completing the FAFSA indicate that students who must report parental information should report all qualified educational benefits or education savings accounts owned by their parents, including "529 college savings plans" (VEST, CollegeAmerica or CollegeWealth) and the "refund value of 529 state prepaid tuition plans" (VPEP). Approximately 5.6% of the value of Section 529 college savings plans and prepaid tuition plans will be included in the calculation of federal financial aid eligibility.

¹ Under IRC Section 529, the eligible room and board cost for a student living on campus is the actual amount invoiced by the Eligible Educational Institution. For students living off campus or at home, the allowable amount for room and board expenses is the applicable room and board amount for that period used by the Eligible Educational Institution in determining its cost of attendance. VEST account distributions may only be used for room and board costs for students enrolled at least half time. Please see the complete definition of "Qualified Higher Education Expenses" in the VEST Program Description for more detailed information.

Federal legislation also provides that Section 529 accounts owned by dependent students will be treated as parental assets. The same legislation clarifies that tax-free (qualified) distributions from Section 529 accounts are not considered income to the student in the following year's financial aid determination.

The value of VPEP contracts owned by someone whose assets are not reported on the FAFSA (such as grandparents, aunts, or uncles) are NOT reported on the FAFSA.

The receipt of contract benefits should not affect the beneficiary's receipt of merit-based financial aid (academic or athletic scholarships, for example). Ownership of a VPEP contract also will not be taken into account when determining a student's eligibility for Virginia financial aid. VPEP benefits do not affect a student's eligibility for a Virginia Tuition Assistance Grant for Virginia residents who attend an eligible, independent, nonprofit institution of higher education in Virginia.

Some schools will withhold a student's federal loan money until your VPEP benefits are paid. Please contact your school's financial aid office to determine their policy on third-party payments. VPEP has no control over the distribution policy of any college or university, but will work with you and your school to try to prevent loan proceeds from being held.

What VPEP account value should be reported on the FAFSA?

The value of the VPEP contract to be reported on the FAFSA is the "refund" value of any benefits. This is the amount that you would receive if the account were closed and you received a refund. For VPEP contracts, this amount is the total of payments made minus any benefits already used plus interest at the reasonable rate of return, compounded annually, on the amount of payments made (for accounts owned more than three years).

If parental assets are being reported on the FAFSA and there are other VPEP or VEST accounts owned by the parents, those account values must also be reported, even if the beneficiary is different from the student on whose behalf the FAFSA is being completed. For VEST accounts, the account value is defined as the current balance or market value as of the date of reporting.

How can I get the correct account value(s) to report on the FAFSA?

You can access the most current account values for all of your VPEP and/or VEST accounts online at **Virginia529.com**. If you do not have access to the Internet, or if you have trouble accessing your account, please call us toll free at 1-888-567-0540 and a customer service representative can assist you in retrieving this information.

Once you have accessed our website, follow the instructions as outlined in the next several website screen prints.

Go to Virginia529.com and select "My Account."

Virginia529 College Savings Plan

Enroll Now My Account

Home Programs About VA529 News & Events Resources Contact Us Customer Service

The Virginia Prepaid Education Program is open now through March 31, 2011!

Learn more about VPEP

4 programs to choose from:

- Virginia Prepaid Education ProgramSM
- Virginia Education Savings TrustSM
- CollegeAmerica[®]
- CollegeWealth[®]

Program Guide

- view Online
- download PDF
- request by Mail

Affordable, Flexible, Tax-Advantaged College Savings

Calculate Your College Savings

Welcome to the new Virginia 529 website!

The Cost of Waiting

Enter your Login ID and Password and select "Login."

Virginia529 College Savings Plan

Secure Login

Please enter your Login ID and Password to access your account.

Enter your Login ID and Password and select "Login"

Login ID:

Password:

Login Forgot Password?

Establish Access

If you do not have a Login ID or password, please establish your online access.

The security of your personal information is important to us!

Diligent efforts are made to ensure the security of Commonwealth of Virginia (COV) systems. Before you use this Web site to conduct business with the COV, please ensure your personal computer is not infected with malicious code that collects your personal information. This code is referred to as a [keylogger](#). The way to protect against this is to maintain current [Anti-Virus](#) and [security patches](#).

Before proceeding, please read the Virginia College Savings Plan's [Privacy Policy](#).

McAfee SECURE TESTED 04-JAN

Select "View Accounts" and then "Contract Summary" as shown below.

The screenshot shows the Virginia529 College Savings Plan website. The navigation menu includes: Enroll, View Accounts, Account Maintenance, Material Request, Make a Payment, and Contact Us. A dropdown menu under "View Accounts" is open, showing options: Contract Summary, Transaction History, Distribution Information, and Payment Information. A red arrow points to "Contract Summary" with the text "Select 'View Accounts' and 'Contract Summary'".

Welcome

The Virginia College Savings Plan online account access has a new look and enhancements. You may now create or change automatic contributions to your accounts, or make one time contributions!

To view additional account information, please select an account number below.

Virginia Education Savings Trust Summary

Account	Beneficiary Name	Portfolio	Today's NAV	Current Value
XXXX	Student X	Alleghany	12.882920	\$.00
XXXX	Student Y	Eastern Shore	10.411787	\$48.91
Total Virginia Education Savings Trust Value				\$48.91

Virginia Prepaid Education Program Summary

Account	Beneficiary Name	Product	Status	Next Payment Due	First Payout Date
XXXX	Student X	2 Yr University Plan	Active	02/01/20/XX	08/01/20/XX

Go to the "Select a Beneficiary" section and select "All Beneficiaries." Account values must be submitted on the FAFSA for all 529 accounts the parent owns. This includes both VPEP and VEST accounts for other beneficiaries.

The screenshot shows the "Account Selection" section of the Virginia529 website. It features a dropdown menu for "Select a Contract:" with the value "VEST Account Alleghany for Student X,XXXX". Below this is a green "Select" button. Further down is another dropdown menu for "Select a Beneficiary:" with options "Student X", "Student Y", and "All Beneficiaries". A red arrow points to "All Beneficiaries" with the text "Select 'All Beneficiaries'". Below this is another green "Select" button. A second red arrow points to this button with the text "After selecting 'All Beneficiaries' as shown above, click here to proceed."

The following example reflects the total amount to be reported on the FAFSA if you only have one VPEP account. (Please see the next example if you have multiple accounts.)



[HOME](#) [EXIT](#)

[Enroll](#) [View Accounts](#) [Account Maintenance](#) [Material Request](#) [Make a Payment](#) [Contact Us](#)

Account Summary

Account Owner

Name:	Account Owner XX
Address:	XXX Main Street
Day Phone:	(XXX) XXX-XXXX
Evening Phone:	(XXX) XXX-XXXX

Virginia Prepaid Education Program

Beneficiary: Student X

Account Number	Product	Unit Price	Unit Balance	Account Value
XXXX	4 Yr University Plan			\$19310.69
Total Virginia Prepaid Education Program Value for Student X				\$19310.69

Total Virginia Prepaid Education Program Value for all Account Owner Beneficiaries	\$19310.69
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This is the total of all VPEP accounts

Total Value for All Accounts	\$19310.69
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This is the amount that should be entered on your FAFSA form

[Select another Beneficiary](#)

This example represents an account owner who must report multiple VPEP and VEST accounts. Use the amount shown under “Total Value of All Accounts.” Once you have recorded the values, select “Exit” to Logout of your account access.

Account Summary

Account Owner

Name:	Account Owner XX
Address:	XXX Main Street
Day Phone:	(XXX) XXX-XXXX
Evening Phone:	(XXX) XXX-XXXX

Virginia Prepaid Education Program

Beneficiary: Student X

Account Number	Product	Unit Price	Unit Balance	Account Value
XXXX	2 Yr University Plan			\$7829.75
Total Virginia Prepaid Education Program Value for Student X				\$7829.75

Total Virginia Prepaid Education Program Value for all Account Owner Beneficiaries	\$7829.75
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Total of all VPEP Accounts

Virginia Education Savings Trust

Beneficiary: Student X

Account Number	Product	Unit Price	Unit Balance	Account Value
XXXX	Alleghany	\$12.882920	.0000	\$.00
XXXX	Eastern Shore	\$10.411787	4.6972	\$48.91
Total Virginia Education Savings Trust Value for Student X				\$48.91

Total Virginia Education Savings Trust Value for all Account Owner Beneficiaries	\$48.91
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Total of all VEST Accounts

Total Value for All Accounts	\$7878.66
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Total of both VPEP and VEST accounts that should be entered on the FAFSA form.

Both VPEP and VEST account values will change due to changes in interest rates and market conditions, as well as the passage of time. Therefore, the value you see on statements you receive from us will, very likely, be different than the value you will see each time you review your account balances on our website. The FAFSA reporting requirement is the value of your accounts on the date you actually complete the form.

What happens if I receive a full or partial scholarship?

If you receive a scholarship, you have a number of options. If possible, you may want to use the scholarship for expenses not covered by your VPEP contract, such as room and board. If the scholarship can only be used for tuition and fees, and it is a partial scholarship, you must notify the school to invoice VPEP for only the amount owed, once the scholarship is applied. If the scholarship must be used for tuition and fees, you have the option of keeping your VPEP benefits for additional years of undergraduate study or applying them toward graduate school. The account owner may also request a refund from VPEP up to the amount of the scholarship. **All scholarship refunds will be issued each academic term as long as the scholarship is effective.** The refund will include interest at the reasonable rate of return. The earnings portion of the refund will be taxed as ordinary income in the year of the refund. There is no penalty on scholarship refunds or rollovers to VEST so that funds can be used for expenses not covered by the scholarship.

If the student receives a full or partial athletic scholarship that is governed by NCAA or ACC regulations, a payment to the higher education institution from VPEP may be deemed in violation of scholarship regulations. Contact the higher education institution as soon as possible to determine how a payment from VPEP will impact the student's situation. You must notify us in writing **prior** to the add-drop period if you do not want a VPEP payment to be made to the higher education institution.

Please note that some schools will not issue distributions of scholarship or loan funds, or refund any overages, from a student's account until after receipt of VPEP funds. Therefore, if you are expecting a refund from your student's account because of a student loan or scholarship payment, **you may want to contact the Student Accounting Office to determine their distribution policy. VPEP has no control over the distribution policy of any college/university but will work with you and your school to try to prevent funds from being held if possible.**

What is a scholarship?

Scholarships are grants awarded to students for academic, athletic, musical or other special abilities. Scholarships also include certain tuition remission benefits for the children of college or university employees and appointments to a United States military academy. Scholarships do not include need-based financial aid, including student loans or work-study programs. If you receive a scholarship and wish to request a scholarship refund from VPEP, contact us toll free at 1-888-567-0540. You will need to keep documentation (such as an award letter or other notification) of the amount of the scholarship for your tax records. Refund payments will be issued each academic term after the school's add-drop period.

TAX INFORMATION

Do I need to keep any records of my expenses?

Yes. You must keep appropriate documentation (copies of invoices, meal plan contracts, or textbook receipts, for example) for at least three years for tax purposes.

Will I receive a 1099?

For any tax year during which there was a distribution from your Virginia College Savings Plan account, an IRS Form 1099-Q will be issued for your account. If the distribution was made directly to the beneficiary or to a school, the 1099-Q must be sent to the beneficiary; all other 1099-Q's will be sent to the account owner. **If your beneficiary's qualified higher education expenses equal or exceed your Virginia Prepaid Education Program account distribution, you do not need to report the earnings on your federal tax return.**

Note: You cannot use the same higher education expense to qualify for more than one tax benefit. For example, you may not use tax-free distributions from both a Virginia College Savings Plan Section 529 account and a Coverdell Education Savings Account for the same expense, such as tuition. Please see IRS Publication 970, "Tax Benefits for Education," available at irs.gov, or by calling the IRS toll free at 1-800-829-3676, for specific examples.

Are my distributions taxable?

All distributions from Section 529 accounts that do not exceed the amount of adjusted qualified higher education expenses are tax free at the federal level. In Virginia, qualified Section 529 distributions are also state-tax free. If you live in a state other than Virginia, please check with your state's department of taxation to determine whether qualified distributions from another state's Section 529 program are taxable.

What are "adjusted qualified higher education expenses"?

Adjusted qualified higher education expenses are total qualified higher education expenses (tuition, mandatory fees, certain room and board costs, equipment and supplies, and special needs services required for enrollment or attendance at an eligible educational institution). Tax-free educational assistance includes tax-free scholarships and fellowships, Veteran's educational assistance, Pell grants, employer-provided educational assistance, and any other tax-free payments (other than gifts or inheritances) received as educational assistance. Please see IRS Publication 970, available at irs.gov or by calling toll free 1-800-829-3676, for examples.

Note: Even though VPEP benefit levels are linked to the cost of Virginia public college tuition and mandatory fees, you are entitled to use the full amount of qualified higher education expenses, including room and board costs, for the beneficiary in order to qualify your Section 529 distributions for a particular year. This means that even if you receive a Pell grant or a tax-free scholarship for tuition, you may still use room and board costs to determine your total qualified higher education expenses.

Example: If the student receives a tax-free scholarship for tuition and mandatory fees in the amount of \$5,000, and VPEP makes a payment to the school for \$5,000, for purposes of Section

529 the VPEP payment of \$5,000 can be allocated to room and board costs of \$5,000 or more, which is included as a qualified higher education expense.

What are tax-free scholarships?

Tax free scholarships or fellowships include scholarship or fellowship payments made to a degree-candidate at an eligible educational institution, if the scholarship or fellowship payments are for tuition, fees, books, supplies or equipment. Scholarships and fellowships for room and board costs and travel expenses are taxable, and are not subtracted from qualified higher education expenses. Please see IRS Publication 970, available at www.irs.gov or by calling toll free 1-800-829-3676, for examples.

Am I required to match up my 529 account distributions and higher education expenses in the same tax year?

On January 18, 2008, the Department of the Treasury issued an Advance Notice of Proposed Rulemaking relating to Section 529 plans. While the actual regulations have not yet been issued, the Advance Notice provides information on a number of areas that will be addressed. Please note that it is possible that some aspects of the final regulations, when issued, may be retroactive.

The regulations are expected to clarify that Section 529 distributions and qualified higher education expenses must be matched up in the same tax year, with a “grace period” though March 31 of the following calendar year. You should have your distributions made in the same tax year as the expenses were incurred or by March 31 of the following year. This will also simplify the process of coordinating distributions from both a Section 529 account and a Coverdell Education Savings Account, or coordinating withdrawals from a Section 529 account with the Hope and Lifetime Learning tax credits.

How do I report earnings and penalty for a non-qualified distribution?

If you have a non-qualified distribution from your Virginia College Savings Plan account, you must report the earnings portion on line 21 of IRS Form 1040. The additional 10 percent of earnings penalty tax is reported on IRS Form 5329. See page 29 of the instructions for IRS Form 1040 or IRS Publication 970 for additional information.



The Virginia College Savings Plan cannot provide legal, investment or tax advice, and the foregoing information should not be construed as legal, investment or tax advice with respect to the consequences for any particular individual as a result of contributions to, investment of, or distributions from a Virginia College Savings Plan account.

Section 529 Qualified Tuition Programs are intended to be used only for qualified higher education expenses. These Programs are not intended to be used, nor should they be used, by any taxpayer for the purpose of evading federal or state taxes or tax penalties. Taxpayers may wish to seek tax advice from an independent tax adviser based on their own particular circumstances.

IRS Circular 230 Disclosure: The information concerning the federal tax consequences of participating in VPEP is general in nature and does not take into account individual circumstances that may affect the tax treatment for a particular individual taxpayer. In addition, the information concerning tax consequences is not a “covered opinion” as that term is defined in IRS Circular 230 and, therefore, it is not intended or written to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code.