

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
1252	Electronic Proof of Claim	<p><b>13.8. Bankruptcy</b></p> <p>Acknowledges that some lenders may file electronic documents with the bankruptcy court and requires the lender to include a copy of those electronically filed documents, such as the Proof of Claim, in any claim file that it files.</p>	Guarantor	Claims filed by the lender on or after March 1, 2012 unless implemented earlier by the guarantor.
1253	Modules and Return of Title IV Funds	<p><b>8.7.G Delivery to Borrowers in Special Circumstances</b></p> <p><b>9.4 Withdrawal Dates</b></p> <p>Clarifies the applicability of the modular rules to both term-based and non-term-based and clock hour programs of study.</p> <p>Clarifies that for a term-based program offered in modules, if the student withdraws and misses only a portion of a module or modules during a term, but re-enters within that period of enrollment or payment period, the school is not required to recalculate the student's award based on the student's attendance in only a portion of a module. The school must restore the student's original award, and is not required to adjust any award based on the student's attendance in only part of a module. If, however, the student withdraws and does not attend any portion of a module for which he or she was originally scheduled, the school must re-evaluate the student's cost of attendance based on the omitted module(s) and adjust the Title IV aid eligibility prior to awarding additional funds.</p> <p>Clarifies that if the student who is enrolled in a program offered in modules withdraws and confirms at the time of withdrawal his or her intent to resume enrollment within the payment period or period of enrollment, as applicable, and, for a clock-hour or non-term-based program, within 45 days of the date of withdrawal, but fails to return, the withdrawal date is the last day of the student's recorded, eligible academic attendance if the school is considered to be "required to take attendance." At a school that is not required to take attendance, normal rules apply for determining the withdrawal date.</p>	Federal	July 1, 2011, for students who withdraw from payment periods or periods of enrollment that begin on or after that date.

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
		<p>Clarifies that a student who ceases attendance in a credit-hour program offered in modules is <i>not</i> considered to have withdrawn if the school obtains written confirmation from the student at or close to the time of his or her withdrawal that the student will attend a subsequent module in the same program and payment period or, as applicable, period of enrollment. The school may not rely solely on the student's enrollment or registration in a subsequent module prior to his or her withdrawal unless the student registered for that subsequent module at the time he or she withdrew.</p> <p>Aligns manual text that is specific to modular programs with existing text to clarify the treatment of a student who withdraws from and returns to a clock-hour program or a non-term-based credit-hour program offered in modules within 180 days.</p>		
1254	Direct Consolidation Loan Program Treatment of Underpayments and Overpayments	<p><b>15.8 Direct Consolidation Loan Program Treatment of Underpayments and Overpayments</b></p> <p>Adds information about the Department's policy on the treatment of underpayments and overpayments made to a borrower's underlying loan holder(s) when a borrower consolidates his or her federal student loans under the Direct Consolidation Loan Program.</p>	Federal	Underpayments and overpayments received by loan holders from the Direct Consolidation Loan Program on or after July 1998.

Batch 180 (Approved)

# COMMON MANUAL – GUARANTOR POLICY PROPOSAL

Date: October 20, 2011

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Oct 20

**SUBJECT:** Electronic Proof of Claim

**AFFECTED SECTIONS:** 13.1.D Claim File Documentation  
13.8.A Bankruptcy

**POLICY INFORMATION:** 1252/Batch 180

**EFFECTIVE DATE/TRIGGER EVENT:** Claims filed by the lender on or after March 1, 2012, unless implemented earlier by the guarantor.

**BASIS:**  
§682.402(g)(1)(v)(A).

**CURRENT POLICY:**  
Current policy does not include an acknowledgement that some lenders will file some bankruptcy correspondence, such as the Proof of Claim, in an electronic format.

**REVISED POLICY:**  
Revised policy acknowledges that some lenders may file electronic documents with the bankruptcy court and requires the lender to include a copy of those electronically filed documents, such as the Proof of Claim, in any claim that it files.

**REASON FOR CHANGE:**  
This policy implements explicit, consistent processing for lenders with respect to loans on which the lender files electronic documents with the bankruptcy court.

**PROPOSED LANGUAGE - COMMON MANUAL:**  
Revise Subsection 13.1.D, page 5, column 1, by adding a new item 7, as follows:

3. . . .

4. . . .

5. . . .

6. . . .

7. Bankruptcy Documentation

If the lender filed any required document with the bankruptcy court, either manually or in an electronic format, it must include a printed copy of that document in any claim that it submits.

Revise Subsection 13.1.D, page 5, column 2, by moving the subheading “**Additional Documentation Requirements**” to the top of column 2, as follows:

## Additional Documentation Requirements

*Closed School Claims, False Certification Claims, and Unpaid Refund Discharges*

Documentation requirements for closed school and false certification claims are outlined in Subsections 13.8.B, 13.8.D, and 13.8.E. Documentation requirements for unpaid refund discharges are outlined in Subsection 13.8.H.

....

*Ineligible Borrower Claims*

For an ineligible borrower claim, the lender is required to submit only items 1 through 3 of the preceding list. The lender must also provide the month, day, and year ....

#### **Additional Documentation Requirements**

Revise Subsection 13.1.D, page 5, column 2, paragraph 3, as follows:

##### *Bankruptcy Claims*

For a bankruptcy claim, the lender must submit—in addition to the preceding items 1 through 5—notification of the bankruptcy filing, such as the Notice of the First Meeting of Creditors (the Notice) or other proof of filing directly received from the borrower's attorney, the bankruptcy court, or from another source; a copy of the Proof of Claim filed by the lender, if required; and all other pertinent documents sent to or received from the bankruptcy court. If the lender filed any required document with the bankruptcy court in an electronic format, it must include a printed copy of that document in any claim that it files.

[§682.402(f)(3); §682.402(g)(1)(v)(A)]

Revise Subsection 13.8.A, page 20, column 2, paragraph 3, as follows:

##### **Filing a Proof of Claim**

A lender must file a proof of claim with the bankruptcy court no later than 30 days after it receives the Notice—unless the Notice specifically states that a proof of claim is not required. If required, the proof of claim must be filed, even if a default claim has already been filed on the loan and the lender has not yet received payment from the guarantor. If a proof of claim is required, the lender must immediately forward a copy of the bankruptcy notification, proof of claim, and all other pertinent documents sent to or received from the bankruptcy court to the guarantor. If the lender filed any required document with the bankruptcy court in an electronic format, it must include a printed copy of that document in any claim that it files. Upon claim payment, the guarantor will file a Transfer of Claim Other Than For Security form with the court to complete the transfer of the proof of claim. Once the court processes the transfer, the Notice of Transfer of Claim Other Than For Security form will be sent to the lender/servicer acknowledging the transfer of the proof of claim.

[§682.402(f)(4); §682.402(g)(1)(v)(A)]

#### **PROPOSED LANGUAGE - COMMON BULLETIN:**

##### **Electronic Bankruptcy Documents**

The *Common Manual* is updated to recognize that some lenders may file electronic documents with the bankruptcy court. The lender must include a copy of those electronically filed documents, such as the Proof of Claim, in any claim file that it files.

##### **GUARANTOR COMMENTS:**

None.

##### **IMPLICATIONS:**

*Student/Borrower:*

None.

*School:*

None.

*Lender/Servicer:*

A lender will be able to implement consistent policies for all guarantors from which it has received loan guarantees.

*Guarantor:*

A guarantor may be required to adjust its bankruptcy claim processes.

---

---

**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

USA Funds

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

February 5, 2010

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**

October 13, 2011

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee  
CM Guarantor Designees  
Interested Industry Groups and Others  
CM Governing Board Representatives

**Comments Received From:**

AES/PHEAA, ASA, FAME, Great Lakes, HESC(NY), NCHHELP, NSLP, PPSV, SCSLC, SLSA, TG, USA Funds, and VSAC.

**Responses to Comments**

---

Most of the commenters supported this proposal as written. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

**COMMENT:**

One commenter suggested adding the proposed language to Subsection 13.1.D, Claim File Documentation. According to the commenter, by revising this subsection, the Committee will provide this requirement in a section of the Manual that a lender is most likely to review prior to filing a claim.

**Response:**

The Committee agrees.

**Change:**

Subsection 13.1.D has been revised as suggested to add the proposed language.

**COMMENT:**

One commenter suggested reorganizing Subsection 13.1.D for clarity, improved readability and navigation. The commenter suggested moving the heading "Additional Documentation Requirements" prior to the paragraph entitled "Closed School Claims, False Certification Claims, and Unpaid Refund Discharges" stating this heading does not logically fit in its present position.

**Response:**

The Committee agrees.

**Change:**

Subsection 13.1.D has been reorganized as suggested.

**COMMENT:**

One commenter suggested moving the statement requiring that a hardcopy equivalent of any electronically filed document must be provided to the guarantor to an earlier point in the text, maybe as a note in the general section of the text.

**Response:**

The Committee understands the commenter's concern. Based on comments already received, the Committee believes that by including the proposed language in additional areas of Chapter 13 that this requirement will now be more apparent to lenders.

**Change:**  
None

ly/edited- rrl

# COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: October 20, 2011

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Oct 20

**SUBJECT:** Modules and Return of Title IV Funds

**AFFECTED SECTIONS:** 8.7.G Delivery to Borrowers in Special Circumstances  
9.4 Withdrawal Dates

**POLICY INFORMATION:** 1253/Batch 180

**EFFECTIVE DATE/TRIGGER EVENT:** July 1, 2011, for students who withdraw from payment periods or periods of enrollment that begin on or after that date.

**BASIS:**  
§668.4(g); *Dear Colleague Letter* (DCL) GEN-11-14.

**CURRENT POLICY:**  
Current policy does not include the clarifications and guidance included in the cited DCL.

**REVISED POLICY:**  
Revised policy clarifies the applicability of the modular rules to both term-based and non-term-based and clock-hour programs of study.

Revised policy also clarifies that for a term-based program offered in modules, if the student withdraws and misses only a portion of a module or modules during a term, but re-enters within that period of enrollment or payment period, the school is not required to recalculate the student's award based on the student's attendance in only a portion of a module. The school must restore the student's original award, and is not required to adjust any award based on the student's attendance in only part of a module. If, however, the student withdraws and does not attend any portion of a module for which he or she was originally scheduled, the school must re-evaluate the student's cost of attendance based on the omitted module(s) and adjust the Title IV aid eligibility prior to awarding additional funds.

Revised policy also clarifies that if the student who is enrolled in a program offered in modules withdraws and confirms at the time of withdrawal his or her intent to resume enrollment within the payment period or period of enrollment, as applicable, and, for a clock-hour or non-term-based program, within 45 days of the date of withdrawal, but fails to return, the withdrawal date is the last day of the student's recorded, eligible academic attendance if the school is considered to be "required to record attendance." At a school that is not required to record attendance, normal rules apply for determining the withdrawal date.

Revised policy clarifies that a student who ceases attendance in a credit-hour program offered in modules is *not* considered to have withdrawn if the school obtains written confirmation from the student at or close to the time of his or her withdrawal that the student will attend a subsequent module in the same program and payment period or, as applicable, period of enrollment. The school may not rely solely on the student's enrollment or registration in a subsequent module prior to his or her withdrawal unless the student registered for that subsequent module at the time he or she withdrew.

Finally, this policy aligns Manual text that is specific to modular programs with existing text to clarify the treatment of a student who withdraws from and returns to a clock-hour program or a non-term-based credit-hour program offered in modules within 180 days.

**REASON FOR CHANGE:**  
This policy aligns policy language with the clarifications provided in DCL GEN-11-14, published July 20, 2011.

**PROPOSED LANGUAGE - COMMON MANUAL:**  
Revise Subsection 8.7.G, page 18, column 1, paragraph 2, as follows:

## Temporary Change in Enrollment Status

If, before the delivery of the proceeds of a disbursement to the student, the student temporarily ceases to be enrolled at least half time, the school may deliver the proceeds of that disbursement and any subsequent disbursement to the student if the school determines and documents in the student's file all of the following:

- That the student has resumed enrollment on at least a half-time basis.  
[§682.604(b)(2)(iv)(A)]
- The student's revised cost of attendance (COA), if applicable. (If the student is returning to a program offered in modules, see subheading "Withdrawal and Return to a Program Offered in Modules" below to determine if the school must revise the student's COA.)  
[§682.604(b)(2)(iv)(B)]
- That the student continues to qualify for the entire award amount of the loan, notwithstanding any reduction in the student's COA caused by the student's temporary cessation of enrollment at least half time.  
[§682.604(b)(2)(iv)(C)]

Revise Subsection 8.7.G, page 18, column 1, paragraph 3, as follows:

#### **Withdrawal and Return to a ~~Term-Based Credit-Hour~~ Program Offered in Modules**

If a student withdraws from a ~~term-based credit-hour~~ program offered in modules (see the Glossary definition of "module") during a payment period or, as applicable, period of enrollment, ~~and resumes enrollment in the same program before the end of the period~~ the school must determine the student's eligibility to receive Title IV aid for which he or she was eligible prior to the student's withdrawal based on the applicable criteria:-

- For a term-based credit-hour program, the student resumes enrollment in the same program before the end of the payment period or period of enrollment.
- For a clock-hour program or a non-term-based credit-hour program, the student resumes enrollment within 180 days.

The student is eligible to receive Title IV aid that the school or the student returned as the result of the return of Title IV funds calculation, and any Title IV aid that ~~the school was~~ canceled due to the student's withdrawal, if the school determines and documents the student's eligibility—and makes any required adjustments—based on both of the following:

- The student's enrollment status upon his or her return to the program.
- If applicable, ~~the~~ student's revised COA, taking into account any reduction in the COA caused by the student's temporary cessation of attendance.  
[§668.22(a)(2)(iii)(A); *Federal Register* dated October 29, 2010, p. 66894]

For a term-based program of study offered in modules, if the student withdraws and misses only a portion of a module or modules during a term, but re-enters within that period of enrollment or payment period, the school is not required to recalculate the student's award based on the student's attendance in only a portion of a module. The school must restore the student's original award and is not required to adjust any award based on the student's attendance in only part of a module. If, however, the student withdraws and does not attend any portion of a module for which he or she was originally scheduled, the school must re-evaluate the student's COA based on the omitted module(s) and adjust the Title IV aid based on any applicable change in eligibility prior to awarding additional funds.  
[DCL GEN-11-14, Q&A #8]

See Section 9.4 for more information about determining the withdrawal date in a program that is offered in modules.

Revise Section 9.4, page 7, column 2, paragraph 5, as follows:



## Withdrawal Dates at Schools Required to Record Attendance

For a school that is required to record attendance, the withdrawal date is the student's last recorded date of academic attendance, as determined by the school from its attendance records. If a student does not resume attendance by the end of an approved leave of absence at the school, or takes a leave of absence that is not an approved leave of absence, the withdrawal date is the student's last recorded date of academic attendance.

[§668.22(b)(1); DCL GEN-98-28]

A school is considered to be required to record attendance if any of the following conditions exist:

- An outside entity (e.g., an accrediting agency or state regulatory agency) requires the school to record attendance in all classes in a program for a period of time. If an outside entity requires a student to self-certify attendance directly to that entity, the school is considered one that must record attendance for the student—and the school must use the student's attendance record to determine the student's withdrawal date—*only* if the school must verify the student's self-certification.  
[§668.22(b)(3)(i)(A); *Federal Register* dated October 29, 2010, p. 66897; DCL GEN-11-14, Q&A #19]
- The school requires its instructors to record attendance in all classes in a program for a period of time. A school that requires its faculty to record attendance at the program, department, or school level must use those attendance records to determine the date of a student's withdrawal. However, if a faculty member chooses to record attendance, but the school does not require the faculty member to do so, the school is not required to use the faculty member's voluntary attendance records to establish the student's withdrawal date.  
[§668.22(b)(3)(i)(B); *Federal Register* dated October 29, 2010, p. 66897; DCL GEN-11-14, Q&A #19]
- The school or an outside entity has a requirement that can only be met by recording attendance or using a comparable process. This includes, but is not limited to, requiring that students in a program demonstrate attendance in the classes of that program or a portion of the program.  
[§668.22(b)(3)(i)(C)]

...

...

If either the school requires its instructors or an outside entity requires the school to record attendance on only one specified day to meet a census reporting requirement, the school is not considered one that is required to record attendance. If the program is offered in modules, the school is not considered to be required to record attendance if the requirement is to record attendance for one specified day in each module.

[§668.22(b)(3)(iv); DCL GEN-11-14, Q&A #21]

Revise Section 9.4, page 9, column 1, paragraph 1, as follows:

### *Official Notification of Withdrawal Not Provided by Student*

If the student does not initiate the withdrawal process, the withdrawal date is one of the following:

- ...
- ...
- ...

- The date related to any of the following conditions that result in the student's withdrawal:
    - Illness.
    - Accident.
    - Grievous personal loss.
    - Death.
    - Other circumstances beyond the student's control. For instance, an administrative withdrawal is considered to be "beyond the student's control" and the withdrawal date would be no later than the first day of the period of nonattendance that resulted in the administrative withdrawal.
- [§668.22(c)(1)(iv); 10-11 FSA Handbook, Volume 5, Chapter 2, P. 5-76; DCL GEN-11-14, Q&A #7]

Revise Section 9.4, page 10, column 1, paragraph 3, as follows:

### **Withdrawal from a Credit-Hour Program Offered in Modules**

A school determines if a student enrolled in a program comprised of modules is considered withdrawn and whether a return of Title IV funds calculation is necessary based on the date the student ceases attendance, the structure of the program of study, whether the student was scheduled to attend a subsequent module at the time he or she ceased attendance, and, in some cases, the student's course grade(s) or stated intent to attend a subsequent module in the same program and payment period or, as applicable, period of enrollment.

- A student enrolled in a ~~credit-hour program~~ offered in modules is considered to have withdrawn if the student does not complete: all of the calendar days in the payment period or period of enrollment that the student was scheduled to complete.
  - In the case of a credit-hour program, all of the calendar days in the payment period or period of enrollment that the student was scheduled to complete.
  - In the case of a clock-hour program, all of the clock hours and weeks of instructional time in the payment period or period of enrollment that the student was scheduled to complete.
- — A course that a student officially drops prior to ceasing attendance is not considered. . .
- — A course offered in a module that a student officially adds prior to ceasing attendance . . .
- — A module in which the student does not enroll is not considered . . .
- If a student enrolled in a ~~credit-hour~~ program offered in modules does not earn . . .
- A student enrolled in a non-term-based or nonstandard term-based program offered in modules is considered to have withdrawn—regardless of whether the student notifies the school or his or her intent to withdraw—if the student is not scheduled to attend another module in the same program and payment period or, as applicable, period of enrollment that begins within not later than 45 days after the end of the module that the student last attended, unless the student is on an approved leave of absence. (See Section 9.3 for more information about leaves of absence.)  
[§668.22(a)(2)(i)(C); DCL GEN-11-14, Q&A #7]
- A student who ceases attendance in a ~~credit-hour~~ program offered in modules is *not* considered to have withdrawn if the school obtains written confirmation from the

student at or close to the time of his or her withdrawal that the student will attend a subsequent module in the same program and payment period or, as applicable, period of enrollment. The school may not rely solely on the student's enrollment or registration in a subsequent module prior to his or her withdrawal unless the student registered for that subsequent module at the time he or she withdrew. For a student who ceases attendance in a non-term-based or nonstandard term-based program offered in modules, the subsequent module must begin within 45 days after the end of the module that the student last attended.

[§668.22(a)(2)(ii)(A)(1) and (2); *Federal Register* dated October 29, 2010, p. 66893; DCL GEN-11-14, Q&A #3 and #4 ]

- A student who ceases attendance in a ~~credit-hour~~ program offered in modules and who provides written confirmation of the intent to attend . . .
- If a student who ceases attendance in a ~~credit-hour~~ program offering in modules provides written confirmation of the intent to attend a subsequent module in the same program and payment period or, as applicable, period of enrollment but then fails to . . .

Revise Section 9.4, page 13, column 1, paragraph 1, as follows:

*Time Frames Applicable to the Date of Determination*

For a student who does not provide official notification of his or her withdrawal, the school must determine the student's withdrawal date within 30 days from the earliest of:

- The end of the payment period or period of enrollment for which the student was charged.
- The end of the academic year during which the student withdrew.
- The end of the educational program from which the student withdrew.

*Note:* Special rules may apply to the maximum time frame for a school's determination that a student withdrew from a ~~non-term-based or nonstandard term-based~~ program offered in modules. See the subheading *Withdrawal from a ~~Credit-Hour~~ Program Offered in Modules* in this subsection for more information.

...

**PROPOSED LANGUAGE - COMMON BULLETIN:  
Modules and Return of Title IV Funds**

The *Common Manual* has been revised to provide the following clarifications with respect to the newest return of Title IV funds rules, as follows:

- Aligns Subsection 8.7.G regarding modular programs with existing Manual text in Subsection 6.3.F to clarify the treatment of a student who withdraws from and returns to a clock-hour program or a non-term-based credit-hour program offered in modules within 180 days.
- Clarifies that for a term-based program offered in modules, if the student withdraws and misses only a portion of a module or modules during a term but re-enters within that period of enrollment or payment period, the school is not required to recalculate the student's award based on the student's attendance in only a portion of a module. The school must restore the student's original award, and is not required to adjust any award based on the student's attendance in only part of a module. If, however, the student withdraws and does not attend any portion of a module for which he or she was originally scheduled, the school must re-evaluate the student's cost of attendance based on the omitted module(s) and adjust the Title IV aid eligibility prior to awarding additional funds.
- Clarifies that if the student who is enrolled in a program offered in modules withdraws and confirms at the time of withdrawal his or her intent to resume enrollment within the payment period or period of enrollment, as applicable, and, for a clock-hour or non-term-based credit-hour program, within 45 days

of the date of withdrawal but fails to return, the withdrawal date is the last day of the student's recorded, eligible academic attendance if the school is considered to be "required to record attendance."

- Clarifies that a student who ceases attendance in a credit-hour program offered in modules is *not* considered to have withdrawn if the school obtains written confirmation from the student at or close to the time of his or her withdrawal that the student will attend a subsequent module in the same program and payment period or period of enrollment, as applicable.
- Provides new guidance that the school may not rely solely on the student's enrollment or registration in a subsequent module prior to his or her withdrawal as a statement of the student's intent to re-enroll unless the student registered for that subsequent module at the time he or she withdrew.
- Clarifies that an administrative withdrawal is considered to be an exceptional circumstance beyond the student's control and that in this instance, the school must consider the withdrawal date to be no later than the first day of the period of nonattendance that resulted in the administrative withdrawal.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Student/Borrower:*

A student enrolled in a program of study offered in modules will have a more generous time frame in which to notify the school of the intent to re-enroll and may be subject to less confusion as the school returns and then retrieves Title IV funds fewer times.

*School:*

A school may be required to amend its policies related to obtaining the student's confirmation of intent to re-enroll, etc.

*Lender/Service:*

None.

*Guarantor:*

A guarantor may need to amend training and school support materials and resources.

*U.S. Department of Education:*

The Department should be required to process fewer reissues of previously canceled Title IV funds for students enrolled in programs offered in modules.

---

---

**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

July 29, 2011

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**

October 13, 2011

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee  
CM Guarantor Designees  
Interested Industry Groups and Others  
CM Governing Board Representatives

**Comments Received from:**

AES/PHEAA, ASA, FAME, Great Lakes, HESC(NY), NCHelp, NSLP, PPSV, SCSLC, SLISA, TG, USA Funds, and VSAC.

## **Responses to Comments**

Many commenters supported this proposal as written. Other commenters recommended punctuation or wordsmithing changes that were considered without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

### **COMMENT:**

One commenter suggested a change to Subsection 8.7.G, paragraph 1, under the subheading “Withdrawal and Return to a Program Offered in Modules” to provide clarity and improve structure by adding bullets.

### **Response:**

The Committee appreciates the commenter’s careful consideration of the language in these sections. The commenter’s suggestion for this paragraph also brings the Committee’s attention to a parenthetical cross-reference imbedded in the paragraph that requires specificity and better placement.

### **Change:**

Paragraph 1 under the subheading “Withdrawal and Return to a Program Offered in Modules” has been modified as follows:

If a student withdraws from a program offered in modules (see the Glossary definition of “module”) during a payment period or, as applicable, period of enrollment, and, ~~for a program of study offered in a term-based credit hour format, resumes enrollment in the same program before the end of the payment period or period of enrollment, or resumes enrollment within 180 days for a clock-hour program or a non-term credit hour program,~~ the school must determine the student’s eligibility to receive Title IV aid for which he or she was eligible prior to the student’s withdrawal based on the applicable criteria, as follows:-

- For a term-based credit-hour program, the students resumes enrollment in the same program before the end of the payment period or period of enrollment.
- For a clock-hour program or a non-term-based credit-hour program, the student resumes enrollment within 180 days.

~~(For a student who withdraws from a program offered in modules at a school that is not required to take attendance, see the requirements under the Subheading “Withdrawal Dates at Schools Not Required to Record Attendance.”) The student is eligible to receive Title IV aid that the school or the student returned as the result of the return of Title IV funds calculation, and any Title IV aid that the school canceled due to the student’s withdrawal, if the school determines and documents the student’s eligibility—and makes any required adjustments—based on both of the following:~~

- . . .
- . . .

For a term-based program of study offered in modules . . .

See Section 9.4 for more information about determining the withdrawal date in a program that is offered in modules.

### **COMMENT:**

One commenter identified language in Subsection 8.7.G, new paragraph 3, under the subheading “Withdrawal and Return to a Program Offered in Modules” and in the Revised Policy that might be misleading. The commenter stated that a school is required to recalculate the appropriate amount of Title IV aid in some instances when the student returns within the same period of enrollment or payment period, as applicable, while in some instances, the school is permitted to re-award funds based on the student’s original cost of attendance.

Another commenter provided substantial suggestions to clarify the same proposed text.

### **Response:**

The Committee agrees.

**Change:**

The proposed text in Subsection 8.7.G, paragraph 3, under the subheading “Withdrawal and Return to a Program Offered in Modules” has been amended to further clarify the difference between the two situations: one in which the school must recalculate appropriate Title IV aid and the other in which the student is eligible for the original amounts, as follows:

For a term-based program of study offered in modules, if the student withdraws temporarily and misses only a portion of a module or modules during a term, but ~~returns~~ re-enters within that period of enrollment or payment period, the school is not required to recalculate the student’s award based on the student’s attendance in only a portion of a module. The school must ~~re-award~~ restore any funds that were returned and disburse any funds that were canceled the student’s original award, and is not required to adjust any award based on the student’s attendance in only part of a module. If, however, the student’s change in enrollment status results in the student not attending an entire student withdraws and does not attend any portion of a module for which he or she was originally scheduled, the school must re-evaluate the student’s cost of attendance based on the omitted module(s) and adjust the Title IV aid eligibility prior to awarding additional funds.

Coordinating changes have been made in the Revised Policy statement.

**COMMENT:**

One commenter noted that the third paragraph of the Revised Policy inaccurately described circumstances in which a school uses payment period versus period of enrollment to perform a return of Title IV funds calculation.

**Response:**

The Committee agrees.

**Change:**

Revised Policy, paragraph 3, now states:

Revised policy also clarifies that if the student who is enrolled in a program offered in modules withdraws and confirms at the time of withdrawal his or her intent to resume enrollment within the payment period or period of enrollment, as applicable, (for a term-based program of study) or and, for a clock-hour or non-term-based credit-hour program, within 45 days of the date of withdrawal ~~(for a clock-hour or non-term credit hour program)~~, but fails to return, the withdrawal date is the last day of the student’s recorded, eligible academic attendance if the school is considered to be “required to record attendance.” At a school that is not required to record attendance, normal rules apply for determining the withdrawal date.

**COMMENT:**

One commenter offered numerous edits and wording suggestions.

**Response:**

The Committee incorporated several of the commenter’s suggestions into the text. However, with respect to the suggestion that the term “record attendance” be revised to “take attendance” we offer that the preponderance of instances in which the Manual refers to this requirement, the terminology is consistently “record attendance.” If the Manual is to be changed, then the Committee and its editing staff need to make the decision to make changes throughout the text for consistency.

**Change:**

None.

**COMMENT:**

One commenter noted that the provision regarding re-entry to classes within 180 days is not new in the DCL and is found already in regulation.

**Response:**

The Committee agrees.

**Change:**

The Basis has been amended to refer to existing regulation in §668.4(g). In addition, the Revised Policy and Batch 180/October 20, 2011

Common Bulletin statements have been amended to state that these changes align Manual text that is specific to modular programs with existing text in Subsection 6.3.F about students who withdrawn from and return to a clock-hour program or a non-term-based credit-hour program within 180 days.

bg/edited-tmh

# COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: October 20, 2011

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Oct 20

**SUBJECT:** Direct Consolidation Loan Program Treatment of Underpayments and Overpayments

**AFFECTED SECTIONS:** 15.8 Direct Consolidation Loan Program Treatment of Underpayments and Overpayments

**POLICY INFORMATION:** 1254/Batch 180

**EFFECTIVE DATE/TRIGGER EVENT:** Underpayments and overpayments received by loan holders from the Direct Consolidation Loan Program on or after July 1998.

**BASIS:**

Department letter to loan holders dated July 1998 and Electronic Announcement dated June 28, 2011.

**CURRENT POLICY:**

Current policy does not include information about the Department's policy on the treatment of underpayments and overpayments made to a borrower's underlying loan holder(s) when a borrower consolidates his or her federal student loans under the Direct Consolidation Loan Program.

**REVISED POLICY:**

Revised policy adds information about the Department's policy on the treatment of underpayments and overpayments made to a borrower's underlying loan holder(s) when a borrower consolidates his or her federal student loans under the Direct Consolidation Loan Program.

**REASON FOR CHANGE:**

This change is being made to incorporate the Department's policy on the treatment of underpayments and overpayments made to a borrower's underlying loan holder(s) when a borrower consolidates his or her federal student loans under the Direct Consolidation Loan Program.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Chapter 15, page 17, column 1, by adding a new section 15.8, as follows:

**15.8**

**Direct Consolidation Loan Program Treatment of Underpayments and Overpayments**

Information in this section describes the Department's policy on underpayment and overpayment tolerances of Direct Consolidation Loan payoff amounts sent to the holder(s) of the underlying loan(s). The tolerances described below apply to the aggregate eligible balance of principal, interest, fees, and collection costs. This policy does not apply to payoffs of federally-owned loans serviced by the Department's federal loan servicers.

The underpayment and overpayment tolerances apply to the total of all of the borrower's loans by loan program type (subsidized Stafford loans, unsubsidized Stafford loans, PLUS loans, and Federal Consolidation loans). In other words, there is a tolerance amount for the borrower's subsidized Stafford loan(s), a separate tolerance amount for the borrower's unsubsidized Stafford loan(s), etc.

If a loan holder receives a payoff that is:

- Less than the amount needed to pay in full a borrower's underlying loan(s), the loan holder may apply its own policy for write-off and may apply to the Direct Loan Consolidation Center for any underpayment amount that exceeds the loan holder's policy. Whether the balance is written off or the loan holder requests the additional funds from the Department, the loan holder may not bill the borrower for the



underpayment amount and, in both instances, the loan holder must notify the borrower that the loan(s) is paid in full.

- More than the amount needed to pay in full a borrower's underlying loan(s) and that overpayment amount is less than \$10.00, the loan holder may retain the overpayment.
- More than the amount needed to pay in full a borrower's underlying loan(s) and that overpayment amount is \$10.00 or more, the loan holder must promptly return the full overpayment amount to the Direct Loan Consolidation Center.

All requests for funds and returns of funds to the Direct Loan Consolidation Center must be made promptly and must include identifiers for each borrower and the specific loan type(s). [Department letter to loan holders dated July 1998 and Electronic Announcement dated June 28, 2011]

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Direct Consolidation Loan Program Treatment of Underpayments and Overpayments**

The *Common Manual* has been revised by including information regarding the Department's policy on the treatment of underpayments and overpayments made to a borrower's underlying loan holder(s) when a borrower consolidates his or her federal student loans under the Direct Consolidation Loan Program. The policy describes the underpayment and overpayment tolerances that apply to the aggregate eligible balance of principal, interest, fees, and collection costs.

The underpayment and overpayment tolerance amounts apply to the total of all of the borrower's loans by loan program type (subsidized Stafford loans, unsubsidized Stafford loans, PLUS loans, and Federal Consolidation loans). In other words, there is a tolerance amount for the borrower's subsidized Stafford loan(s), a separate tolerance amount for the borrower's unsubsidized Stafford loan(s), etc.

If a loan holder receives a payoff that is:

- Less than the amount needed to pay in full a borrower's underlying loan(s), the loan holder may apply its own policy for write-off and may apply to the Direct Loan Consolidation Center for any underpayment amount that exceeds the loan holder's policy. Whether the balance is written off or the loan holder requests the additional funds from the Direct Loan Consolidation Center, loan holders may not bill the borrower for the underpayment amount and in both instances, the loan holder must notify the borrower that the loan(s) is paid in full.
- More than the amount needed to pay in full a borrower's underlying loan(s) and that overpayment amount is less than \$10.00, the loan holder may retain the overpayment.
- More than the amount needed to pay in full a borrower's underlying loan(s) and that overpayment amount is \$10.00 or more, the loan holder must promptly return the full overpayment amount to the Direct Loan Consolidation Center.

All requests for funds and returns of funds to the Direct Loan Consolidation Center must be made promptly and must include identifiers for each borrower and the specific loan type(s).

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Student/Borrower:*

None.

*School:*

None.

*Lender/Servicer:*

A lender may need to update its policy for processing underpayments and overpayments received from the Direct Consolidation Loan Program that are intended to pay off a borrower's underlying loan(s).

*Guarantor:*

A guarantor may need to update its policy for processing underpayments and overpayments received from the Direct Consolidation Loan Program that are intended to pay off a borrower's underlying loan(s).

*U.S. Department of Education:*

None.

---

---

**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

July 19, 2011

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**

October 13, 2011

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee  
CM Guarantor Designees  
Interested Industry Groups and Others  
CM Governing Board Representatives

**Comments Received from:**

AES/PHEAA, ASA, FAME, Great Lakes, HESC(NY), NCHELP, NSLP, PPSV, SCSLC, SLSA, TG, USA Funds, and VSAC.

**Responses to Comments**

All commenters supported this proposal as written. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

ma/edited-chh