

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
1002	Applying Funds Received from a School to a Consolidation Loan Deferred for additional consideration	<u>10.11.E Applying Funds Returned by the School</u> Requires the consolidation lender to apply a refund or other funds received from a school to first reduce the principal balance of the underlying loan for which the funds were intended, then to the remaining balance of the Consolidation loan.	Guarantor	Funds returned by the school and applied by the lender to a Consolidation loan on or after July 1, 2008, unless implemented earlier by the guarantor.
1003	Economic Hardship Deferment Eligibility Deferred for additional consideration	<u>11.4.A Eligibility Criteria - Economic Hardship Deferment</u> Clarifies that child support is not taxable income; therefore, it is not treated as income for purposes of determining eligibility for an economic hardship deferment.	Guarantor	Economic hardship deferment determinations made on or after July 1, 2008, unless implemented earlier.
1004	Applying a Partial Discharge Payment to a Consolidation Loan Deferred for additional consideration	<u>13.8 Discharge</u> <u>13.8.B Closed School</u> <u>13.8.C Death</u> <u>13.8.D False Certification</u> <u>13.8.E False Certification as a Result of the Crime of Identity Theft</u> <u>13.8.F Total and Permanent Disability</u> <u>13.8.G Unpaid Refund</u> <u>15.5.F Delinquency, Claim Filing, Loan Forgiveness, and Discharge</u> Requires that the holder of a Consolidation loan apply the partial discharge payment from the guarantor first to the principal balance and interest of the underlying loan to which the discharge is applicable.	Guarantor	Loan discharge payments made by the guarantor and applied by the lender to Consolidation loans on or after July 1, 2008, unless implemented earlier by the guarantor.
998	Variable Rate Conversion Provisions	<u>H.2 History of Excess Interest Rebates and Variable Interest Rate Conversions</u> <u>Figure H-1</u> States in Section H.2 that lenders, based on October 1994 guidance from the Department in DCL 94-L-171, were not permitted to adjust special	Federal	The guidance for lenders to recalculate special allowance billings on loans, subject to the variable rate conversion provisions, for all or part of the period from July 23, 1992,

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		<p>allowance billings for loans for which the applicable interest rate was retroactively revised. However, the Department provided guidance to lenders in DCL 98-L-202 on March 1, 1998, to recalculate special allowance billings on loans subject to the variable rate conversion provisions for all or part of the period from July 23, 1992, to December 31, 1994.</p> <p>Also clarifies in Figure H-1 that the "Quarterly Variable Interest Rates" which have been moved from the third to the second column are to be used prior to conversion to a variable rate.</p> <p>For loans subject to conversion under the Higher Education Amendments of 1992 in Figure H-1, the annual variable interest rate for the period from July 1, 2006, through June 30, 2007, was corrected from 7.949% to 7.94%. For all loans subject to conversion under the Higher Education Amendments of 1986 and 1992, the annual variable interest rates for the period from July 1, 2007, through June 30, 2008, are added.</p>		to December 31, 1994, was effective on March 1, 1998. All revisions, except interest rate changes, to the chart are retroactive to the implementation of the <i>Common Manual</i> .
1005	Exceptional Performer	<p><u>3.9</u> <u>Exceptional Performer Designation</u></p> <p><u>3.9.A</u> <u>Applying for the Designation</u></p> <p><u>3.9.B</u> <u>Department Determination of Request for Designation</u></p> <p><u>13.2</u> <u>Claim Returns</u></p> <p><u>13.2.A</u> <u>Refiling the Return Claim</u></p> <p><u>13.3.A</u> <u>Claim Payment Amount</u></p> <p><u>13.3.B</u> <u>Amount of Interest Purchased on Eligible Claims</u></p> <p><u>13.3.C</u> <u>Amount of Interest Purchased on Returned Claims</u></p> <p><u>13.5</u> <u>Claim Repurchase</u></p> <p><u>14.3.B</u> <u>Non-Default Claims</u></p> <p><u>14.4.A</u> <u>Original Filing Deadline</u></p>	Federal	Claims originally filed by a lender on or after October 1, 2007.

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
		<p><u>14.4.B Refile Deadline</u></p> <p><u>Appendix G Glossary</u></p> <p>Removes from the manual all language that relates to an exceptional performer designation for a lender or servicer, as well as all exceptional performer claim filing requirements.</p>		
1006	Frequency of Capitalization	<p><u>10.10.B Capitalization Frequency</u></p> <p>Permits the lender to capitalize unsubsidized interest that accrues on a Consolidation loan during periods of in-school deferment only at the end of the deferment period, rather than on a quarterly basis, as previously allowed.</p>	Federal	Unsubsidized interest capitalized on Consolidation loans for periods of in-school deferment on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007.
1007	Lender Reporting Requirements	<p><u>3.5.D Reporting Loan Status Changes</u></p> <p>Requires that a lender report enrollment and loan status information, or any loan-related information that the Department may require, by the deadline established by the Department.</p>	Federal	<p>Enrollment or loan status changes submitted to the guarantor or to the Department on or after July 1, 2008 unless implemented earlier by the lender and the guarantor on or after November 1, 2007. <i>This trigger event aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i></p>
1008	Armed Forces and Military Deferments	<p><u>11.3.A Eligibility Criteria - Armed Forces</u></p> <p><u>11.8.B Deferment Documentation - Military</u></p>	Federal	Armed forces and military deferments granted on or after July 1, 2008, can be implemented early by the lender on or

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
		States that a borrower <i>or</i> a borrower's representative must request the armed forces and the military deferments.		after November 1, 2007. <i>This trigger event aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change. .</i>
1009	Borrower Choice of Lender	<p><u>4.4 Providing Information to Students</u></p> <p><u>6.15 School Certification of the Loan</u></p> <p>Places greater emphasis on the borrower's right to choose a FFELP lender, and incorporates new regulatory requirements regarding the use of "recommended lender lists."</p> <p>Clarifies how schools that choose <i>not</i> to recommend lenders may still provide information to assist borrowers with their choice of lender.</p>	Federal	<p>Recommended lender lists provided to students and parents on or after July 1, 2008.</p> <p>Certifications based on the borrower's choice of lender and/or guarantor, effective retroactive to the implementation of the <i>Common Manual</i>.</p> <p>Ensuring that there is no delay in certification and/or processing of the loan based on the borrower's choice of lender or guarantor, effective for loans certified by the school on or after July 1, 2008.</p>
1010	Transfer of Claim Other Than For Security	<p><u>13.1.D Claim File Documentation</u></p> <p><u>13.8.A Bankruptcy</u></p> <p>Removes reference to the assignment of a proof of claim and replaces it with references to the Transfer of Claim Other Than For Security form that a guarantor must file and the Notice of Transfer of Claim Other Than For</p>	Federal	Original assignment of a proof of claim filed by the lender on or after July 1, 2008, unless implemented earlier by the guarantor.

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
		Security form that a lender/servicer will receive once the bankruptcy court processes the transfer.		
1011	Disclosing Stafford Loan Eligibility Information to Grad PLUS Applicants	<u>6.15.C PLUS Loan Certification</u> Requires the school to provide to a Grad PLUS applicant information regarding his or her eligibility for a Stafford loan, comparative information on the two loan programs, and an opportunity to apply for the maximum Stafford eligibility, if he or she has not already done so.	Federal	Grad PLUS loans certified by the school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.
1012	Establishing a Repayment Schedule	<u>10.8.A Standard Repayment Schedule</u> Aligns Subsection 10.8.A with Section 10.8, which requires a lender to establish a standard repayment schedule for a borrower who does not select another repayment schedule within 45 days of being notified of his or her options.	Correction	Repayment schedules requested or established on or after October 7, 1998.
1013	Consumer Information	<u>9.5 Return of Title IV Funds</u> Clarifies that refund information must be provided <i>upon request</i> , and places the requirements into a bulleted format for clarity.	Correction	Retroactive to the implementation of the <i>Common Manual</i> .

Batch 147 - approved

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COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 21, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with changes	Feb 21

SUBJECT: Variable Rate Conversion Provisions

AFFECTED SECTIONS: H.2 History of Excess Interest Rebates and Variable Interest Rate Conversions
Figure H-1

POLICY INFORMATION: 998/Batch 147

EFFECTIVE DATE/TRIGGER EVENT: The guidance for lenders to recalculate special allowance billings on loans, subject to the variable rate conversion provisions, for all or part of the period from July 23, 1992, to December 31, 1994, was effective on March 1, 1998. All revisions, except interest rate changes to the chart, are retroactive to the implementation of the *Common Manual*.

BASIS:
DCLs 94-L-171; 98-L-202; 98-L-207.

CURRENT POLICY:
Current policy states in Section H.2 that lenders are not permitted to adjust special allowance billings for loans for which the applicable interest rate is retroactively revised. Figure H-1 does not clarify that the rates in the column entitled "Quarterly Variable Interest Rates" are to be used prior to conversion and that the rates in the column entitled "Annual Variable Interest Rates" are to be used after conversion to a variable rate.

REVISED POLICY:
Revised policy states in Section H.2 that, based on October 1994 guidance from the Department in DCL 94-L-171, lenders were not permitted to adjust special allowance billings for loans for which the applicable interest rate was retroactively revised. However, the Department provided guidance to lenders in DCL 98-L-202 on March 1, 1998 to recalculate special allowance billings on loans subject to the variable rate conversion provisions for all or part of the period from July 23, 1992, to December 31, 1994.

Revised policy clarifies in Figure H-1 that the "Quarterly Variable Interest Rates" which have been moved from the third to the second column are to be used prior to conversion to a variable rate. Revised policy also clarifies in Figure H-1 that the "Annual Variable Interest Rates", which have been moved from the second to the third column, are to be used after conversion to a variable rate. In addition, a footnote has been added to the chart to explain that quarterly variable interest rates were determined by adding 3.25% for the "1986 loans" or 3.10% for the "1992 loans" to the average of the bond equivalent rate of the 91-day Treasury bill rate as auctioned for the preceding 3-month period.

For loans subject to conversion under the Higher Education Amendments of 1992 in Figure H-1, the annual variable interest rate for the period from July 1, 2006, through June 30, 2007, was corrected from 7.949% to 7.94%. For all loans subject to conversion under the Higher Education Amendments of 1986 and 1992, the annual variable interest rates for the period from July 1, 2007, through June 30, 2008, were added.

REASON FOR CHANGE:
The text in Section H.2 and Figure H-1 is being revised to provide clarity, additional historical information, updated and corrected rates.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section H.2, page 96, column 2, paragraph 1, bullet 8, as follows:

Notes and Cautions

Several provisions are applicable to the rebate/variable interest rate conversion process:

- ...
- ...
- ...
- ...
- ...
- ...
- ...
- ...
- Based on guidance from the Department on October 1994, lenders are were not permitted to adjust special allowance billings for loans for which the applicable interest rate is was retroactively revised. Based on guidance from the Department dated March 1, 1998, lenders were permitted to recalculate special allowance billings on loans for which the applicable interest rate was retroactively revised, for all or part of the period from July 23, 1992, to December 31, 1994. [DCLs 94-L-171 and 98-L-202]

Revise Figure H-1, Appendix H, page 98 as follows:

See attached chart.

**PROPOSED LANGUAGE - COMMON BULLETIN:
Variable Rate Conversion Provisions**

The *Common Manual* has been revised in Section H.2 to state that lenders were not permitted, based on October 1994 guidance from the Department in DCL 94-L-171, to adjust special allowance billings on loans - subject to the variable-rate conversion provisions of the Higher Education Amendments of 1986 and of 1992 - for which the applicable interest rate was retroactively revised. However, lenders were permitted, as a result of guidance from the Department on March 1, 1998, in DCL 98-L-202, to recalculate special allowance billings on the subject loans for all or part of the period from July 23, 1992, to December 31, 1994.

In addition, Figure H-1 was revised by reversing the second and third columns, expanding the column title, and adding a new footnote to explain that the quarterly variable interest rates were determined by adding 3.25% for the "1986 loans" or 3.10% for the "1992 loans" to the average of the bond equivalent rate of the 91-day Treasury bill rate as auctioned for the preceding 3-month period.

For loans subject to conversion under the Higher Education Amendments of 1992 in Figure H-1, the annual variable interest rate for the period from July 1, 2006, through June 30, 2007, was corrected from 7.949% to 7.94% and a reference to footnote #2 was inserted because the interest rate is higher than 7.00%. For all loans subject to conversion under the Higher Education Amendments of 1986 and 1992, the annual variable interest rates for the period from July 1, 2007, through June 30, 2008, were added.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:

None.

Lender/Service:

None.

Guarantor:

None.

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:
April 30, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:
February 14, 2007

PROPOSAL DISTRIBUTED TO:
CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others
CM Governing Board Representatives

Comments Received From:
AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, GSFC, HESAA, KHEAA, MGA, NCHELP, NSLP, OGSLP, PPSV, SCCLC, SLMA, SLND, SLSA, TG, UHEAA, USA Funds and VSAC.

Responses to Comments

Many of the commenters supported this proposal as written. Other commenters recommended wordsmithing changes that made no substantive changes to the policy but that added clarity to the proposed language. 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 noted that the interest rate of 7.94%, for the period of 7/1/06 through 6/30/07, in the section entitled "Higher Education Amendments of 1992", Figure H-1, should have a superscript "2" because the interest rate is higher than 7.00%.

Response:

The Committee agrees.

Change:

A superscript "2" has been added to the interest rate of 7.94% for the period of 7/1/06 through 6/30/07, in the section entitled "Higher Education Amendments of 1992", Figure H-1.

ce/edited-tmh

Summary of Variable-Rate Conversion Provisions

Figure H-1

Loans Subject to Conversion	Quarterly Variable Interest Rates prior to Conversion to an Annual Variable Interest Rate ¹		Annual Variable Interest Rates after Conversion to an Annual Variable Interest Rate	
<i>Higher Education Amendments of 1986:</i>	Quarter ending 9/30/92	7.03%	7/1/93 through 6/30/94:	6.37%
8%/10% Stafford loans first disbursed before July 23, 1992, when such loans are accruing at the 10% interest rate.	Quarter ending 12/31/92:	6.39%	7/1/94 through 6/30/95:	7.58%
	Quarter ending 3/31/93:	6.42%	7/1/95 through 6/30/96::	9.07%
	Quarter ending 6/30/93:	6.30%	7/1/96 through 6/30/97:	8.41%
8%/10% Stafford loans first disbursed on or after July 23, 1992, but before October 1, 1992, when such loans are accruing at the 10% interest rate, to borrowers who had no outstanding FFELP loans on the date the promissory note was signed.	Quarter ending 9/30/93:	6.30%	7/1/97 through 6/30/98:	8.41%
	Quarter ending 12/31/93:	6.33%	7/1/98 through 6/30/99:	8.41%
	Quarter ending 3/31/94:	6.39%	7/1/99 through 6/30/00:	7.87%
	Quarter ending 6/30/94:	6.59%	7/1/00 through 6/30/01:	9.14%
	Quarter ending 9/30/94:	7.40%	7/1/01 through 6/30/02:	6.94%
	Quarter ending 12/30/94:	7.88%	7/1/02 through 6/30/03:	5.01%
	Quarter ending 3/31/95:	8.71%	7/1/03 through 6/30/04:	4.37%
			7/1/04 through 6/30/05:	4.32%
			7/1/05 through 6/30/06:	6.25%
			7/1/06 through 6/30/07:	8.09%
		7/1/07 through 6/30/08:	8.17%	
<i>Higher Education Amendments of 1992:</i>	Quarter ending 9/30/92:	6.88%	7/1/93 through 6/30/94:	6.22%
Stafford loans first disbursed at a fixed rate (7%, 8%, 9%, and 8%/10% loans when accruing at 8% and 10%) on or after July 23, 1992, to borrowers who had outstanding FFELP loans on the date the promissory note was signed.	Quarter ending 12/31/92:	6.24%	7/1/94 through 6/30/95:	7.43% ²
	Quarter ending 3/31/93:	6.27%	7/1/95 through 6/30/96:	8.92% ³
	Quarter ending 6/30/93:	6.15%	7/1/96 through 6/30/97:	8.26% ³
	Quarter ending 9/30/93:	6.15%	7/1/97 through 6/30/98:	8.26% ³
	Quarter ending 12/31/93:	6.18%	7/1/98 through 6/30/99:	8.26% ³
	Quarter ending 3/31/94:	6.24%	7/1/99 through 6/30/00:	7.72% ²
	Quarter ending 6/30/94:	6.44%	7/1/00 through 6/30/01:	8.99% ³
	Quarter ending 9/30/94:	7.25% ²	7/1/01 through 6/30/02:	6.79%
	Quarter ending 12/30/94:	7.73% ²	7/1/02 through 6/30/03:	4.86%
	Quarter ending 3/31/95:	8.56% ³	7/1/03 through 6/30/04:	4.22%
			7/1/04 through 6/30/05:	4.17%
			7/1/05 through 6/30/06:	6.10%
			7/1/06 through 6/30/07:	7.949% ²
		7/1/07 through 6/30/08:	8.02% ³	

¹ Quarterly interest rates are determined by adding 3.25% for the "1986 loans" or 3.10% for the "1992 loans" to the average of the bond equivalent rate of the 91-day Treasury bill rate as auctioned for the preceding 3-month period.

² Because the variable rate for Stafford loans in this category may not exceed the original interest rate, this variable interest rate does not apply to Stafford loans first disbursed at a fixed 7% interest rate, which are capped at 7%.

³ Because the variable rate for Stafford loans in this category may not exceed the original interest rate, this variable interest rate does not apply to Stafford loans first disbursed at a fixed 7% or 8% interest rate, which are capped at 7% and 8%, respectively.

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 21, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Feb 21

SUBJECT: Exceptional Performer

AFFECTED SECTIONS:

3.9	Exceptional Performer Designation
3.9.A	Applying for the Designation
3.9.B	Department Determination of Request for Designation
13.1.A	Claim Filing Requirements
13.2	Claim Returns
13.2.A	Refiling the Return Claim
13.3.A	Claim Payment Amount
13.3.B	Amount of Interest Purchased on Eligible Claims
13.3.C	Amount of Interest Purchased on Returned Claims
13.5	Claim Repurchase
14.3.B	Non-Default Claims
14.4.A	Original Filing Deadline
14.4.B	Refile Deadline
Appendix G	Glossary

POLICY INFORMATION: 1005/Batch 147

EFFECTIVE DATE/TRIGGER EVENT: Claims originally filed by a lender on or after October 1, 2007.

BASIS:

HEA §428(c)(1), §428I, and §438(b)(5), as amended by the College Cost Reduction and Access Act (P.L. 110-84).

CURRENT POLICY:

Current policy contains language that outlines the exceptional performer designation, how the lender or servicer applies for the designation, and how the Department determines the designation. Current policy also contains language regarding claim filing requirements for a lender or servicer that has earned the exceptional performer designation.

REVISED POLICY:

Revised policy removes all language from the Manual that relates to an exceptional performer designation for a lender or servicer, as well as all claim filing requirements for a lender or servicer that has earned this designation. Information regarding exceptional performer designation will be moved to the History Appendix.

REASON FOR CHANGE:

This change is being made to comply with statutory changes derived from the College Cost Reduction and Access Act.

PROPOSED LANGUAGE - COMMON MANUAL:

Delete Section 3.9, page 21, column 1:

~~3.9 Exceptional Performer~~

~~A lender or lender servicer may seek an exceptional performer designation from the Department. In general, an exceptional performer will receive payment of 99% of outstanding principal and eligible interest on a default claim filed during the 12-month period following its receipt of a notice of designation. The receipt date for the exceptional performer notice of designation is assumed to be no later than 3 days after the date the notice is mailed—unless the lender or servicer is able to prove otherwise.~~

~~{HEA 428I(b)(1); §682.415(a)(1)}~~

~~An exceptional performer designation for a lender or servicer with two or more site locations covers all of its site locations. Exceptional performer designations for individual site locations of such a lender or servicer are not permitted.~~

~~An exceptional performer designation is based only on the loans that the exceptional performer services directly. If a lender contracts with a servicer to fulfill a portion of its responsibilities under the FFELP, the lender may not obtain a designation based on functions performed by its servicer. A designation applies to all loans serviced by the exceptional performer—with the exception of defaulted loans that have not been serviced by the exceptional performer for the last 270 days before default.
{§682.415(a)(1) and (b)(5)(i); DCL FP-04-04}~~

Delete Subsection 3.9.A, page 21, column 2:

~~3.9.A Applying for the Designation~~

~~To apply for an exceptional performer designation, a lender or servicer must submit the following information to the Department and to each appropriate guarantor:~~

- ~~• A written request with the applicant's name and address; the name of a contact person; the lender identification number (LID), if applicable; and the name and address of each applicable guarantor.
{§682.415(a)(2)(i)(A) through (D); DCL FP-04-04}~~
- ~~• A copy of an annual financial audit conducted in accordance with the Audit Guide developed by the Department. A lender may submit a copy of an annual audit required under 34 CFR 682.305(e) if the audit period ends no more than 90 days before the date the lender submits its request for designation. A servicer may submit a copy of the annual financial audit, as defined in 34 CFR 682.416(e), if the audit period ends no more than 90 days before the date the servicer submits its request for designation.
{HEA 428I(c)(1); §682.415(a)(2)(i)(E)(1) through (2); DCL FP-04-04}~~
- ~~• A compliance audit of its loan portfolio, conducted by an independent organization, that yields a compliance performance rating of 97% or higher with respect to all due diligence requirements (such as skip tracing, conversion to repayment, timely claim filing). The period covered by this audit may end no more than 90 days before the date the lender or servicer submits its request for designation. A servicer may satisfy this requirement by submitting its annual compliance audit as outlined in 34 CFR 682.416(e), if the servicer includes in its report a measure of its compliance performance rating required under 34 CFR 682.415(a)(2)(iii)(A), and the audit is performed in accordance with an audit guide developed by the Department.
{HEA 428I(c)(1); §682.415(a)(2)(iii); DCL FP-04-04}~~

~~If the applicant is a servicer, it must include with the preceding information a statement from its owner or chief executive officer certifying that the servicer meets the definition of a servicer for the purposes of exceptional performer designations.
{§682.415(a)(2)(ii)}~~

Delete Subsection 3.9.B, page 22, column 1:

~~3.9.B Department Determination of Request for Designation~~

~~In determining whether to grant an exceptional performer designation, the Department considers the following:
{§682.415(b)}~~

- ~~• Information provided by the applicant
{HEA 428I(c)(5); §682.415(b)(1)(i)}~~

- Information provided by a guarantor. [HEA 428I(c)(2) and (3); §682.415(b)(1)(ii)]
- Any other information in the Department's possession—including information submitted by any other agency or office of the federal government. [HEA 428I(c)(3); §682.415(b)(1)(iii)]

The Department will notify the lender or servicer and each appropriate guarantor of the approval or denial. If the request is denied, the reasons for denial will be provided. [HEA 428I(c)(3); §682.415(b)(2) and (4)]

To maintain its exceptional performer designation, a lender or servicer must undergo a quarterly compliance audit. A designation will be revoked if the audit indicates that a lender or servicer failed to maintain at least 97% compliance for two consecutive months or 90% for one month. If a lender or servicer is designated an exceptional performer for at least 15 months, it may petition the Department to have future quarterly compliance audits, as required under 34 CFR 682.415(b)(6)(i), conducted by the lender's or servicer's internal auditor. [HEA 428I(b)(2) and (5); §682.415(b)(1)(i) and (ii)]

Revise Subsection 13.1.A, page 1, column 2, paragraph 2, bullet 1 as follows:

13.1.A Claim Filing Requirements

...

The claim review statuses are defined as follows:

- The *Exceptional Performer Status* is defined in regulation and assigned by the Department. Lenders designated as exceptional performers may file claims using documentation requirements outlined in ~~§~~Subsection 13.1.D. Such claims are not subject to additional review for due diligence, conversion to repayment, or timely filing requirements—except as determined to be necessary by the guarantor or the Department as part of the general program oversight responsibility. Bankruptcy claims filed by a lender designated as an exceptional performer are subject to review for the lender's compliance with standard bankruptcy policies and requirements. The lender's failure to comply with those requirements may result in the guarantor's return of the bankruptcy claim to the lender, or, if the claim has been purchased, the lender's repurchase of the loan(s). (See ~~§~~Subsection 13.8.A for more information regarding bankruptcy servicing requirements.) This designation was eliminated on October 1, 2007, per statutory changes from the College Cost Reduction and Access Act (P.L. 110-84). See History Appendix for more information. [§682.415(b)(7)(i)]

Revise Section 13.2, page 6, column 2, paragraph 2, as follows:

13.2 Claim Returns

...

A guarantor may not return a claim due to errors in repayment conversion, due diligence, or timely filing to a lender or lender servicer designated as an exceptional performer. However, if the lender is unable to provide a complete claim or if the loan is otherwise ineligible for claim payment (such as due to a previous, unresolved loss of loan guarantee) the guarantor must return the claim file despite the lender's or servicer's exceptional performer designation. [§682.415(b)(5)(i); DCL FP-04-04]

Revise Subsection 13.2.A, page 7, column 1, paragraph 3, as follows:

13.2.A Refiling the Returned Claim

...

For information on penalties for failure to resubmit returned claims timely, see Section 14.4. ~~In the case of a loan filed by a lender or servicer that has been designated an exceptional performer by the Department, no interest limitations are incurred due to untimely refiling of [§682.415(b)(7)(i)]~~

Revise Subsection 13.3.A, page 9, column 1, bullet 3, as follows:

13.3.A Claim Payment Amount

...

- ~~• The guarantor will pay 99% of outstanding principal and eligible interest on a default claim filed on or after July 1, 2006, by a lender or servicer that has been designated as an exceptional performer—except on a loan that the lender is required to exclude from this designation. Claims filed on qualifying loans made by an exceptional performer are not subject to interest penalties or claim rejection. For more information on being designated as an exceptional performer and on maintaining that designation, see subsections 3.9.A and 3.9.B, respectively. [HEA 428(t)(b)(1)]~~

...

Revise Subsection 13.3.B, page 9, column 2, paragraph 1, as follows:

13.3.B Amount of Interest Purchased on Eligible Claims

Generally, if a lender has complied with all applicable due diligence and loan servicing requirements, a guarantor will pay the applicable percentage of the outstanding eligible interest owed from the interest-paid-through date through the date the guarantor pays the claim. The percentage of the outstanding eligible interest owed that the guarantor will pay is based on whether the lender or servicer is designated as an exceptional performer the requirements set forth in Subsection 13.3.A.

Revise Subsection 13.3.C, page 10, column 1, paragraph 2, as follows:

13.3.C Amount of Interest Purchased on Returned Claims

...

After calculating the amount of interest for which the lender is eligible, the guarantor will pay 98% of that interest for loans disbursed on or after October 1, 1993, and before July 1, 2006, or consolidated during that time. For loans first disbursed on or after July 1, 2006, the guarantor will pay 97% of eligible interest. Regardless of the loan's first disbursement date, if the loan was made under Lender of Last Resort provisions, the guarantor will pay 100% of eligible interest. ~~For default claims filed on or after July 1, 2006, by a lender or servicer designated as an exceptional performer, the guarantor will pay 99% of eligible interest. — [§682.404(a)(1); HEA §428(b)(1)(G)(ii); HEA 428(t)(b)(1)]~~

Revise Section 13.5, page 13, column 1, paragraph 2, as follows:

13.5 Claim Repurchase

...

~~A lender, including a lender designated as an exceptional performer, is required to repurchase a loan that was paid as a bankruptcy claim if the bankruptcy is subsequently dismissed by the court or, as a result of the hearing, the loan is considered nondischargeable and the borrower is responsible for repayment of the loan. [§682.402(f)(4)]~~

Revise Subsection 14.3.B, page 5, column 2, by deleting paragraph 3 and the preceding subheading, as follows:

14.3.B Non-Default Claims

Claims Filed by Exceptional Performers

~~In the case of a loan filed by a lender or servicer that has been designated an exceptional performer by the Department, no penalties will be assessed for due diligence violations. [§682.415(b)(7)(i)]~~

Revise Subsection 14.4.A, page 7, column 1, by deleting paragraph 2 and the preceding subheading, as follows:

14.4.A Original Filing Deadline

Claims Filed by Exceptional Performers

~~No penalties will be assessed for timely filing violations in the case of a claim filed by a lender or servicer that has been designated an exceptional performer by the Department. [§682.415(b)(7)(i)]~~

Revise Subsection 14.4.B, page 8, column 1, by deleting paragraph 2 and the preceding subheading, as follows:

14.4.B Refile Deadlines

Claims Filed by Exceptional Performers

~~No penalties will be assessed for timely filing violations in the case of a claim filed by a lender or servicer that has been designated an exceptional performer by the Department. [§682.415(b)(7)(i)]~~

Revise Appendix G, page 7, column 2, by deleting the definition of exceptional performer, as follows:

Exceptional Performer: A designation conferred upon a qualified lender, servicer, or guarantor by the Department of Education for an exceptional level of performance in servicing FFELP loans, if the lender, servicer, or guarantor requests such status and meets all statutory and regulatory requirements. ~~See section 3.9 for more information. This designation was eliminated on October 1, 2007, per statutory changes from the College Cost Reduction and Access Act (P.L. 110-84). See History Appendix for more information.~~

PROPOSED LANGUAGE - COMMON BULLETIN:

Exceptional Performer Eliminated

The *Common Manual* has been revised to comply with the statutory changes derived from the College Cost Reduction and Access Act (P.L. 110-84). The Exceptional Performer program was eliminated on October 1, 2007; therefore, eligible default claims filed by a lender on or after that date will be paid at the insurance rate applicable to each loan.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:

None.

Lender/Servicer:

A lender or servicer that was previously designated as an exceptional performer will be paid a lesser amount on claims filed on or after October 1, 2007, and may need to provide additional documentation at claim time. Loans will be subject to additional claim review by the guarantor.

Guarantor:

A guarantor may need to update claim review requirements, claim payment systems and coding, and program review requirements.

U.S. Department of Education:

The Department may need to update program review requirements.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

October 12, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

February 14, 2008

PROPOSAL DISTRIBUTED TO:

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

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, GSFC, HESAA, KHEAA, MGA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, USA Funds, and VSAC

Responses to Comments

Many of the commenters supported this proposal as written. Other commenters recommended wordsmithing changes that made no substantive changes to the policy but that added clarity to the proposed language. 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 revising the trigger event to "claims originally filed", since returned claims may be resubmitted. The commenter stated the addition of the word "originally" is needed because, if a claim is refilled after October 1st, 2007, it is the original file date that determines eligibility for the Exceptional Performer payment.

Response:

The Committee agrees.

Change:

The effective date/trigger event has been revised as follows:

Claims originally filed by a lender on or after October 1, 2007.

Comment:

One commenter does not support the removal of Section 13.2 and Subsections 13.2.A, 13.3.A, 13.3.B, 13.3.C, 14.3.B, 14.4.A, and 14.4.B. The commenter also does not support removing the definition from Appendix G. The commenter states that since a guarantor cannot deny the claims for filing, re-filing, or due diligence violations if the claims are resubmitted outside the resubmission period, the *Common Manual* must preserve the exceptional performer language for use as a basis for payment of the claims that may fall into this scenario. The commenter also stated that if the Policy Committee does not accept the above comment, they believe the effective date/trigger event should be revised to state claims originally filed since returned claims

may be resubmitted.

Response:

The Committee agrees with retaining the definition in Appendix G and with inserting the word “originally” in the trigger event. However, since the Exceptional Performer provision was eliminated effective October 1, 2007, and this information will be preserved in the Glossary and History appendices, it will be removed from the current text of the Manual.

Change:

The definition of Exceptional Performer has been retained in the Manual and revised as follows:

Exceptional Performer: A designation conferred upon a qualified lender, servicer, or guarantor by the Department of Education for an exceptional level of performance in servicing FFELP loans, if the lender, servicer, or guarantor requests such status and meets all statutory and regulatory requirements. ~~See section 3.9 for more information.~~ This designation was eliminated on October 1, 2007, per statutory changes from the College Cost Reduction and Access Act (P.L. 110-84). See History Appendix for more information.

The effective date and trigger event has been revised as follows:

Claims originally filed by a lender on or after October 1, 2007.

Comment:

One commenter suggested retaining the definition of exceptional performer in Appendix G, stating that since exceptional performer will be retained in the History appendix, the definition should remain in the Glossary. The commenter also stated that the proposal should show the accompanying proposed changes to the History Appendix. Another commenter also suggested retaining the definition in Appendix G since the term is still valid and for ease of reference, it should be retained in the Glossary.

Another commenter suggested retaining the definition of Exceptional Performer in Appendix G. The commenter suggested adding “This designation was eliminated on October 1, 2007, per statutory changes from the College Cost Reduction and Access Act (P.L. 110-84). See History Appendix for more information.” The commenter also states that the definition should remain in the Glossary section because the Claim Form has a reference to the exceptional performer status.

Another commenter stated that although the Exceptional Performer program has been repealed, the term “Exceptional Performer” should remain in Appendix G, Glossary. However, the definition should be modified to indicate that this was a designation previously conferred, and the reference to Section 3.9 should be removed.

Response:

The Committee agrees that the definition in Appendix G should be retained and updated as applicable. The Committee also reminds the commenters that all policies that are removed from the current text of the Manual are then placed in the History Appendix so the policies are not lost. The History Appendix updates do not go out for a public comment response period, but are provided to the *Common Manual* Governing Board for their approval before being included in the next publication of the *Common Manual*.

Change:

The definition of Exceptional Performer has been retained in the Manual and revised as follows:

Exceptional Performer: A designation conferred upon a qualified lender, servicer, or guarantor by the Department of Education for an exceptional level of performance in servicing FFELP loans, if the lender, servicer, or guarantor requests such status and meets all statutory and regulatory requirements. ~~See section 3.9 for more information.~~ This designation was eliminated on October 1, 2007, per statutory changes from the College Cost Reduction and Access Act (P.L. 110-84). See History Appendix for more information.

Comment:

One commenter would like to bring to the Committee’s attention additional occurrences of the term “Exceptional Performer” not addressed in this proposal; specifically in Subsection 13.1.A and Figure 13-1. Another commenter suggested removing the reference to exceptional performer in Subsection 13.1.A, stating

that although the current Claim Form does still have exceptional performer status listed, references left in the *Common Manual* convey that it is still a valid claim-filing status.

Response:

The Committee appreciates the commenter's concise review of the policy proposal. The Committee chose to keep Subsection 13.1.A in the Manual because the DACS subcommittee advised the Committee that they were not planning a revision to the Claim Form at this time. The Committee has added a sentence to Subsection 13.1.A that states that this designation was eliminated.

Change:

The bullet on *Exceptional Performer Status* has been revised as follows:

The *Exceptional Performer Status* is defined in regulation and assigned by the Department. Lenders designated as exceptional performers may file claims using documentation requirements outlined in ~~§~~Subsection 13.1.D. Such claims are not subject to additional review for due diligence, conversion to repayment, or timely filing requirements—except as determined to be necessary by the guarantor or the Department as part of the general program oversight responsibility. Bankruptcy claims filed by a lender designated as an exceptional performer are subject to review for the lender's compliance with standard bankruptcy policies and requirements. The lender's failure to comply with those requirements may result in the guarantor's return of the bankruptcy claim to the lender, or, if the claim has been purchased, the lender's repurchase of the loan(s). (See ~~§~~Subsection 13.8.A for more information regarding bankruptcy servicing requirements.) This designation was eliminated on October 1, 2007, per statutory changes from the College Cost Reduction and Access Act (P.L. 110-84). See History Appendix for more information.

Comment:

One commenter asked if the term "servicer" was purposely omitted from the lender/servicer implication statement.

Response:

The Committee agrees that the term servicer should be added to the lender/servicer implication statement as this proposal specifically addresses both lenders and servicers.

Change:

The lender/servicer implication statement has been revised as follows:

A lender or servicer that was previously designated as an exceptional performer will be paid a lesser amount on claims filed on or after October 1, 2007, and may need to provide additional documentation at claim time. Loans will be subject to additional claim review by the guarantor.

sm/edited-chh

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 21, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Feb 21

SUBJECT: Frequency of Capitalization

AFFECTED SECTIONS: 10.10.B Capitalization Frequency

POLICY INFORMATION: 1006/Batch 147

EFFECTIVE DATE/TRIGGER EVENT: Unsubsidized interest capitalized on Consolidation loans for periods of in-school deferment on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007.

BASIS: §682.202(b)(5); preamble to the *Federal Register* Vol. 72, No. 211 dated November 1, 2007, p. 61984.

CURRENT POLICY: Current policy permits a Consolidation loan holder to capitalize interest that accrues during an in-school deferment no more frequently than quarterly, and again when repayment is scheduled to begin or resume.

REVISED POLICY: Revised policy permits the lender to capitalize unsubsidized interest that accrues during periods of in-school deferment on a Consolidation loan only at the end of the deferment period, rather than on a quarterly basis as previously allowed.

REASON FOR CHANGE: This change is made to comply with regulatory changes published in the *Federal Register* Vol. 72, No. 211 dated November 1, 2007, pp. 61984 and 62000.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 10.10.B, page 19, column 2, first subheading and paragraph 1, as follows:

Subsidized Stafford Loans First Disbursed Prior to July 1, 2000, Unsubsidized Stafford Loans First Disbursed Prior to October 7, 1998, and All PLUS and Consolidation Loans

A lender may capitalize the interest that accrues during in-school, grace, deferment (except in-school deferment for Consolidation loans), and forbearance periods no more frequently than quarterly, and again when repayment is scheduled to begin or resume. A lender may capitalize interest that accrues during the following periods only on the date repayment of principal is scheduled to begin:

- During the period from the date the first disbursement was made to the beginning date of the in-school period.
- During the period from the date the first installment payment was due to the date it is made.
- During a period when the borrower's loan was in repayment, but the borrower made no payments because:
 - The lender received late notification that the borrower withdrew or ceased to be enrolled on at least a half-time basis, as applicable, from the school before the lender's projected deferment end date, out-of-school date, or date on which the loan is fully disbursed.
 - The lender learned after the fact that the borrower or a dependent student (based on whose status a PLUS loan borrower obtained the deferment) did not maintain in-

school deferment eligibility.
[§682.202(b)]

Consolidation Loans with In-school Deferments

Unsubsidized interest that accrues on a Consolidation loan during an in-school deferment may only be capitalized at the end of the deferment period.

PROPOSED LANGUAGE - COMMON BULLETIN:

Frequency of Capitalization for Consolidation Loans.

The *Common Manual* has been revised to specify that a lender may capitalize unsubsidized interest that accrues during periods of in-school deferment on a Consolidation loan only at the end of the deferment.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A Consolidation loan borrower will pay less in overall loan costs than if the lender capitalized interest during periods of in-school deferment more frequently.

School:

None.

Lender/Servicer:

A lender and its servicer must ensure that systems and procedures are adjusted to permit capitalization on a Consolidation loan with an in-school deferment only at the end of the deferment.

Guarantor:

A guarantor must ensure that its program review procedures are updated with the new requirements.

U.S. Department of Education:

The Department may be required to amend its program review parameters.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

October 19, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, GSFC, HESAA, KHEAA, MGA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, USAFunds and VSAC.

Responses to Comments

Many of the commenters supported this proposal as written. Other commenters recommended wordsmithing changes that made no substantive changes to the policy but that added clarity to the proposed language. 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's opinion was that this provision was not intended for early implementation, and suggested the proposal be tabled until ED provides further guidance.

Response:

The Committee disagrees. In the preamble language in the *Federal Register* issued November 1, 2007, on pages 61960 and 61962, the Department makes it clear that this provision is subject to early implementation.

Change:

None.

COMMENT:

Six commenters noted that since this is an early implementation provision, the Effective Date/Trigger Event should be expanded to:

Unsubsidized interest capitalized on Consolidation loans for periods of in-school deferment on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007.

Response:

The Committee agrees.

Change:

The Effective Date/Trigger Event has been changed as noted above.

COMMENT:

One commenter noted that the *Federal Register*, dated November 1, 2007, was referenced in the Reason for Change, so should be included in the Basis.

Response:

The Committee agrees that the *Federal Register* preamble page number should be included in the Basis. The Committee did not add the page where the regulatory language is found, since that would be redundant with the actual regulatory cite of §682.202(b)(5), which is included in the Basis section.

Change:

The Basis now includes *Federal Register* Vol. 72, No. 211 dated November 1, 2007, p.61984.

COMMENT:

One commenter suggested that the Reason for Change statement also include the preamble page in the *Federal Register* where the discussion of this topic is located.

Response:

The Committee agrees.

Change:

Page number 61984 has been added to the Reason for Change statement.

COMMENT:

One commenter suggested the following change to the Subsection heading and first paragraph:

Subsidized Stafford Loans First Disbursed Prior to July 1, 2000, Unsubsidized Stafford Loans First Disbursed Prior to October 7, 1998, and All PLUS and Consolidation Loans (~~Except Consolidation Loans with In-school Deferments~~)

A lender may capitalize the interest that accrues during in-school, grace, deferment (except in-school deferment for Consolidation loans), and forbearance periods no more frequently than quarterly, and again when repayment is scheduled to begin or resume. A lender may capitalize interest that accrues during the following periods only on the date repayment of principal is scheduled to begin.

Response:

The Committee agrees.

Change:

The change noted above has been made to the text of this proposal.

COMMENT:

Three commenters thought the added paragraph under "Consolidation Loans with In-school Deferment" was worded awkwardly and each offered a variation. One commenter asked that the date, "July 1, 2008" be stricken from the text, since effective dates are not normally included.

Response:

The Committee agrees.

Change:

The text has been modified per the commenters' suggestions and now reads:

~~A lender may capitalize u~~Unsubsidized interest that accrues during periods of in-school deferment on a Consolidation loan ~~with an~~ during an in-school deferment ~~period that ends on or after July 1, 2008,~~ may only be capitalized at the end of the deferment period.

COMMENT:

One commenter suggested the following change to the Implications: *Borrower* section:

A Consolidation loan borrower will pay less in overall loan costs than if ~~his or her~~ the lender ~~has been capitalizing~~ ed the interest during periods of in-school deferment ~~at more frequently~~ intervals.

Response:

The Committee agrees.

Change:

The text has been modified per the commenter's suggestion.

nm-djo/edited-aes

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 21, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Feb 21

SUBJECT: Lender Reporting Requirements

AFFECTED SECTIONS: 3.5.D Reporting Loan Status Changes

POLICY INFORMATION: 1007/Batch 147

EFFECTIVE DATE/TRIGGER EVENT: Enrollment or loan status changes submitted to the guarantor or to the Department on or after July 1, 2008 unless implemented earlier by the lender and the guarantor on or after November 1, 2007. *This trigger event aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.*

BASIS:

§682.208(I); *Federal Register* Vol. 72, No. 211 dated November 1, 2007, p. 61966.

CURRENT POLICY:

Current policy specifies that a lender must report loan status changes to the guarantor.

REVISED POLICY:

Revised policy adds the requirement that a lender must report enrollment and loan status information, or any loan-related information that the Department may require. This information must be reported to the guarantor or to the Department, by the deadline established by the Department.

Subsection 3.5.D has been renamed to more accurately reflect its content.

REASON FOR CHANGE:

This change is made to comply with regulatory changes published in the *Federal Register* Vol. 72, No. 211, dated November 1, 2007, p. 62000.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 3.5.D, page 13, column 1, paragraph 4 as follows:

Reporting Loan Status Changes Information

A lender must report enrollment and loan status changes information, or any FFELP loan-related data to the guarantor or to the Department, as applicable, by the deadline established by the Department. A guarantor will accept a status change in any form or medium—as long as it includes the borrower's name and Social Security number, status change and effective date, loan account number or ID number, and any other pertinent information.

PROPOSED LANGUAGE - COMMON BULLETIN:

Lender Reporting Requirements

The *Common Manual* has been revised to add the requirement that the lender must report enrollment and loan status information or any FFELP loan-related data that the Department requires. The information must be reported to the guarantor or to the Department, as applicable, by the deadline established by the Department.

GUARANTOR COMMENTS:

None.

Implications:

Borrower:
None.

School:
None.

Lender/Service:
A lender/service may need to report additional FFELP loan information that the Department requires to the guarantor or directly to the Department and within the deadline established by the Department.

Guarantor:
A guarantor may need to obtain additional FFELP loan information from the lender as required by the Department.

U.S. Department of Education:
The Department will need to convey to lenders and guarantors what loan-related information it requires and the deadline for that information to be submitted to the Department.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:
October 1, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:
February 14, 2008

PROPOSAL DISTRIBUTED TO:
CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others
CM Governing Board Members

Comments Received From:
AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, GSFC, HESAA, KHEAA, MGA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, USAFunds and VSAC.

Responses to Comments

Many of the commenters supported this proposal as written. Other commenters recommended wordsmithing changes that made no substantive changes to the policy but that added clarity to the proposed language. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

COMMENT:

Three commenters noted that this is an early implementation provision, and suggested the following change to the Effective Date/Trigger Event:

July 1, 2008 unless implemented earlier by the lender and the guarantor on or after November 1, 2007.

Response:

The Committee agrees.

Change:

The Effective Date/Trigger Event has been modified per the commenters' suggestion.

COMMENT:

One commenter suggested that since the *Federal Register* is mentioned in the Reason for Change, that the *Federal Register* should be included in the Basis.

Response:

The Committee agrees that the preamble page number should be included in the Basis. The Committee did not add the page where the regulatory language is found, since that would be redundant with the regulatory cite of §682.208(I), which is included in the Basis section.

Change:

The Basis has been expanded to include the *Federal Register* preamble page number.

COMMENT:

One commenter made the following suggestion to incorporate the new text into existing text:

A lender must report enrollment and loan status changes information, or any FFELP loan-related data to the guarantor or to the Department, as applicable, by the deadline established by the Department. A guarantor will accept a status change in any form or medium—as long as it includes the borrower's name and Social Security number, status change and effective date, loan account number or ID number, and any other pertinent information.

Response:

The Committee agrees.

Change:

The new text has been incorporated into existing text per the commenter's suggestion.

djo/edited-aes

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 21, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Feb 21

SUBJECT: Armed Forces and Military Deferments

AFFECTED SECTIONS: 11.3.A Eligibility Criteria—Armed Forces
11.8.B Deferment Documentation—Military

POLICY INFORMATION: 1008/Batch 147

EFFECTIVE DATE/TRIGGER EVENT: Armed forces and military deferment requests granted on or after July 1, 2008, can be implemented early by the lender on or after November 1, 2007. *This trigger event aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.*

BASIS: §682.210(i)(5); §682.210(t)(7); *Federal Register*, Vol. 72, No. 211 dated November 1, 2007, p. 61962.

CURRENT POLICY: Current policy states that a borrower must request the armed forces and military deferments.

REVISED POLICY: *Common Manual* text has been revised to state that a borrower or a borrower's representative must request the armed forces and the military deferments.

REASON FOR CHANGE: The purpose for the change is to incorporate the Final Rules in the *Federal Register* of November 1, 2007, Volume 72, No. 211, page 62001.

PROPOSED LANGUAGE - COMMON MANUAL: Revise Subsection 11.3.A, page 8, column 1, paragraph 1, as follows:

11.3.A Eligibility Criteria—Armed Forces

...

A borrower or a borrower's representative must request the deferment and provide the lender with documentation establishing that he or she is serving a period of full-time active duty status in the U.S. Armed Forces. Documentation may include:

- A written statement from the borrower's commanding officer or personnel officer certifying the date on which the borrower's service began and the date on which it is expected to end.
- A copy of the borrower's official military orders and a copy of the borrower's active duty military identification card.

If a lender grants an armed forces deferment based on a request from the borrower's representative, the lender must notify the borrower that the deferment has been granted and that the borrower has the option to cancel the deferment and continue to make payments on the loan. The lender may also notify the borrower's representative of the outcome of the deferment request.
[§682.210(i)(5)]

Revise Subsection 11.8.B, page 15, column 2, paragraph 3, as follows:

11.8.B
Deferment Documentation—Military

A borrower or a borrower's representative must request the deferment and provide the lender with documentation of his or her duty status. The documentation must include a copy of the borrower's military orders, or a written statement from the borrower's commanding or personnel officer that the borrower is serving on active duty during a war or other military operation, or a national emergency, or that the borrower is performing qualifying National Guard duty during a war or other military operation, or a national emergency, as those terms are defined in §Subsection 11.8.A.
[HEA §428(b)(1)(M); DCL GEN-06-02]

If a lender grants a military deferment based on a request from the borrower's representative, the lender must notify the borrower that the deferment has been granted and that the borrower has the option to cancel the deferment and continue to make payments on the loan. The lender may also notify the borrower's representative of the outcome of the deferment request.
[§682.210(t)(7)]

PROPOSED LANGUAGE - COMMON BULLETIN:
Armed Forces and Military Deferments

The *Common Manual* has been revised to allow a borrower's representative to request an armed forces or a military deferment on behalf of the borrower. If a lender grants an armed forces or a military deferment based on a request from the borrower's representative, the lender must notify the borrower that the deferment has been granted and that the borrower has the option to cancel the deferment and continue to make payments on the loan. The lender may also notify the borrower's representative of the outcome of the deferment request.

GUARANTOR COMMENTS:
None.

IMPLICATIONS:

Borrower:

By allowing a borrower's representative to request an armed forces or a military deferment on the borrower's behalf, a qualified borrower may receive these deferments when unable to personally apply.

School:

A school may need to revise counseling materials, as appropriate, to indicate that a borrower's representative may request an armed forces or military deferment.

Lender/Service:

A lender may need to adjust its procedures and perhaps its systems to accommodate requests from a borrower's representative for an armed forces or military deferment.

Guarantor:

A guarantor may need to adjust its program review processes.

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:
October 1, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:
February 14, 2008

PROPOSAL DISTRIBUTED TO:
CM Policy Committee

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

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, GSFC, HESAA, KHEAA, MGA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, USA Funds and VSAC.

Responses to Comments

Many of the commenters supported this proposal as written. Other commenters recommended wordsmithing changes that made no substantive changes to the policy but that added clarity to the proposed language. 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 that since the *Federal Register* is mentioned in the Reason for Change, that the *Federal Register* should be included in the Basis.

Response:

The Committee agrees that the preamble page number should be included in the Basis. The Committee did not add the page where the regulatory language is found, since that would be redundant with the regulatory cites of §682.210(i)(5) and §682.210(t)(7), which are included in the Basis section.

Change:

The Basis has been expanded to include the *Federal Register* preamble page number.

COMMENT:

One commenter suggested revising the effective date, as follows, because the provision with regard to the borrower's representative was part of the College Cost Reduction and Access Act and was effective on October 1, 2007.

Armed forces and military deferments granted on or after October 1, 2007 ~~July 1, 2008~~, unless implemented by the lender on or after November 1, 2007.

Response:

The Committee disagrees. The provision with regard to the borrower's representative was part of the Notice of Proposed Rulemaking in the *Federal Register*, Vol. 72, No. 112, dated June 12, 2007, pp. 32412 and 32439.

Change:

None.

COMMENT:

One commenter suggested that Subsections 11.3.B and 11.3.C may also require review and revision to include the provision to allow a borrower's representative to request a deferment on the borrower's behalf.

Response:

The Committee agrees to review Subsections 11.3.B and 11.3.C and, if appropriate, develop a separate policy proposal to address the commenter's concern.

Change:

None.

ce/edited-tmh

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 21, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Feb 21

SUBJECT: Borrower Choice of Lender

AFFECTED SECTIONS: 4.4 Providing Information to Students
6.15 School Certification of the Loan

POLICY INFORMATION: 1009/Batch 147

EFFECTIVE DATE/TRIGGER EVENT: Recommended lender lists provided to students and parents on or after July 1, 2008.

Certifications based on the borrower's choice of lender and/or guarantor, effective retroactive to the implementation of the *Common Manual*.

Ensuring that there is no delay in certification and/or processing of the loan based on the borrower's choice of lender or guarantor, effective for loans certified by the school on or after July 1, 2008.

BASIS:

Preamble language to the *Federal Register*, dated November 1, 2007, pp. 61986-61990; §682.212 (h); §682.603(f); DCL GEN-07-01.

CURRENT POLICY:

Current policy in Section 6.15 references the borrower's right to choose a FFELP lender. Current policy does not address when a school may not refuse to certify or delay certification of a Stafford or PLUS loan or that a school may not assign a first-time borrower's loan to a particular lender through the award packaging process or other method.

REVISED POLICY:

Revised policy places greater emphasis on the borrower's right to choose a FFELP lender, and incorporates the new regulatory provisions for a school that provides to its students and their parents a list of recommended FFELP lenders. Revised policy also clarifies how schools that choose *not* to recommend lenders may still provide information to assist the borrowers with their choice of lender. Additional language was added to clarify that a school may not refuse to certify or delay certification of a Stafford or PLUS loan based on the student or parent choice of lender or assign a first-time borrower's loan to a particular lender through the award packaging process.

REASON FOR CHANGE:

This change is based on regulatory changes made in the November 1, 2007, *Federal Register*, volume 72, No. 211, pages 62002 and 62008.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 4.4, page 18, column 1, by inserting a new Subsection, and renumbering the existing Subsections, as follows:

4.4.A
Consumer Information Recommended Lender Lists

A school may provide to students and their parents a list of recommended FFELP lenders. If a school chooses to provide such a list, the list must:

- Not be used to deny or otherwise impede a borrower's choice of lender;
- Contain at least three unaffiliated lenders that will make loans to borrowers or students

attending the school. The lender affiliation provision does not include entities that are involved in post-disbursement activities, which a school has no ability to monitor or control. For the purposes of this subsection, a lender is affiliated with another lender if any of the following criteria apply:

- The lenders are under the ownership or control of the same entity or individuals.
- The lenders are wholly or partly owned subsidiaries of the same parent company.
- The directors, trustees, or general partners (or individuals exercising similar functions) of one of the lenders constitute a majority of the persons holding similar positions with the other lender.
- Not include lenders that have offered, or have offered in response to a solicitation by the school, financial or other benefits to the school in exchange for inclusion on the list or any promise that a certain number of loan applications will be sent to the lender by the school or its students.

A school that provides a recommended lender list must do each of the following:

- Disclose, as part of the list, the method and criteria used by the school in selecting any lender that it recommends.
- Provide comparative information to prospective borrowers about interest rates and other benefits offered by the lenders.
- Include a prominent statement in any information related to its list of lenders, advising prospective borrowers that they are not required to use one of the school's recommended lenders.
- For first-time borrowers, not assign, through award packaging or other methods, a borrower's loan to a particular lender.
- Not cause unnecessary certification delays for borrowers who use a lender that has not been recommended by the school.
- Update any list of recommended lenders and any information accompanying such a list no less often than annually.

[§682.212(h)]

A school that chooses not to recommend lenders, or that has not been able to identify more than one lender to make loans to its student and parent borrowers, may still provide information to assist the borrowers with their choice of lender. At the student's or parent's request, the school may provide the names of lenders that have made loans in the past to students and parents at the school, as long as the lender did not provide any prohibited inducement to the school to secure loan applications. When providing this information to the FFELP student or parent borrowers, the school must make clear that it is not endorsing any lender and that the FFELP borrower may choose any FFELP lender that will make loans for attendance at that school.

4.4.B **Entrance Counseling Consumer Information**

...

4.4.C **Exit Counseling Entrance Counseling**

...

4.4.D
Exit Counseling

...

Revise Section 6.15, page 28, column 1, paragraph 3, as follows:

6.15
School Certification of the Loan

In certifying a Stafford or PLUS loan, a school is required

A school must certify the borrower's loan eligibility

A school may not refuse to certify or delay the certification of a Stafford or PLUS loan based on the borrower's selection of a particular lender or guarantor. Also, a school may not assign a first-time borrower's loan to a particular lender through the award packaging process or other methods. See Subsection 6.15.E for information regarding when the school is permitted to refuse to certify a FFELP loan or to reduce the loan amount.
[§682.603(f)(1) and (2)]

PROPOSED LANGUAGE - COMMON BULLETIN:

Borrower Choice of Lender

The *Common Manual* has been updated to place emphasis on the borrower's right to choose a FFELP lender. This update incorporates the new regulatory requirements for a school that provides a list of recommended FFELP lenders to its student and their parents and explains how schools that choose not to recommend lenders, may provide information to assist the borrowers with their choice of lender.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower whose school provides a list of recommended lenders will receive additional information regarding the benefits offered by the recommended lenders and the school's criteria for selecting recommended lenders.

School:

A school that provides to its students and their parents a list of recommended lenders must provide additional information regarding the selection of those lenders and the benefits offered by the recommended lenders. The school must ensure that the list of recommended lenders is not used in any manner that serves to impede the borrower's choice of a FFELP lender, and must establish procedures to ensure that its list is updated with new information regarding the comparative benefits offered by those lenders included on the list. A school that chooses not to recommend lenders must ensure that information provided to assist the borrowers with their choice of lender does not include any lender that provided prohibited inducements to the school to secure loan applications. When providing this information, the school must make clear that it is not endorsing any lender.

Lender/Service:

A lender may not be included on a school's list of preferred lenders if it offers, or offers in response to a solicitation by the school, financial or other benefits to the school for inclusion on the list or any promise that a certain number of loan applications will be sent to the lender by the school or its students.

Guarantor:

A guarantor may be required to revise program review procedures.

U.S. Department of Education:

The Department may be required to revise program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:
August 16, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:
February 14, 2008

PROPOSAL DISTRIBUTED TO:
CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others
CM Governing Board Representatives

Comments Received From:
AES/PHEAA, ASA, CFI, CSLF, EAC, Edfund, GHEAC, Great Lakes, GSFC, GSMR, HESAA, HESC, KHEAA, LOSFA, MGA, NASFAA, NCHHELP, NSLP, OGSLP, OSFA, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, USA Funds, and VSAC.

Responses to Comments

Most of the commenters supported this proposal as written. Other commenters recommended word smithing changes that made no substantive changes to the policy but that added clarity to the proposed language. 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 recommended that the Effective date/Trigger Event be simplified to July 1, 2008, as the Department has not yet approved the industry-proposed dates. However, as they understood the Committee's efforts to encompass earlier implementation of this provision, they recommended word smithing of the trigger event to reflect a lender list in use on or after July 1, 2008. This commenter and one other also recommended that all references to a "Preferred Lender List," be replaced with a "Recommended Lender List" to better align the text with regulatory language and to avoid possible unfavorable terminology.

Response:

The Committee agrees with the commenter's recommendations in general. However, the Committee decided that the Effective Date/Trigger must accommodate schools that may have implemented this provision earlier than the July 1, 2008, mandatory implementation date.

Change:

The Effective Date/Trigger Event has been revised as follows:

"Recommended lender lists provided to students and parents on or after July 1, 2008."

All references to a "Preferred Lender List" have been replaced with a "Recommended Lender List.."

COMMENT:

One commenter asked that DCL GEN-07-01 be added to the basis.

Response:

The Committee agrees.

Change:

DCL GEN-07-01 has been added to the basis.

COMMENT:

One commenter asked that the post-disbursement activity clause be added to the proposed language, as they felt it is vital information for a school in the process of developing its lender list.

Response:

The Committee agrees.

Change:

The following new text has been added to subsection 4.4.A, paragraph 1, bullet 2 as follows:

The lender affiliation provision does not include entities that are involved in post-disbursement activities, which a school has no ability to monitor or control.

om/edited-bb

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 21, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Feb 21

SUBJECT: Transfer of Claim Other Than For Security

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

POLICY INFORMATION: 1010/Batch 147

EFFECTIVE DATE/TRIGGER EVENT: Original assignment of a proof of claim filed by the lender on or after July 1, 2008, unless implemented earlier by the guarantor.

BASIS:
Bankruptcy Code 11 U.S.C. §502(a); Bankruptcy Code 11 U.S.C. §1111(a); Bankruptcy Rule 3001 (e)(f).

CURRENT POLICY:
Current policy states that a lender must file an original assignment of the proof of claim with a bankruptcy claim.

REVISED POLICY:
Revised policy removes reference to the assignment of a proof of claim. The Manual now makes reference to the Transfer of Claim Other Than For Security form that a guarantor must file and the Notice of Transfer of Claim Other Than For Security form that a lender/servicer will receive once the bankruptcy court processes the transfer.

REASON FOR CHANGE:
Recent changes to the bankruptcy code eliminated the requirement that a lender file an original assignment of the proof of claim. New requirements require the guarantor (transferee) to file the Transfer of Claim Other Than For Security form with the bankruptcy court. Once the bankruptcy court processes the transfer the lender/servicer (transferor) will be sent the Notice of Transfer of Claim Other Than For Security form.

PROPOSED LANGUAGE - COMMON MANUAL:

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

Additional Documentation Requirements

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; ~~an original assignment of the Proof of Claim, if required;~~ and all other pertinent documents sent to or received from the bankruptcy court.
[§682.402(g)(1)(v)(A)]

Revise Subsection 13.8.A, page 18, 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 ~~an original assignment of the proof of claim~~ all other pertinent documents sent to or received from the bankruptcy court to the guarantor. 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.

- ▲ Lenders may contact individual guarantors for information on filing a proof of claim on behalf of the guarantor. Also, sSome guarantors may file a proof of claim on the lender's behalf. Lenders may contact individual guarantors for more information. See sSection 1.5 for contact information.

Revise Subsection 13.8.A, page 19, column 1, paragraph 4, as follows:

Loans Eligible for Bankruptcy Claim Payment

...

When preparing a claim, the lender must file a proof of claim with the bankruptcy court for all "asset" cases (as instructed on the Notice) and include a copy of the proof of claim and ~~an original assignment of the proof of claim~~ all other pertinent documents sent to or received from the bankruptcy court in the claim file. Upon claim payment, the guarantor must 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.

PROPOSED LANGUAGE - COMMON BULLETIN:

Transfer of Claim Other Than For Security

Pursuant to new bankruptcy code, the *Common Manual* has been updated to remove any reference to the assignment of a proof of claim. The Manual now makes reference to the Transfer of Claim Other Than For Security form that a guarantor must file and the Notice of Transfer of Claim Other Than For Security form that a lender/servicer will receive once the bankruptcy court processes the transfer.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:

None.

Lender/Servicer:

A lender no longer needs to file an original assignment of the proof of claim. A lender will now receive the Notice of Transfer of Claim Other Than For Security Form from the bankruptcy court.

Guarantor:

A guarantor will need to file a Transfer of Claim Other Than For Security form with the bankruptcy court when it has received a proof of claim.

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:

March 20, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

February 14, 2008

PROPOSAL DISTRIBUTED TO:

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

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, GSFC, HESAA, KHEAA, MGA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, USA Funds, and VSAC

Responses to Comments

Note: Commenters supported this policy as written. We appreciate the review of all commenters and their careful consideration of the policy.

SM/edited-chh

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 21, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Feb 21

SUBJECT: Disclosing Stafford Loan Eligibility Information to Grad PLUS Applicants

AFFECTED SECTIONS: 6.15.C PLUS Loan Certification

POLICY INFORMATION: 1011/Batch 147

EFFECTIVE DATE/TRIGGER EVENT: Grad PLUS loans certified by the school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.

BASIS:
§682.603(d).

CURRENT POLICY:

Current policy requires the school to determine the student borrower's Stafford loan eligibility before certifying a Grad PLUS loan, but does not require the school to make specific disclosures to the student regarding the comparative costs and benefits of Stafford and PLUS loans.

REVISED POLICY:

Revised policy requires the school to determine the borrower's Stafford loan eligibility prior to determining his or her eligibility for a Grad PLUS loan. If the student has not requested the maximum Stafford loan amount for which he or she is eligible, the school must notify the borrower of the maximum Stafford loan funds for which he or she is eligible, and provide a comparison of the two programs specifying the comparative maximum interest rates, periods during which interest accrues for each loan program, and the point at which both Stafford and PLUS loans enter repayment. The school must then provide the student with an opportunity to request the maximum Stafford loan funds for which he or she is eligible.

REASON FOR CHANGE:

This change is made to comply with regulatory changes published in the *Federal Register* Vol. 72, No. 211 dated November 1, 2007, p. 62008.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 6.15.C, page 30, column 1, paragraph 1, as follows:

Before applying for a Grad PLUS loan, a student is required to submit a completed Free Application for Federal Student Aid (FAFSA). and Before certifying a Grad PLUS loan the school is required to must determine the student's maximum eligibility for subsidized and unsubsidized Stafford loan funds in the program (FFELP or Direct) in which the school is participating for Stafford loan purposes. If the student has not requested the maximum Stafford loan amount for which he or she is eligible, the school must notify the student of his or her maximum Stafford loan eligibility, and provide the student the following information on each loan type (Stafford and PLUS):

- The maximum interest rate.
- The periods during which interest that accrues must be paid by the borrower.
- The point at which the loan enters repayment.

The school must then provide the student with an opportunity to request the maximum Stafford loan funds for which he or she is eligible. However, the student may decline the Stafford loan funds and the school may not require the student to accept Stafford loan funds as a condition of applying for a Grad PLUS loan.

PROPOSED LANGUAGE - COMMON BULLETIN:

Disclosing Stafford Loan Eligibility Information to Grad PLUS Applicants

The *Common Manual* has been revised to include the requirement that, if the school determines that a Grad PLUS applicant has not applied for the maximum Stafford loan for which he or she is eligible, the school must notify the student of the maximum Stafford loan funds for which he or she is eligible. The school's notice must provide the student with the following on each loan type (Stafford and PLUS):

- The maximum interest rate.
- The periods during which interest that accrues must be paid by the borrower.
- The point at which the loan enters repayment.

The school must then provide the student with an opportunity to request the maximum Stafford loan funds for which he or she is eligible.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower may benefit by receiving information regarding lower cost federal loan options. A borrower may experience some delay in the receipt of Grad PLUS Loan funds if he or she has not applied for his or her maximum Stafford loan eligibility.

School:

A school must establish processes to make the necessary notifications to students regarding their Stafford loan eligibility, develop documentation and communication regarding the comparative provisions of Stafford loans and Grad PLUS loans. A school may use an existing process, such as the award letter, to facilitate this notification and communication. A school must also develop a process to ensure that the borrower has the option to apply for his or her maximum Stafford loan eligibility.

Lender/Service:

None.

Guarantor:

A guarantor may need to amend program review procedures.

U.S. Department of Education:

The Department may need to amend program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

November 14, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

February 14, 2008

PROPOSAL DISTRIBUTED TO:

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

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, GSFC, HESAA, KHEAA, MGA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, USA Funds and VSAC.

Responses to Comments

Many of the commenters supported this proposal as written. Other commenters recommended wordsmithing changes that made no substantive changes to the policy but that added clarity to the proposed language. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

COMMENT:

Two commenters noted that the *Federal Register* dated November 1, 2007, contained in the Reason for Change statement, should also be included in the Basis.

Response:

The Committee disagrees. The *Federal Register* dated November 1, 2007, made changes to the actual regulations in §682.603(d), which is included in the Basis section.

Change:

None.

COMMENT:

Four commenters noted that the Effective Date/Trigger Event should indicate that a school may choose to implement the provisions earlier, as found in the *Federal Register*, dated November 1, 2007.

Response:

The Committee agrees.

Change:

The Effective Date/Trigger event has been revised as follows:

“Grad PLUS loans certified by the school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.”

COMMENT:

Four commenters suggested revisions to the new text contained in Subsection 6.15.C, to provide additional clarity.

Response:

The Committee agrees.

Change:

The text found in Subsection 6.15.C, has been revised as follows:

“. . . If the student has not requested the maximum Stafford loan amount for which he or she is eligible, the school must notify the ~~borrower~~ student of his or her maximum Stafford loan eligibility, and provide the student with ~~a comparison of the two programs, specifying each of the following:~~ the following information on each loan type (Stafford and PLUS):

- The ~~comparative~~ maximum interest rates.
- The periods during which interest that accrues must be paid by the borrower ~~for each loan type.~~
- The point at which ~~both Stafford and PLUS~~ the loans ~~enters~~ enters repayment.”

bg-dt/edited-tmh

COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: February 21, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Feb 21

SUBJECT: Establishing a Repayment Schedule

AFFECTED SECTIONS: 10.8.A Standard Repayment Schedule

POLICY INFORMATION: 1012/Batch 147

EFFECTIVE DATE/TRIGGER EVENT: Repayment schedules requested or established on or after October 7, 1998.

BASIS:
None.

CURRENT POLICY:

Current policy in Subsection 10.8.A does not require a lender to establish a standard repayment schedule if the borrower does not select an extended (if applicable) repayment schedule within 45 days after being notified by his or her lender to select a repayment schedule.

REVISED POLICY:

Revised policy aligns Subsection 10.8.A. with Section 10.8, which requires a lender to establish a standard repayment schedule if the borrower does not select an income-sensitive, graduated, or extended (if applicable) repayment schedule within 45 days after being notified by his or her lender to select a repayment schedule.

REASON FOR CHANGE:

This change is necessary to align different sections of Manual text and to incorporate a reference in Subsection 10.8.A to the extended repayment schedule that is available to certain borrowers.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 10.8.A, page 16, column 1, paragraph 1, bullet 1, as follows:

The lender must require the borrower to repay the loan under a standard repayment schedule if the borrower meets either of the following criteria:

- The borrower does not select an income-sensitive, ~~or a graduated, or extended (if applicable)~~ repayment schedule within 45 days after being notified by the lender to choose a repayment schedule.

• . . .
[§682.209(a)(6)(v) and (vi)]

PROPOSED LANGUAGE - COMMON BULLETIN:
Establishing a Repayment Schedule

The *Common Manual* has been corrected to state in Subsection 10.8.A that a lender must require a borrower to repay his or her loans under a standard repayment schedule if the borrower fails to select an income-sensitive, graduated, or extended (if applicable) repayment schedule within 45 days after being notified by the lender to choose a repayment schedule. This change aligns the text in this subsection with current policy in Section 10.8 of the Manual.

GUARANTOR COMMENTS:
None.

IMPLICATIONS:
Borrower:
None.

School:
None.

Lender/Service:
None.

Guarantor:
None.

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:
October 17, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:
February 14, 2008

PROPOSAL DISTRIBUTED TO:
CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others
CM Governing Board Representatives

Comments Received From:
AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, GSFC, HESAA, KHEAA, MGA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, 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.

nm/edited-kk

COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: February 21, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Feb 21

SUBJECT: Consumer Information

AFFECTED SECTIONS: 9.5 Return of Title IV Funds

POLICY INFORMATION: 1013/Batch 147

EFFECTIVE DATE/TRIGGER EVENT: Retroactive to the implementation of the *Common Manual*.

BASIS:

§668.43(a)(2) through (4).

CURRENT POLICY:

Current policy in Section 9.5 provides general information regarding consumer information required of a school regarding its refund policies.

REVISED POLICY:

Revised policy clarifies that refund information must be provided *upon request*. Revised policy also places the requirements into a bulleted format for clarity.

REASON FOR CHANGE:

The *Common Manual* has been updated to more closely align Manual text with federal regulations.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 9.5, page 10, column 2, paragraph 2, as follows:

**9.5
Return of Title IV Funds**

For each Title IV aid recipient who withdraws, the school must calculate the amount of Title IV assistance the student has earned. . . .

~~Upon request, the school must provide to enrolled and prospective students; a copy of any refund policy with which the school is required to comply and addresses the return of unearned tuition and fees or other refundable costs paid by the student. The written policy must include. The requirements and procedures a student should follow to officially withdraw from the school. The school must also provide a summary of the federal requirements for the return of Title IV funds as detailed in 34CFR 668.22.~~

- A copy of any refund policy with which the school is required to comply that addresses the return of unearned tuition and fees or other refundable costs paid by the student.
- The requirements and procedures a student should follow to officially withdraw from the school.
- A summary of the federal requirements for the return of Title IV funds, as detailed in §668.22.

[§668.43(a)(2) through (4)]

PROPOSED LANGUAGE - COMMON BULLETIN:

Consumer Information

The *Common Manual* has been updated to clarify that consumer information regarding refunds must be provided by the school *upon request* to enrolled and prospective students. Revised policy also places the requirements into a bulleted format for clarity.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:

None.

Lender/Servicer:

None.

Guarantor:

None.

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:

September 5, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

February 14, 2008

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

CM Governing Board Representatives

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, GSFC, HESAA, KHEAA, MGA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, USA Funds and VSAC.

Responses to Comments

Many 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:

Three commenters suggested revisions to the new text contained in Section 9.5. The commenters believed that creating an additional bullet would provide clarity and simplify the text.

Response:

The Committee agrees.

Change:

The text found in Section 9.5, has been revised as follows:

9.5

Return of Title IV Funds

For each Title IV aid recipient who withdraws, the school must calculate the amount of Title IV assistance the student has earned. . . .

Upon request, the school must provide to enrolled and prospective students: ~~a copy of any refund policy with which the school is required to comply that addresses the return of unearned tuition and fees or other refundable costs paid by the student. The written policy must include:~~

- A copy of any refund policy with which the school is required to comply that addresses the return of unearned tuition and fees or other refundable costs paid by the student.
- The requirements and procedures a student should follow to officially withdraw from the school.
- A summary of the federal requirements for the return of Title IV funds, as detailed in §668.22.
[§668.43(a)(2) through (4)]

ke-dt/edited-tmh