

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
1003 (originally distributed in Batch 147)	Economic Hardship Deferment Eligibility	<p><u>11.4.A</u> <u>Eligibility Criteria - Economic Hardship Deferment</u></p> <p>Clarifies that non-taxable income, defined by the IRS as child support, life insurance proceeds, and gifts and bequests, is not to be treated as income for purposes of determining eligibility for an economic hardship deferment.</p>	Guarantor	Economic hardship deferment eligibility determinations made on or after July 1, 2009, unless implemented earlier by the guarantor.
1067	Notification of Check Availability	<p><u>8.7.H</u> <u>Delivery Methods</u></p> <p>Provides that if the borrower does not pick up the check within 21 days of the school's notice to the borrower, the school must immediately mail it to the borrower, initiate an EFT of the funds to the borrower's bank account, or return the loan funds to the lender.</p>	Federal	Checks issued for direct payment by the school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.
1068	Total and Permanent Disability	<p><u>13.8.G</u> <u>Total and Permanent Disability</u></p> <p>States that the borrower must submit the total and permanent disability certification to the lender within 90 days of the date that the physician completed and certified the discharge application. If the borrower submits the discharge application after this 90-day time frame, the borrower must have the physician complete a new application and the borrower must submit the application to the lender within 90 days of the physician's certification of the new discharge application.</p>	Federal	Total and permanent disability applications received by the lender on or after July 1, 2008.
1069	Special Allowance and Interest Rate Reporting	<p><u>Figure A-5</u> <u>LaRS Special Allowance and Interest Rate Reporting for FFELP Loans</u></p> <p>Provides an updated version of the LaRS Special Allowance and Interest Rate Reporting for FFELP Loans chart from the NCHelp Program Regulations Committee for inclusion in the Manual. This version is dated March 2008, and contains statutory changes made to special allowance codes as a result of the College Cost Reduction and Access Act (CCRAA) of 2007.</p>	Federal	Loans first disbursed on or after October 1, 2007.

1070	Title IV Program Definitions	<p><u>9.5.A</u> <u>Return Amounts for Title IV Grant and Loan Programs</u></p> <p><u>Appendix G</u></p> <p>Provides separate glossary definitions of the Federal Work-Study, Federal Supplemental Educational Opportunity Grant, and the Federal Perkins Loan Programs. A cross-reference to the FSA Handbook has also been added to the definition of each program.</p>	Correction	Retroactive to the implementation of the <i>Common Manual</i> .
1071	Simplified Deferment Processing	<p><u>11.4.D</u> <u>Simplified Deferment Processing</u></p> <p><u>11.5.D</u> <u>Simplified Deferment Processing</u></p> <p><u>11.8.D</u> <u>Simplified Deferment Processing</u></p> <p><u>11.9.D</u> <u>Simplified Deferment Processing</u></p> <p><u>11.14.D</u> <u>Simplified Deferment Processing</u></p> <p><u>11.18.D</u> <u>Simplified Deferment Processing</u></p> <p>States that when granting a deferment using the simplified deferment processing method, the lender may base the deferment on information from an authoritative electronic database maintained or authorized by the Secretary that supports eligibility for the deferment for the same reason and same time period.</p>	Correction	Deferment requests granted by the lender on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007.

COMMON MANUAL - GUARANTOR POLICY PROPOSAL

Date: December 18, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With No changes	Dec 18

SUBJECT: Economic Hardship Deferment Eligibility

AFFECTED SECTIONS: 11.4.A Eligibility Criteria - Economic Hardship

POLICY INFORMATION: 1003/Batch 154 (originally distributed in Batch 147)

EFFECTIVE DATE/TRIGGER EVENT: Economic hardship deferment eligibility determinations made on or after July 1, 2009, unless implemented earlier by the guarantor.

BASIS:
§682.210(s)(6)(x); IRS 1040 Instructions 2007.

CURRENT POLICY:

Current policy states a borrower's monthly income is the gross amount the borrower received from employment, if applicable, and from other sources, or one-twelfth of the borrower's adjusted gross income (AGI), as recorded in the borrower's most recently filed federal income tax return.

REVISED POLICY:

Revised policy clarifies that non-taxable income, defined by the IRS as child support, life insurance proceeds, and gifts and bequests, is not to be treated as income for purposes of determining eligibility for an economic hardship deferment.

REASON FOR CHANGE:

The regulation in §682.210(s)(6)(x) defines monthly income as the gross amount the borrower received from employment and "other sources," or one-twelfth of the borrower's adjusted gross income, as recorded in the borrower's most recently filed federal income tax return. According to IRS instructions for federal income tax form 1040, child support, life insurance proceeds, and gifts and bequests are excluded from the list of "other sources" when computing a tax filer's AGI. Since the AGI formula does not factor in these sources, it is inconsistent and disparate treatment to count these sources as income for a borrower who has provided the lender with his or her gross amount received from employment and "other sources" to establish eligibility for an economic hardship deferment.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 11.4.A., page 9, column 1, Note 1, as follows:

Note 1:

A borrower is considered to be working full time if he or she is expected to be employed for at least three consecutive months at 30 or more hours per week. For a period of deferment granted under items 3 through 5 above, the lender must require the borrower to submit evidence showing the amount of the borrower's monthly income. A borrower's monthly income is the gross amount the borrower received from employment, if applicable, and from other taxable sources, or one-twelfth of the borrower's adjusted gross income (AGI), as recorded on the borrower's most recently filed federal income tax return. Non-taxable income such as child support, life insurance proceeds, and gifts and bequests that are not included in the computation of the AGI should not to be treated as income for purposes of determining eligibility for an economic hardship deferment. A borrower who is unemployed, incarcerated, disabled, or on a temporary unpaid leave of absence from work may qualify for an economic hardship deferment if he or she provides the lender with documentation of his or her income. Any borrower who does not have income when applying for an economic hardship deferment must provide a self-certifying statement, either on the deferment form or in a separate statement, indicating that he or she has no income. If the borrower resides in a foreign country and submits proof of income in foreign currency, the amounts must be converted to U.S. dollars before the lender determines deferment eligibility. Deferment eligibility for borrowers with foreign income will be based on poverty guidelines for the last state in which

the borrower resided.

PROPOSED LANGUAGE - COMMON BULLETIN:

Economic Hardship Deferment Eligibility

The *Common Manual* has been revised to clarify that non-taxable income such as child support, life insurance proceeds, and gifts and bequests that are not included in the computation of the adjusted gross income (AGI) should not to be treated as income for purposes of determining eligibility for an economic hardship deferment.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower's request for an economic hardship deferment will not be adversely affected by the receipt of non-taxable income such as child support payments, life insurance proceeds, and gifts and bequests.

School:

None.

Lender/Service:

A lender will not need to request documentation of non-taxable income such as child support payments, life insurance proceeds, gifts or bequests in determining a borrower's economic hardship eligibility based on the borrower providing his or her monthly gross income from employment or other sources.

Guarantor:

A guarantor may need to modify default aversion activities as well as program review activities.

U.S. Department of Education:

None.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

Great Lakes

DATE SUBMITTED TO CM POLICY COMMITTEE:

July 3, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

December 11, 2008

PROPOSAL DISTRIBUTED TO:

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

Comments Received from (Batch 147):

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 does not support this proposal as a Guarantor proposal and suggested that if there is a basis in federal regulations or Internal Revenue Service Code for the changes, the proposal should be redrafted and

redistributed as a federal proposal.

Response:

The Committee disagrees.

Change:

The Committee appreciates the commenter's desire to emphasize the federal basis for this proposed change by classifying it as a federal policy proposal. Adjusted gross income, for which the IRS excludes child support, has been a regulatory criterion for economic hardship deferment eligibility since before the implementation of the *Common Manual*. If the Committee were to reclassify this proposal as federal, the Committee would be obligated to establish a retroactive effective date. To date, the Committee believes that there has not been consensus among all entities about the treatment of child support when considering a borrower's eligibility for economic hardship deferment. The Committee does not believe that there has been sufficient FFELP federal guidance provided to expect all lenders and lender servicers to have been acting in accordance with the guidance provided in this policy. The Committee therefore believes that it is in the best interest of FFELP lenders and lender servicers to establish a prospective triggering event so that no entity is harmed by retroactively imposing a clarification for the granting of an economic hardship deferment. For that reason, the Committee declines the commenter's request to categorize this as a federal proposal.

COMMENT:

Three commenters feel the Basis does not support this change, and suggests that a cite from the IRS form be included in the Basis.

Response:

The Committee agrees.

Change:

The Committee has modified the basis of the proposal to include reference to the definition of adjusted gross income in the instructions to federal income tax form 1040.

COMMENT:

Two commenters noted that there is no regulatory history to suggest that the phrase "income...from other sources" was intended to exclude all forms of non-taxable income. One commenter's opinion is that the Department's definition of income is all income received by the borrower, regardless of the source. Another commenter feels if the position of the proposal is truly the intent of the regulations, then this should be addressed prospectively as a regulatory change and implemented with the release of a revised economic hardship deferment form.

Response:

The Committee disagrees. There is no evidence to support the commenters' contentions that the regulations intend to include child support or other non-taxable income in determining a borrower's eligibility for economic hardship deferment. To the contrary, the regulations state that a borrower can provide his or her most recently filed federal income tax return as documentation of eligibility for the deferment. According to the IRS instructions for tax form 1040, child support, life insurance proceeds, and gifts and bequests are excluded from the list of "other sources" when computing a tax filer's AGI. Since the AGI formula does not factor in these sources, it is inconsistent and disparate treatment to count these sources as income for a borrower who has provided the lender with his or her gross amount received from employment and "other sources" to establish eligibility for an economic hardship deferment.

The Committee appreciates the commenters' suggestion to pursue a regulatory clarification, but that falls outside the purview of the Committee to initiate. If a guarantor or other community organization were to pursue such a fix, the Committee is confident that providing the Department with the IRS publication and logic applied in this policy would result in a positive change.

Change:

None.

COMMENT:

Two commenters noted that all sources of nontaxable income be included in the proposal, not just child support.

Response:

The Committee agrees.

Change:

The other non-taxable sources defined in the IRS publication – life insurance proceeds and gifts and bequests – have been included in the text change.

Comments Received from (Batch 154):

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

Responses to Comments

Most 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:

Four commenters suggested that the sentence listing the types of non-taxable income not included in the AGI should be written to clarify that there are many type of non-taxable income and that the income sources that are listed are just examples of some of those. The commenters noted that the IRS defines many other types of income as “non-taxable,” and that the policy should not appear to exclude those other income sources.

Response:

The Committee concurs.

Change:

The policy has been revised to clearly indicate that non-taxable income should be excluded from the calculation of the borrower’s eligibility for the economic hardship deferment and that the short list of non-taxable income sources is not all-inclusive but representative of the types of income that should be excluded from the calculation.

COMMENT:

Two additional commenters also suggested that providing a list of non-taxable income is overly restrictive. These commenters believe that the policy not be implemented and suggested instead that the community should take the issue to the NCHELP Program Operations Committee for development as an industry best practices topic.

Response:

The Committee disagrees. The original policy concept was brought to the Policy Committee due to a concern that the industry identify and implement a common standard to maximize the borrower benefit. Best practices documents suggest practices for community participants but do not impose implementation time frames or expectations to the degree that common policy does. Thus, any standard practice could be and likely would be implemented inconsistently based on community participants’ operational choices. However, the Committee strongly believes that deferment is a program entitlement and should be applied with the maximum possible consistency for each eligible borrower. We do not believe that an NCHELP best practices document would maximize that consistency.

Change:

The Committee has incorporated language changes proposed by other community participants to clearly indicate that the list of non-taxable income is not all-inclusive and that community participants should apply those that are listed as examples of the types of income to which the more general policy applies.

djo-bg/edited-aes

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: December 18, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB Meeting	
X	APPROVED	With No Changes	Dec 18

SUBJECT: Notification of Check Availability

AFFECTED SECTIONS: 8.7.H Delivery Methods

POLICY INFORMATION: 1067/Batch 154

EFFECTIVE DATE/TRIGGER EVENT: Checks issued for direct payment by the school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.

BASIS:
§668.164(c)(1)(ii)(B).

CURRENT POLICY:
Current policy does not describe what a school must do when it delivers loan funds to a borrower by issuing a check, notifies the student that the check is available for immediate pickup, and the student does not pick up the check.

REVISED POLICY:
Revised policy provides that if the student does not pick up the check within 21 days of the school's notice to the student, the school must immediately mail the check to the borrower, initiate an electronic funds transfer (EFT) of the funds to the borrower's bank account, or return the loan funds to the lender.

REASON FOR CHANGE:
The Manual is being updated to comply with regulatory changes published in the November 1, 2007, *Federal Register*, Vol. 72, No. 211.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 8.7.H, page 14, column 2, paragraph 2, bullet 2, as follows:

A school may deliver loan proceeds using any of the following methods:

- Crediting the proceeds to the student's account at the school.
[§668.164(d)]
- Issuing a check or other instrument to the borrower that requires endorsement or certification. The school may issue a check by releasing or mailing it to the borrower or by notifying the borrower student that it is available for immediate pickup at a specified location at the school. If the school notifies the student that the check is available to pick up, and the student does not pick up the check within 21 days of the date of that notification, the school must immediately mail the check to the borrower, initiate an electronic funds transfer (EFT) of those funds to the borrower's bank account, or return the funds to the lender.
[§668.164(c)(2~~1~~)]
- Releasing or mailing to the borrower a check that has been provided by a lender.
[§668.164(c)(2)(i)]
- ...
- ...

PROPOSED LANGUAGE - COMMON BULLETIN:

Notification of Check Availability

The *Common Manual* has been revised to comply with the regulatory changes published in the *Federal Register* dated November 1, 2007, that relate to delivering loan funds to a borrower when a student does not pick up a check issued by a school. Revised language provides that if the student does not pick up the check within 21 days of the school's notice that the check is available, the school must immediately mail the check to the borrower, initiate an electronic funds transfer (EFT) of those funds to the borrower's bank account, or return the funds to the lender.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower for whom the student does not pick up a check issued by a school for direct payment of loan funds will be assured of having unclaimed loan funds returned to the lender to reduce his or her loan balance.

School:

A school may be required to modify its procedures to track the number of days since the school notified the student to pick up a check for direct delivery of loan funds and ensure that, if it is not picked up within 21 days, the school timely mails the check to the borrower, initiates an EFT of those funds to the borrower's bank account, or returns the funds to the lender.

Lender/Service:

A lender will experience consistent and timely return of unclaimed loan funds that a school has attempted to pay directly to a student who did not pick up a check the school issued.

Guarantor:

A guarantor may be required to modify school program review standards.

U.S. Department of Education:

The Department may be required to modify school program review standards.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

September 10, 2008

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

December 11, 2008

PROPOSAL DISTRIBUTED TO:

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

Comments Received From:

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

Responses to Comments

Many commenters supported this proposal as written. Other commenters recommended wordsmithing changes that were incorporated without comment. We appreciate the review of all commenters, their careful

consideration of this policy, and their assistance in crafting clear, concise policy statements.

COMMENT:

A few commenters requested that the phrase "at a specified location at the school" be added to the end of the second sentence of the changed bullet.

Response:

The Committee agrees and has added the phrase to the proposal.

Change:

Subsection 8.7.H, page 14, column 2, paragraph 2, bullet 2, sentence 2 now states:

- The school may issue a check by releasing or mailing it to the borrower or by notifying the borrower that it is available for immediate pickup at a specified location at the school.

COMMENT:

One commenter requested that "calendar days" be specified in the proposal instead of just the general term of "days."

Response:

The Committee does not believe this clarification is necessary. *Common Manual* convention specifies business days when that term is defined as such in regulation but in all other instances, assumes that "days" equals calendar days.

Change:

None.

COMMENT:

A few commenters noted that the citation at the end of the changed bullet should be reduced from two citations to just one citation as §668.164(c)(2) is no longer supportive of the policy text.

Response:

The Committee agrees.

Change:

The citation now reads:

§668.164(c)(1)(ii)(B) and §668.164(c)(21)

COMMENT:

One commenter pointed out that the regulation on which the bullet is based alternates between the term borrower and student and requested that the proposal be amended to match the use of borrower and student in the regulation.

Response:

The Committee agrees and has amended the proposal and the bulletin language.

Change:

Subsection 8.7.H, page 14, column 2, paragraph 2, bullet 2, sentence 2 now states:

- Issuing a check or other instrument to the borrower that requires endorsement or certification. The school may issue a check by releasing or mailing it to the borrower or by notifying the ~~borrower~~ student that it is available for immediate pickup at a specified location at the school. If the school notifies the ~~borrower~~ student that the check is available to pick up, and the ~~borrower~~ student does not pick up the check within 21 days of the date of that notification, the school must immediately mail the check to the borrower, initiate an electronic funds transfer (EFT) of those funds to the borrower's bank account, or return the funds to the lender.

Common Bulletin, sentence 1, now states:

The *Common Manual* has been revised to comply with the regulatory changes published in the *Federal Register* dated November 1, 2007, that relate to delivering loan checks to ~~borrowers~~ students who do not pick up a check issued by a school.

COMMENT:

A few commenters noted that some of the citations in Subsection 8.7.H that were not addressed by this proposal are incorrect and need to be updated based on the Final Rules for July 1, 2008.

Response:

The Policy Committee agrees that these citations need to be updated; however changing these citations is outside of the scope of this proposal. Subsection 8.7.H will be added to the sections reviewed for technical updates before the next publication.

Change:

None.

bmf/edited-rrl

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: December 18, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB Meeting	
X	APPROVED	With No Changes Ch	Dec 18

SUBJECT: Total and Permanent Disability

AFFECTED SECTIONS: 13.8.G Total and Permanent Disability

POLICY INFORMATION: 1068/Batch 154

EFFECTIVE DATE/TRIGGER EVENT: Total and permanent disability applications received by the lender on or after July 1, 2008.

BASIS:

§682.402(c); National Council of Higher Education Loan Program's Total and Permanent Disability Q&A confirmed by the Department on March 25, 2008.

CURRENT POLICY:

Current policy states that a borrower must submit the total and permanent disability certification to the lender within 90 days of the date that the physician completed and certified the discharge application. If the *lender receives* the discharge application after this 90-day time frame, the borrower must have the physician complete a new application and the borrower must submit the application to the lender within 90 days of the physician's certification of the new discharge application.

REVISED POLICY:

Revised policy states that if the *borrower submits* the discharge application after the 90-day time frame, the borrower must have the physician complete a new application and the borrower must submit the new application to the lender within 90 days of the physician's new certification.

REASON FOR CHANGE:

This change is being made to clarify that the 90-day deadline is based on the *borrower's submission* of the discharge application, rather than the *lender's receipt* of the discharge application; this will align the Manual's text with regulations in §682.402(c).

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 13.8.G, page 45, column 2, paragraph 3, as follows:

The borrower's, comaker's, or endorser's representative may provide the physician's certification if the borrower, comaker, or endorser is unable to do so. The borrower, comaker, or endorser, or his or her representative, must submit a completed Loan Discharge Application: Total and Permanent Disability or other form(s) approved by the Department. The physician's certification must state that the borrower, comaker, or endorser is unable to work and earn money because of an injury or illness that is expected to continue indefinitely or result in death. The borrower must submit the certification to the lender within 90 days of the date that the physician completed and certified the discharge application. If the ~~lender receives~~ borrower submits the discharge application after this 90-day time frame, the borrower must have the physician complete a new application and ~~the borrower~~ must submit the new application to the lender within 90 days of the physician's new certification ~~of the new discharge application~~.
[§682.402(c)]

PROPOSED LANGUAGE - COMMON BULLETIN:

Total and Permanent Disability

The *Common Manual* currently states that a borrower must submit the total and permanent disability certification to the lender within 90 days of the date that the physician completed and certified the discharge application. If the *lender receives* the discharge application after this 90-day time frame, a borrower must have

the physician complete a new application and the borrower must submit the application to the lender within 90 days of the physician's certification of the new discharge application.

The Manual is being revised to state if the *borrower submits* the discharge application after the 90-day time frame, the borrower must have the physician complete a new application and must submit the new application to the lender within 90 days of the physician's new certification.

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:

June 24, 2008

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

December 11, 2008

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designee

Interested Industry Groups and Others

CM Governing Board Representatives

COMMENTS RECEIVED FROM:

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

RESPONSES TO COMMENTS

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

COMMENT:

One commenter recommended revising the Reason for Change and Bulletin Language to clarify that the correction is being made to clarify that the 90-day deadline is based on the borrower's submission of the discharge application, rather than the lender's receipt of the discharge application.

Response:

The Committee agrees.

Change:

The Reason for change and the Bulletin Language have been modified as suggested by the commenter.

ma/edited - chh

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: December 18, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB Meeting	
X	APPROVED	With No Changes	Dec 18

SUBJECT: Special Allowance and Interest Rate Reporting

AFFECTED SECTIONS: Figure A-5 LaRS Special Allowance and Interest Rate Reporting for FFELP Loans

POLICY INFORMATION: 1069/Batch 154

EFFECTIVE DATE/TRIGGER EVENT: Loans first disbursed on or after October 1, 2007.

BASIS:
Public Law No. 110-84; §682.302(b); DCL FP-07-11.

CURRENT POLICY:
The Manual currently contains a version of Figure A-5, "LaRS Special Allowance and Interest Rate Reporting for FFELP Loans," that is dated October 2006.

REVISED POLICY:
The National Council of Higher Education Loan Programs (NCHELP) Program Regulations Committee has provided an updated version of its LaRS Special Allowance and Interest Rate Reporting for FFELP Loans chart for inclusion in the Manual. This version is dated March 2008, and contains changes to special allowance codes made as a result of amendments to the Higher Education Act by the College Cost Reduction and Access Act (CCRAA).

REASON FOR CHANGE:
This change incorporates a revised version of Figure A-5, "LaRS Special Allowance and Interest Rate Reporting for FFELP Loans," into Appendix A of the Manual.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Figure A-5, page 17, as follows:

See attached chart.

PROPOSED LANGUAGE - COMMON BULLETIN:

Special Allowance and Interest Rate Reporting

Appendix A of the Manual has been updated to incorporate a revised version of Figure A-5, "LaRS Special Allowance and Interest Rate Reporting for FFELP Loans," provided by the NCHELP Program Regulations Committee.

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:

June 4, 2008

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

December 11, 2008

PROPOSAL DISTRIBUTED TO:

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

Comments Received From:

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

Responses to Comments

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

COMMENT:

One commenter suggested the following change to the "LaRS Special Allowance and Interest Rate Reporting for FFELP Loans":

"All Stafford loans (subsidized and unsubsidized) made on or after 7-1-2006, except for undergraduate subsidized loans made on or after 7-1-2008."

The commenter stated that this change would provide clarity based on regulations resulting from the College Cost Reduction and Access Act.

Response:

This chart is developed by the NCHELP Program Regulations Committee and is provided for inclusion in the Manual, therefore, the Policy Committee does not make any changes to the content of this chart. The Policy Committee will forward the commenter's suggested language to the Regulations Committee for consideration.

Change:

None.

COMMENT:

One commenter suggested adding a reference to DCL FP-07-11 to the Basis, stating that this DCL defined the changes to LaRS reporting resulting from the CCRAA.

Response:

The Committee agrees.

Change:

A reference to DCL FP-07-11 had been added to the Basis.

sf/edited-kk

LaRS Special Allowance and Interest Rate Reporting For FFELP Loans

Loan Type Code		Special Allowance Factor					
SF ¹	Subsidized Stafford and Subsidized FISL loans	SA	3.50% round up to 1/8%	SL	3.10%	CI ENFP⁶	1.34%
PL	PLUS (parent) loans and Grad PLUS loans	SB	3.50%	CA, CE	1.74%	CI, CM ENFP⁶	1.94%
PL ²	PLUS (student) and ALAS loans	SD	3.25%	CB, CF	2.34%	CK ENFP⁶	2.24%
SU	Unsubsidized Stafford loans	SE, SG	3.10%	CC, CG	2.64%	X* ⁴ 3.50%, tax exempt ⁴	
SL	SLS loans	SG	3.10%	CD, CH	2.64%		
SL ³	PLUS (student) and ALAS loans	SH	2.50% / 3.10% (see below)	CI	1.19%		
CL	Consolidation loans	SJ	2.20%	CI, CM	1.79%		
		SK	2.80%	CK	2.09%		
Special Allowance Codes - For loans made or purchased with taxable funds or tax-exempt funds not subject to the minimum/maximum rules⁴							
SA	All loans first disbursed prior to 10-1-1981. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4, rounded up to the nearest 1/8 percent)	SB	All loans first disbursed on/after 10-1-1981 through 10-16-1986 and loans first disbursed on/after 10-17-1986 through 11-15-1986 with a loan period begin date prior to 11-16-1986. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4)				
SC	All loans first disbursed during sequester periods (1st four quarters after first disbursement). These sequester periods included 3-1-1986 to 9-30-1986 and 10-1-1989 to 12-31-1989. (Formulas no longer in effect)	SD	All loans first disbursed on/after 10-17-1986 through 11-15-1986 with a loan period begin date on/after 11-16-1986, and loans first disbursed on/after 11-16-1986 through 9-30-1992. (Formula: Average 90-day Tbill + 3.25% - Interest Rate / 4)				
SE	All loans first disbursed on/after 10-1-1992 through 6-30-1994, and consolidation loans based on applications received by the lender prior to 11-13-1997. (Formula: Average 90-day Tbill + 3.10% - Interest Rate / 4)	SG	All Stafford and PLUS loans first disbursed on/after 7-1-1994 through 6-30-1998 (except Stafford loans first disbursed on/after 7-1-1995 through 6-30-1998 while in school, grace, or deferment status) and consolidation loans based on applications received by the lender on/after 11-13-1997 through 9-30-1998. (Formula: Average 90-day Tbill + 3.10% - Interest Rate / 4)				
SH	All Stafford loans first disbursed on/after 7-1-1995 through 6-30-1998 while in school, grace, or deferment status, and PLUS loans first disbursed on/after 7-1-1998 through 12-31-1999. (Stafford Formula: Average 90-day Tbill + 2.50% - Interest Rate / 4) (PLUS Formula: Average 90-day Tbill + 3.10% - Interest Rate / 4)	SJ	All Stafford loans first disbursed on/after 7-1-1998 through 12-31-1999 while in school, grace, or deferment status. (Formula: Average 90-day Tbill + 2.20% - Interest Rate / 4)				
SK	All Stafford loans first disbursed on/after 7-1-1998 through 12-31-1999 while in a status other than in-school, grace or deferment status. (Formula: Average 90-day Tbill + 2.80% - Interest Rate / 4)	SL	Consolidation loans based on applications received by the lender on/after 10-1-1998 through 12-31-1999. (Formula: Average 90-day Tbill + 3.10% - Interest Rate / 4)				
CA	All Stafford loans first disbursed on/after 1-1-2000 through 3-31-2006 while in school, grace, or deferment status. (Formula: Average 3-month CP + 1.74% - Interest Rate / 4)	CB	All Stafford loans first disbursed on/after 1-1-2000 through 3-31-2006 while in a status other than in-school, grace, or deferment status. (Formula: Average 3-month CP + 2.34% - Interest Rate / 4)				
CC	Consolidation loans based on applications received by the lender on/after 1-1-2000 through first disbursed on/before 3-31-2006. (Formula: Average 3-month CP + 2.64% - Interest Rate / 4)	CD	PLUS loans first disbursed on/after 1-1-2000 through 3-31-2006. (Formula: Average 3-month CP + 2.64% - Interest Rate / 4)				
CE	All Stafford loans first disbursed on/after 4-1-2006 while in school, grace, or deferment status. (Formula: Average 3-month CP + 1.74% - Interest Rate / 4, subject to excess interest rebates)	CF	All Stafford loans first disbursed on/after 4-1-2006 while in a status other than in-school, grace, or deferment status. (Formula: Average 3-month CP + 2.34% - Interest Rate / 4, subject to excess interest rebates)				
CG	Consolidation loans first disbursed on/after 4-1-2006. (Formula: Average 3-month CP + 2.64% - Interest Rate / 4, subject to excess interest rebates)	CH	PLUS loans first disbursed on/after 4-1-2006. (Formula: Average 3-month CP + 2.64% - Interest Rate / 4, subject to excess interest rebates)				
CI	All Stafford loans first disbursed on/after 10-1-2007 while in school, grace, or deferment status, including loans held by an ENFP⁶. (Formula: Average 3-month CP + 1.19% - Interest Rate / 4, subject to excess interest rebates) (ENFP Formula: Average 3-month CP + 1.34% - Interest Rate / 4, subject to excess interest rebates)	CI	All Stafford loans first disbursed on/after 10-1-2007 while in a status other than in-school, grace, or deferment status, including loans held by an ENFP⁶. (Formula: Average 3-month CP + 1.79% - Interest Rate / 4, subject to excess interest rebates) (ENFP Formula: Average 3-month CP + 1.94% - Interest Rate / 4, subject to excess interest rebates)				
CK	Consolidation loans first disbursed on/after 10-1-2007, including loans held by an ENFP⁶. (Formula: Average 3-month CP + 2.09% - Interest Rate / 4, subject to excess interest rebates) (ENFP Formula: Average 3-month CP + 2.24% - Interest Rate / 4, subject to excess interest rebates)	CM	PLUS loans first disbursed on/after 10-1-2007, including loans held by an ENFP⁶. (Formula: Average 3-month CP + 1.79% - Interest Rate / 4, subject to excess interest rebates) (ENFP Formula: Average 3-month CP + 1.94% - Interest Rate / 4, subject to excess interest rebates)				

Special Allowance Codes - For loans made or purchased with tax exempt funds subject to the minimum/maximum rules ⁴			
SA	All loans first disbursed prior to 10-1-1980. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4, rounded up to the nearest 1/8 percent)		XA All loans first disbursed on/after 10-1-1980 through 9-30-1981. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)
XB	All loans first disbursed on/after 10-1-1981 through 9-30-1992. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)		XC All loans first disbursed during sequester periods (1st four quarters after first disbursement). These sequester periods include 3-1-1986 to 9-30-1986 and 10-1-1989 to 12-31-1989. (Formulas no longer in effect)
XE	All loans first disbursed on/after 10-1-1992 through 6-30-1994, and consolidation loans based on applications received by the lender prior to 11-13-1997. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)		XG All Stafford and PLUS loans first disbursed on/after 7-1-1994 through 6-30-1998 (except Stafford loans while in school, grace, or deferment) and consolidation loans based on applications received by the lender on/after 11-13-1997 through 9-30-1998. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)
XH	All Stafford loans first disbursed on/after 7-1-1995 through 6-30-1998 while in school, grace, or deferment, and PLUS loans first disbursed on/after 7-1-1998 through 3-31-2006, for quarters prior to 4-1-2006. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)		XJ All Stafford loans first disbursed on/after 7-1-1998 through 3-31-2006 while in school, grace, or deferment. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)
XK	All Stafford loans first disbursed on/after 7-1-1998 through 3-31-2006 while in a status other than in-school, grace or deferment. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)		XL Consolidation loans based on applications received by the lender on/after 10-1-1998 through first disbursement on/before 3-31-2006. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)
XM	All Stafford loans first disbursed on/after 4-1-2006 while in school, grace, or deferment, held by lenders eligible for the HERA of 2005 special exemptions. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater, subject to excess interest rebates)		XN All Stafford loans first disbursed on/after 4-1-2006 while in a status other than in-school, grace or deferment, held by lenders eligible for the HERA of 2005 special exemptions. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater, subject to excess interest rebates)
XO	Consolidation loans first disbursed on/after 4-1-2006, held by lenders eligible for the HERA of 2005 special exemptions. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater, subject to excess interest rebates)		XP PLUS loans first disbursed on/after 4-1-2006, held by lenders eligible for the HERA of 2005 special exemptions. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater, subject to excess interest rebates)
XQ	PLUS loans first disbursed on/after 1-1-2000 through 3-31-2006, for quarters beginning 4-1-2006 which would have been reported under the "XH" category for quarters prior to 4-1-2006. (Formula: Average 90-day Tbill + 3.50% - Interest Rate / 4 / 2, or 9.50% - Interest Rate, whichever is greater)		

Interest Rate Codes	
Fixed	For fixed rate loans, report applicable rate as decimal point.
.07	Stafford loans at a fixed rate of 7% or less.
.99999	Consolidation loans based on applications received by the lender on/after 10-1-1998 where the fixed interest rate is a weighted average of the underlying loan interest rates rounded up to the nearest 1/8 of a percent.
CVAR	PLUS loans and SLS loans made in 1986 and 1987 where the interest rate changes each January 1.
VAR	PLUS and SLS loans with first disbursements on or after 7-1-1987, but before 10-1-1992, where the interest rate changes each July 1.
EVAR	All FFELP loans that were guaranteed as variable rate loans with first disbursements on or after 10-1-1992 and Consolidation loans based on applications received by the lender between 11-13-1997 and 9-30-1998, inclusive, where the interest rate changes each July 1, and HEAL portions of Consolidation loans.
FVAR#	Stafford loans that were originally guaranteed as fixed rate loans, but were converted to a variable rate, where the interest rate now changes each July 1. Includes 8/10% loans except for those that fall under the FVARX category. FVAR# includes FVAR7, FVAR8, FVAR9, FVAR10.
FVARX	FFELP Stafford loans with a 8/10% interest rate first disbursed to prior borrowers on or after 7-23-1992 but before 10-1-1992, when such loans reach the 49 th month of repayment and beyond.
.068	All Stafford loans (subsidized and unsubsidized) made on or after 7-1-2006.
.085	All PLUS loans (parent and Grad) made on or after 7-1-2006.
.060	Subsidized Stafford loans made to undergraduate students on or after 7-1-2008.

Valid Special Allowance, Loan Type, and Interest Rate Code Reporting Combinations

Subsidized Stafford		Unsubsidized Stafford		PLUS ⁵		SLS ⁵		Consolidation	
Taxable	Tax-exempt ⁴	Taxable	Tax-exempt ⁴	Taxable	Tax-exempt ⁴	Taxable	Tax-exempt ⁴	Taxable	Tax-exempt ⁴
SA SF .07	SA SF .07	SE SU .07	XE SU .07	SA PL .09	XA PL .09	SA SL .09	XA SL .09	SC CL .09	XC CL .09
SA SF .09	XA SF .07	SE SU .08	XE SU .08	SB PL .14	XB PL .14	SB SL .14	XB SL .14	SC CL .10	XC CL .10
SB SF .07	XA SF .09	SE SU .09	XE SU .09	SB PL .12	XB PL .12	SB SL .12	XB SL .12	SC CL .11	XC CL .11
SB SF .08	XB SF .07	SE SU EVAR	XE SU EVAR	SB PL CVAR	XB PL CVAR	SB SL CVAR	XB SL CVAR	SC CL .12	XC CL .12
SB SF .09	XB SF .08	SE SU FVAR7	XE SU FVAR7	SC PL .12	XB PL VAR	SC SL .12	XB SL VAR	SD CL .09	XB CL .09
SC SF .07	XB SF .09	SE SU FVAR8	XE SU FVAR8	SC PL VAR	XC PL .12	SC SL VAR	XC SL .12	SD CL .10	XB CL .10
SC SF .08	XB SF .10	SE SU FVAR9	XE SU FVAR9	SD PL .12	XC PL VAR	SD SL .12	XC SL VAR	SD CL .11	XB CL .11
SC SF .09	XB SF FVAR7	SE SU FVAR10	XE SU FVAR10	SD PL CVAR	XE PL EVAR	SD SL VAR	XE SL EVAR	SD CL .12	XB CL .12
SD SF .07	XB SF FVAR8	SG SU EVAR	XG SU EVAR	SD PL VAR	XG PL EVAR	SD SL CVAR		SE CL .01-25	XE CL .01-25
SD SF .08	XB SF FVAR9	SH SU EVAR	XH SU EVAR	SE PL EVAR	XH PL EVAR	SE SL EVAR		SG CL EVAR	XG CL EVAR
SD SF .09	XB SF FVAR10	SJ SU EVAR	XJ SU EVAR	SG PL EVAR	XP PL EVAR			SL CL .99999	XL CL .99999
SD SF .10	XB SF FVARX	SK SU EVAR	XK SU EVAR	SH PL EVAR	XP PL .085			CC CL .99999	XO CL .99999
SD SF FVAR7	XC SF .07	CA SU EVAR	XM SU EVAR	CD PL EVAR	XQ PL EVAR			CG CL .99999	
SD SF FVAR8	XC SF .08	CB SU EVAR	XN SU EVAR	CH PL EVAR				CK CL .99999	
SD SF FVAR9	XC SF .09	CE SU EVAR	XM SU .068	CH PL .085					
SD SF FVAR10	XE SF .07	CF SU EVAR	XN SU .068	CM PL .085					
SD SF FVARX	XE SF .08	CE SU .068							
SE SF .07	XE SF .09	CF SU .068							
SE SF .08	XE SF EVAR	CI SU .068							
SE SF .09	XE SF FVAR7	CJ SU .068							
SE SF EVAR	XE SF FVAR8								
SE SF FVAR7	XE SF FVAR9								
SE SF FVAR8	XE SF FVAR10								
SE SF FVAR9	XG SF EVAR								
SE SF FVAR10	XH SF EVAR								
SG SF EVAR	XJ SF EVAR								
SH SF EVAR	XK SF EVAR								
SJ SF EVAR	XM SF EVAR								
SK SF EVAR	XN SF EVAR								
CA SF EVAR	XM SF .068								
CB SF EVAR	XN SF .068								
CE SF EVAR									
CF SF EVAR									
CE SF .068									
CF SF .068									
CI SF .068									
CJ SF .068									
CI SF .060									
CJ SF .060									

Notes

- ¹ Stafford Nonsubsidized and FISL Nonsubsidized loans disbursed prior to 10-1-1981 are included within SF loan types.
- ² Loans disbursed prior to 10-17-1986 and **unable** to distinguish from PLUS (parent) loans.
- ³ Loans disbursed prior to 10-17-1986 and **able** to distinguish from PLUS (parent) loans.
- ⁴ Loans originally made or purchased with tax-exempt funds originally issued prior to 10-1-1993 receive ½ the regular special allowance rate but not less than 9.5% minus the applicable interest rate. Loans made or purchased with tax-exempt funds originally issued on or after 10-1-1993, loans held in tax-exempt bond issues that were refunded on or after 10-1-2004, and loans made or purchased on or after 2-8-2006 regardless of funding source (except those held by lenders eligible for the HERA of 2005 special exemptions), receive regular special allowance and must be reported using the taxable special allowance codes.
- ⁵ PLUS and SLS loans first disbursed on/after 7-1-1987 but before 6-30-1994, and PLUS loans first disbursed on/after 7-1-1998 but before 12-31-1999 do not receive any special allowance if the annual interest rate calculation does not exceed the applicable maximum interest rate. PLUS loans first disbursed on/after 1-1-2000 will receive special allowance for quarters beginning 4-1-2006, even if the annual interest rate calculation does not exceed the applicable maximum interest rate.
- ⁶ [Eligible Not-For-Profit \(ENFP\) holders may receive the increased Special Allowance Factor on loans made on or after October 1, 2007 if they meet the statutory and regulatory requirements for ENFP holders and are designated as such in the Department of Education's Lender Reporting System \(LaRS\).](#)

COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: December 18, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With No changes	Dec 18

SUBJECT: Title IV Program Definitions

AFFECTED SECTIONS: 9.5.A Return Amounts for Title IV Grant and Loan Programs
Appendix G

POLICY INFORMATION: 1070/Batch 154

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

BASIS:
08-09 FSA Handbook, Volume 6, p. 6-1 and 6-31.

CURRENT POLICY:
Current policy does not include glossary definitions of three federal student aid programs that are referenced in Manual text: the Federal Work-Study, Federal Supplemental Educational Opportunity Grant (FSEOG), and Federal Perkins Loan Programs.

REVISED POLICY:
Revised policy provides separate glossary definitions of the Federal Work-Study, FSEOG, and Federal Perkins Loan Programs. A cross-reference to the FSA Handbook has also been added to the definition of each program.

REASON FOR CHANGE:
The Manual includes a definition of "Campus-Based Programs," which lists all three of the aforementioned federal student aid programs. However, the Manual does not commonly refer to the "campus-based programs." This change is necessary to provide Manual readers with context for multiple, separate references to the Federal Work-Study, FSEOG, and Federal Perkins Loan.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 9.5.A, page 13, column 2, paragraph 1, as follows:

Aid Types to Be Included in the Return Calculations

When calculating the return of Title IV funds, the school must include the following Title IV funds, as applicable:

- Federal Perkins loan
- ...
- ...
- ...
- ...
- ...
- Federal Supplemental Educational Opportunity Grant (FSEOG), (not including the nonfederal share of an FSEOG award if the school meets its matching share by the individual recipient method or the aggregate method).

[§668.22(a)(2)]

Revise Appendix G, page 8, column 2, paragraph 4, as follows:

...
Federal Perkins Loan: A low-interest, long-term loan intended for undergraduate or graduate and professional students with financial need. The Federal Perkins Loan Program is one of the campus-based programs administered by a school's financial aid office. For more information, see the FSA Handbook.

Federal PLUS Loan Application and Master Promissory Note: . . .

Federal Register: . . .

Federal Stafford Loan Master Promissory Note: . . .

Federal Supplemental Educational Opportunity Grant: (FSEOG) A grant intended for undergraduate students with exceptional financial need. The FSEOG is one of the campus-based programs administered by a school's financial aid office. For more information, see the FSA Handbook.

Federal Work-Study: (FWS) An employment program intended for undergraduate or graduate and professional students with financial need that allows students to work part time to help pay for their educational costs. The FWS program is one of the campus-based programs administered by a school's financial aid office. For more information, see the FSA Handbook.

PROPOSED LANGUAGE - COMMON BULLETIN:

Title IV Program Definitions

The *Common Manual* has been revised to include separate glossary definitions of the following federal student aid programs that are referenced in existing Manual text:

- **Federal Perkins Loan:** A low-interest, long-term loan intended for undergraduate or graduate and professional students with financial need. The Federal Perkins Loan Program is one of the campus-based programs that are administered by a school's financial aid office. For more information, see the FSA Handbook.
- **Federal Supplemental Educational Opportunity Grant: (FSEOG)** A grant intended for undergraduate students with exceptional financial need. The FSEOG is one of the campus-based programs that are administered by a school's financial aid office. For more information, see the FSA Handbook.
- **Federal Work-Study: (FWS)** An employment program intended for undergraduate or graduate and professional students with financial need that allows students to work part time to help pay for their educational costs. The FWS program is one of the campus-based programs administered by a school's financial aid office. For more information, see the FSA Handbook.

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:
September 30, 2008

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:
December 11, 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, HESC, KHEAA, MGA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLND, SLSA, TG, UHEAA, USA Funds, and VSAC.

Responses to Comments

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

COMMENT:

One commenter asked that the Committee consider adding glossary definitions of any other federal program mentioned in the *Common Manual*, including loan programs that are eligible for federal consolidation such as Health Professions Student Loans, Loans for Disadvantaged Students, Nursing Student Loans, and Health Education Assistance Loans.

Response:

The Committee is adding these select definitions because each of the defined programs has substantive implications to issues addressed in current text. For instance, Perkins loans are included in the return to Title IV provisions in the context of the order in which the school is expected to return funds. HPSL, LDS, and NSL programs are mentioned in the manual only by reference as loans that are eligible for Consolidation. The programs themselves have no additional policy implications to the administration of the FFELP. We do note, however, that HEAL loans do have more substantive impact to FFELP loans in the manner in which the lender is required to segregate their servicing from that of the other loans underlying the Consolidation. Such implications might create a need to develop definitions were it not for the fact that new HEAL loans have not been made since 1996, so long ago that the servicing implications of this program are negligible. Manual readers who wish to learn more about the HEAL program may refer to the history appendix.

Change:

None.

COMMENT:

One commenter recommended that the glossary definition of Federal Work Study be revised for consistency with the tone and style of the other proposed definitions, as follows:

Federal Work-Study: (FWS) ~~Through the FW-S program, An employment program intended for students with financial need that allows~~ undergraduate or graduate/professional students ~~with financial need to~~ work part time to help pay for their educational costs of their education. . .

Response:

The Committee agrees.

Change:

The commenter's requested change has been adopted with the following wordsmithing change:

An employment program intended for undergraduate or graduate and professional students with financial need that allows ~~undergraduate or graduate/professionat~~ students to work part time to help pay for their educational costs. . .

jcs/edited-aes/kk

K013

COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: December 18, 2008

SUBJECT: **Simplified Deferment Processing**

AFFECTED SECTIONS: **11.4.D Simplified Deferment Processing**
11.5.D Simplified Deferment Processing
11.8.D Simplified Deferment Processing
11.9.D Simplified Deferment Processing
11.14.D Simplified Deferment Processing
11.18.D Simplified Deferment Processing

POLICY INFORMATION: **1071/Batch 154**

EFFECTIVE DATE/TRIGGER EVENT: Deferment requests granted by the lender on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007.

BASIS:
§682.210(s)(1)(iii).

CURRENT POLICY:
Current policy states that when granting a deferment using the simplified deferment processing method, a lender may use information from an authoritative electronic database maintained and authorized by the Secretary that supports eligibility for the deferment for the same reason and the same time period.

REVISED POLICY:
Revised policy states that when granting a deferment using the simplified deferment processing method, the lender may base the deferment on information from an authoritative electronic database maintained or authorized by the Secretary that supports eligibility for the deferment for the same reason and same time period.

REASON FOR CHANGE:
This change is being made to align the Manual's text with §682.210(s)(1)(iii).

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 11.4.D, page 10, column 1, paragraph 3, as follows:

11.4.D Simplified Deferment Processing

...

In granting the deferment in this manner, the lender may rely in good faith on the information obtained from another FFELP loan holder, the Department, or an authoritative electronic database maintained ~~and~~ or authorized by the Department, unless the lender has information indicating that the borrower does not qualify for the economic hardship deferment. The lender must resolve any discrepant information before granting an economic hardship deferment in this manner.

Revise Subsection 11.5.D, page 11, column 1, paragraph 5, as follows:

11.5.D Simplified Deferment Processing

...

In granting the deferment in this manner, the lender may rely in good faith on the information

obtained from another FFELP loan holder, the Department, or an authoritative electronic database maintained ~~and~~ or authorized by the Department, unless the lender has information indicating that the borrower does not qualify for the graduate fellowship deferment. The lender must resolve any discrepant information before granting a graduate fellowship deferment in this manner.

Revise Subsection 11.8.D, page 16, column 1, paragraph 2, as follows:

11.8.D Simplified Deferment Processing

...

In granting the deferment in this manner, the lender may rely in good faith on the information obtained from another FFELP loan holder, the Department, or an authoritative electronic database maintained ~~and~~ or authorized by the Department, unless the lender has information indicating that the borrower does not qualify for the military active duty student deferment. The lender must resolve any discrepant information before granting a military active duty student deferment in this manner.

Revise Subsection 11.9.D, page 17, column 2, paragraph 5, as follows:

11.9.D Simplified Deferment Processing

...

In granting the deferment in this manner, the lender may rely in good faith on the information obtained from another FFELP loan holder, the Department, or an authoritative electronic database maintained ~~and~~ or authorized by the Department, unless the lender has information indicating that the borrower does not qualify for the military service deferment. The lender must resolve any discrepant information before granting a military service deferment in this manner.

Revise Subsection 11.14.D, page 21, column 2, paragraph 2, as follows:

11.14.D Simplified Deferment Processing

...

In granting the deferment in this manner, the lender may rely in good faith on the information obtained from another FFELP loan holder, the Department, or an authoritative electronic database maintained ~~and~~ or authorized by the Department, unless the lender has information indicating that the borrower does not qualify for the rehabilitation training program deferment. The lender must resolve any discrepant information before granting a rehabilitation training program deferment in this manner.

Revise Subsection 11.18.D, page 25, column 2, paragraph 5, as follows:

11.18.D Simplified Deferment Processing

...

In granting the deferment in this manner, the lender may rely in good faith on the information obtained from another FFELP loan holder, the Department, or an authoritative electronic database maintained ~~and~~ or authorized by the Department, unless the lender has information indicating that the borrower does not qualify for the unemployment deferment. The lender must resolve any discrepant information before granting an unemployment deferment in this manner.

PROPOSED LANGUAGE - COMMON BULLETIN:

Simplified Deferment Processing

The Manual has been revised to clarify that when a lender is granting a deferment using the simplified

deferment processing method, the lender may base the deferment on information from an authoritative electronic database maintained or authorized by the Secretary that supports eligibility for the deferment for the same reason and same time period.

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:

June 4, 2008

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

December 11, 2008

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designee

Interested Industry Groups and Others

CM Governing Board Representatives

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, HESC, KHEAA, MGA, NASFAA, NCHELP, NSLP, OGSFP, PPSV, SCSLC, SLND, SLSA, TG, UHEAA, USA Funds, and VSAC.

Responses to Comments

All commenters supported this proposal as written. One commenter recommended a wordsmithing change to the Common Bulletin language that was incorporated without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

nm/edited-rl