

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
1175	Plans to Combat Unauthorized Distribution of Copyrighted Material	<p><b><u>4.1.A</u></b>                    <b><u>Establishing Eligibility</u></b></p> <p>Incorporates into the program participation agreement a requirement that the school develop and implement written plans to effectively combat the unauthorized distribution of copyrighted material by users of the school's information technology network. Describes the mandatory components of these plans, including procedures for periodic review of the plans' effectiveness.</p>	Federal	<p>August 14, 2008, for:</p> <ul style="list-style-type: none"> <li>• Developing plans to combat the unauthorized distribution of copyrighted material using a technology-based deterrent(s).</li> <li>• Offering alternatives to illegal downloading or peer-to-peer distribution of intellectual property, to the extent practicable.</li> </ul> <p>July 1, 2010 for all other provisions.</p>
1176	School Code of Conduct	<p><b><u>4.1.E</u></b>                    <b><u>School Code of Conduct</u></b> <b><u>Appendix G</u></b></p> <p>Clarifies that as part of the Program Participation Agreement, <i>all</i> Title IV participating schools must develop, publish, administer, and enforce a code of conduct, not only those schools that have a preferred lender arrangement. The code of conduct must also prohibit conflicts of interest in regard to interaction between FFELP and private education loans and lenders.</p>	Federal	July 1, 2010.
1177	Interest Capitalization on PLUS Loans	<p><b><u>10.10.B</u></b>                <b><u>Capitalization Frequency</u></b></p> <p>Allows a lender to capitalize interest that accrues on a PLUS loan from the date of the first disbursement to the date that repayment begins.</p>	Federal	July 1, 2010, unless implemented earlier by the lender.
1178	Post-Enrollment Deferment	<p><b><u>11.6.E</u></b>                    <b><u>Post-Enrollment Deferment</u></b></p> <p>Clarifies that a lender must, unless otherwise notified by the borrower, defer the borrower's Grad PLUS loan, that was first disbursed on or after July 1, 2008, during any 6-month period beginning on the day after the Grad PLUS borrower ceases to be enrolled at least half time at an eligible school.</p>	Federal	Grad PLUS loan post-enrollment deferments granted on or after July 1, 2010.
1179	Forbearance Contact Clarifications	<p><b><u>11.20.I</u></b>                <b><u>Borrower Contact during Forbearance</u></b></p> <p>Clarifies, for forbearance notices to borrowers, the calculation of the projected capitalized interest and includes appropriate references to any applicable endorser.</p>	Federal	Forbearance notices provided by the lender on or after July 1, 2010.

1180	Administrative Forbearance for Aligning Repayment on Certain PLUS Loans	<p><b><u>Figure 11-2</u></b>  <b><u>11.21.O</u></b>      <b><u>Repayment Alignment</u></b></p> <p>Permits a lender to grant an administrative forbearance for the purpose of aligning repayment for a borrower who has a PLUS loan(s) first disbursed prior to July 1, 2008; and a PLUS loan(s) first disbursed on or after July 1, 2008, or a Stafford loan(s) that is eligible for a grace period. When granting this type of administrative forbearance, the lender must notify the borrower that the forbearance has been granted and inform the borrower of the option to cancel the forbearance.</p>	Federal	Administrative forbearance granted on or after July 1, 2010, unless implemented earlier by the lender.
1181	Total and Permanent Disability Discharge Eligibility for Paid-in-Full Loans	<p><b><u>13.8.G</u></b>      <b><u>Total and Permanent Disability</u></b></p> <p>Aligns the Manual with the Department's guidance that a borrower is not eligible for a total and permanent disability (TPD) loan discharge if the loan has already been paid in full when the loan holder receives the borrower's TPD discharge request.</p>	Federal	Total and permanent disability discharge requests received on or after March 14, 2004, unless implemented earlier by the loan holder.

Batch 167 transmittal

# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: March 18, 2010

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With no changes	Mar 18

**SUBJECT:** **Plans to Combat Unauthorized Distribution of Copyrighted Material**

**AFFECTED SECTIONS:** **4.1.A Establishing Eligibility**

**POLICY INFORMATION:** **1175/Batch 167**

**EFFECTIVE DATE/TRIGGER EVENT:** August 14, 2008, for:

- Developing plans to combat the unauthorized distribution of copyrighted material using a technology-based deterrent(s).
- Offering alternatives to illegal downloading or peer-to-peer distribution of intellectual property, to the extent practicable.

July 1, 2010, for all other provisions.

**BASIS:**  
§668.14(b)(30); *Federal Register* dated August 21, 2009, pp. 42391 to 42393; *Federal Register* dated October 29, 2009, pp. 55910 and 55934.

**CURRENT POLICY:**  
Current policy does not stipulate that, as a condition of participation in the Title IV programs, a school must develop, implement, and periodically review written plans to effectively combat the unauthorized distribution of copyrighted material by users of the school's network.

**REVISED POLICY:**  
Revised policy incorporates into the program participation agreement a requirement that the school develop and implement written plans to effectively combat the unauthorized distribution of copyrighted material by users of the school's information technology network. Revised policy describes mandatory components of these plans, including procedures for periodic review of the plans' effectiveness. In addition, revised policy states that the school must, to the extent practicable, do all of the following:

- Offer alternatives to the illegal downloading or other acquisition of copyrighted materials.
- Periodically review the legal alternatives the school offers.
- Make the results of the school's review of its legal alternatives available to students through posting on a Website or by other means.

**REASON FOR CHANGE:**  
This change is necessary to comply with final rules published in the October 29, 2009, *Federal Register*.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Subsection 4.1.A, page 2, column 1, paragraph 1, as follows:

By entering into a Program Participation Agreement (PPA), the school agrees to comply with all requirements specified in statute and federal regulations, including, but not limited to the following:

- ...
- ...
- ...
- The school has developed and implemented written plans to effectively combat the unauthorized distribution of copyrighted material by users (e.g., students, employees, and the public, if applicable) of the school's information technology network that

include all of the following:

- The use of one or more technology-based deterrents. No particular technology measure(s) is favored or required for inclusion in the school's plans.
- Mechanisms for educating and informing the school community about appropriate versus inappropriate use of copyrighted material, such as including pertinent information in required student consumer information disclosures (see Subsection 4.4.B), handbooks, honor codes, or codes of conduct.
- Procedures for handling unauthorized distribution of copyrighted materials, including disciplinary procedures.
- Procedures for periodically reviewing the effectiveness of the plans to combat the unauthorized distribution of copyrighted materials by users of the school's network, using relevant assessment criteria determined by the school.

The school has the authority to determine its plans for compliance with the requirement to combat unauthorized distribution of copyrighted material, including a plan that prohibits content monitoring. A school is not required to take measures to effectively combat the unauthorized distribution of copyrighted material that would unduly interfere with the educational and research use of the school's network.

In consultation with the school's chief technology officer or other designated school official, the school must, to the extent practicable, offer legal alternatives to illegal downloading or other acquisition of copyrighted material. The school must periodically review the legal alternatives that it offers for downloading or otherwise acquiring copyrighted materials and make the results of that review available to students through a Website or other means.

[§668.14(b)(30)]

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Plans to Combat Unauthorized Distribution of Copyrighted Material**

The *Common Manual* has been updated to include final rule changes published in the October 29, 2009, *Federal Register*. As a condition of participating in the Title IV programs, a school must certify in its program participation agreement with the Department that it has developed and implemented written plans to effectively combat the unauthorized distribution of copyrighted material by users of the school's information technology network. These written plans must include all of the following:

- The use of one or more technology-based deterrents. No particular technology measure(s) is favored or required for inclusion in the school's plan.
- Mechanisms for educating and informing the school community about appropriate versus inappropriate use of copyrighted material, such as including pertinent information in required student consumer information disclosures, handbooks, honor codes, or codes of conduct.
- Procedures for handling unauthorized distribution of copyrighted materials, including disciplinary procedures.
- Procedures for periodically reviewing the effectiveness of the plans to combat the unauthorized distribution of copyrighted materials by users of the school's network using relevant assessment criteria.

The school has the authority to determine its plans for compliance with the requirement to combat unauthorized distribution of copyrighted material, including a plan that prohibits content monitoring. A school is not required to take measures to effectively combat the unauthorized distribution of copyrighted material that would unduly interfere with the educational and research use of the school's network.

In consultation with the school's chief technology officer or other designated school official, the school must, to

the extent practicable, offer legal alternatives to illegal downloading or other acquisition of copyrighted material, as determined by the school. The school must periodically review the legal alternatives that it offers for downloading or otherwise acquiring copyrighted material and make the results of that review available to students through a Website or other means.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

A borrower who engages in illegal downloading or sharing of copyrighted material using a school's network may experience increased monitoring and intervention through the school's use of a technology-based deterrent.

*School:*

A school must implement at least one technology-based deterrent of its choosing to combat the illegal downloading or other acquisition of copyrighted materials by users of its network. A school will also be required to determine whether it is practicable for the school to offer legal alternatives to the illegal downloading or other acquisition of copyrighted materials. If legal alternatives are offered, the school must periodically review those alternatives and ensure that the result of that review is made available to students.

*Lender/Service:*

None.

*Guarantor:*

A guarantor will be required to update its program review criteria.

*U.S. Department of Education:*

The Department will be required to update its program review criteria and school program participation agreement.

---

---

**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

October 26, 2009

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

March 11, 2010

**PROPOSAL DISTRIBUTED TO:**

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

**Comments Received From:**

AES/PHEAA, ASA, FAME, Great Lakes, HESC, NASFAA, NCHELP, NSLP, OGSLP, PPSV, TG and USA Funds.

**Responses to Comments**

Most of the commenters supported this proposal as written. Some commenters provided minor wordsmithing and grammatical suggestions that were considered without a response. 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 asked if a separate policy proposal was going to be created to address the new disclosure

requirements for unauthorized access to copyrighted materials, peer-to-peer file sharing, and the sanctions for such actions.

**Response:**

The Committee has issued the new disclosure requirements for unauthorized access to copyrighted materials, peer-to-peer file sharing, and the sanctions for such actions in policy proposal 1185 in Batch168.

**Change:**

None.

**COMMENT:**

Two commenters requested that the school implication statement be clarified to better illustrate the school's responsibilities in relation to legal alternatives to illegal downloading or other acquisition of copyrighted materials.

**Response:**

The Committee agrees.

**Change:**

Revise School Implication Statement, sentence 3, as follows:

~~If it is practicable to do so, legal alternatives are offered, the school must periodically review those legal alternatives it offers and ensure that the result of that review is made available to students.~~  
If it is practicable to do so, legal alternatives are offered, the school must periodically review those legal alternatives and ensure that the result of that review is made available to students.

Jcs-bmf/edited-aes

# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: March 18, 2010

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With no changes	Mar 18

**SUBJECT:** School Code of Conduct

**AFFECTED SECTIONS:** 4.1.E School Code of Conduct  
Appendix G

**POLICY INFORMATION:** 1176/Batch 167

**EFFECTIVE DATE/TRIGGER EVENT:** July 1, 2010.

**BASIS:**

§601.21; §668.16(d)(2)(ii); *Federal Register* published October 28, 2009, p. 55631; *Federal Register* published July 28, 2009, p. 37443.

**CURRENT POLICY:**

Current policy for a school code of conduct is based on the statutory language of the Higher Education Act of 1965, as amended by the Higher Education Opportunity Act of 2008, and *Dear Colleague Letter* GEN-08-12/FP-08-10. Therefore, current policy applies the school code of conduct requirements only to a school that has a preferred lender arrangement for FFELP or private education loans.

**REVISED POLICY:**

Revised policy clarifies that as part of the Program Participation Agreement, *each* Title IV participating school must develop, publish, administer, and enforce a code of conduct. The school must publish the code of conduct prominently on the school's Website and must annually inform the school's agents with responsibilities for FFELP or private education loans of the code of conduct. Revised policy also clarifies that the code of conduct must prohibit conflicts of interest with regard to interaction between FFELP and private education loans and lenders. Finally, revised policy clarifies what constitutes a payment in the definition of "opportunity pool loan."

**REASON FOR CHANGE:**

The Manual is being updated to comply with regulatory changes published in the October 28, 2009, *Federal Register*, Vol. 74, No. 207.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Subsection 4.1.E, page 11, column 2, paragraph 1, as follows:

**4.1.E  
School Code of Conduct**

As part of a its Program Participation Agreement (PPA), ~~the a school that has a preferred lender arrangement for the purpose of offering FFELP or private education loans must~~ develop, publish, administer, and enforce a code of conduct that applies to the school's officers, employees, and agents, of the school which includes officers and employees. The school must publish the code of conduct prominently on the school's Website and require that all of the school's agents with responsibilities with respect to FFELP or private education loans be informed annually of the provisions of the code of conduct.  
[§601.21(a)(2); §668.14(b)(27)]

The code of conduct must prohibit conflicts of interest and include the following:

- A ban on revenue-sharing arrangements. A school may not enter into a revenue-sharing arrangement with any lender. A revenue-sharing arrangement is defined as any arrangement between a school and a lender that provides or issues a FFELP or private education loan to a student or the family of a student attending the school under which the lender makes Title IV loans to students attending the school (or to the families of those students), where the school recommends the lender or the loan

products of the lender and, in exchange, the lender pays a fee or provides other material benefits, including revenue or profit-sharing, to the school or to its officers, employees, or agents.

[HEA §487(e)(1); §601.21(c)(1); DCL GEN-08-12/FP-08-10]

- A gift ban. An employee of a school financial aid office or who has responsibilities with respect to FFELP or private education loans may not solicit or receive gifts from a FFELP or private education loan lender, servicer, or guarantor. An officer, employee, or agent of a school's financial aid office or a school officer or agent who has responsibilities with respect to education loans may not solicit or accept any gifts from a lender, servicer, or guarantor. A "gift" is defined as any gratuity, favor, discount, entertainment, hospitality, loan, or other item having monetary value of more than a *de minimus* amount. Gifts include services such as transportation, lodging, or meals, whether provided *in kind* by purchase of a ticket, or paid in advance or reimbursed after the expense is incurred. Additionally, any gift provided to a family member of a school employee or agent with responsibilities related to FFELP or private education loans is considered a gift if given with the knowledge and permission of the employee or agent where there is reason to believe the gift was due to the employee's or agent's official position. Exceptions to this gift ban include the following:

- The school may accept brochures, workshops, or trainings using standard materials relating to a loan, default aversion and prevention, or financial literacy.
- The school may accept food, training, or informational material provided as part of a training session designed to improve the service of the FFELP or private education loan lender, guarantor, or servicer if the training contributes to the professional development of the school's officer, employee or agent.
- The school may accept favorable terms and benefits on an FFELP or private education loan provided to a student employed by the school if those terms and benefits are comparable to those provided to all students at the school.
- A lender or guarantor may conduct entrance and exit counseling at a school, as long as the school's staff are in control of the counseling and the counseling does not promote the services of a specific lender.
- The school may accept philanthropic contributions from a lender, guarantor, or servicer that are unrelated to education loans or any contribution that is not made in exchange for advantage related to FFELP or private education loans.
- The school may accept education grants, scholarships, or financial aid funds administered by or on behalf of a state.

[HEA §487(e)(2); §601.21(c)(2); DCL GEN-08-12/FP-08-10]

- A ban on contracting arrangements. A school officer, employee, or agent working in the school's financial aid office or who has responsibilities with respect to FFELP or private education loans may not accept from a lender, or affiliate of any lender, any fee, payment, or other financial benefit as compensation for any type of consulting arrangement or contract to provide services to or on behalf of a lender relating to FFELP or private education loans. However, the following exceptions apply:
  - An agent who is not employed in the financial aid office and does not have any responsibilities related to FFELP or private education loans is permitted to serve on a lender, guarantor, or servicer board of directors if the school has a written conflict of interest policy that states that the agent must not participate in any board decision involving FFELP or private education loans.
  - An officer or contractor of a lender, guarantor, or servicer of FFELP or private education loans may serve on the board of directors or serve as trustee of a



school if the school has a written policy that states that the member or trustee must not participate in any decision regarding FFELP or private education loans at the school.

[HEA §487(e)(3); §601.21(c)(3); DCL GEN-08-12/FP-08-10]

- A school may not assign, through award packaging or other methods, a lender to a first-time borrower. In addition, the school may not delay or refuse to certify a loan based on the borrower's choice of a particular lender or guarantor.  
[HEA §487(e)(4); §601.21(c)(4); DCL GEN-08-12/FP-08-10]
- A prohibition on offers of funds for private education loans. A school may not request or accept funds from a lender for private education loans, including funds for opportunity pool loans to its students, in exchange for providing concessions or promises to the lender for a specific number of FFELP or private education loans made, insured, or guaranteed; a specified loan volume; or a preferred lender arrangement.  
[HEA §487(e)(5); §601.21(c)(5); DCL GEN-08-12/FP-08-10]
- A ban on staffing assistance. A school may not request or accept assistance from a lender with call center or financial aid office staffing. However, a school can receive assistance from a lender in the form of professional development training, educational counseling materials as long as the materials identify the lender that assisted in preparing the materials, and short-term non-recurring staffing assistance during emergencies identified by the Department or state or federally declared natural disasters.  
[HEA §487(e)(6); §601.21(c)(6); DCL GEN-08-12/FP-08-10]
- A prohibition on receiving compensation for service on an advisory board. Any employee of the school's financial aid office or who has responsibilities with respect to education loans or financial aid that serves on an advisory board, commission, or group established by a lender or guarantor, or group of lenders or guarantors, is prohibited from receiving anything of value for the service except for reimbursement of reasonable expenses incurred by the employee for service on the board. Reasonable expenses are defined by the state government reimbursement policy applicable to the entity. If no state policy is applicable to the entity, then reasonable expenses are defined by federal cost principles for reimbursement.  
[HEA §487(e)(7); §601.21(c)(7); §668.16(d)(2)(ii); DCL GEN-08-12/FP-08-10]

Revise Appendix G, page 16, column 2, paragraph 1, as follows:

**Opportunity Pool Loan:** A private education loan made by a lender to a student (or the student's family) that involves a payment by the school of points, premiums, additional interest, or financial support to the lender for extending credit to the student (or the student's family).

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**School Code of Conduct**

The *Common Manual* has been updated to clarify that as part of the Program Participation Agreement, each school must develop, publish, administer, and enforce a code of conduct, not only a school that has a preferred lender arrangement. The school must publish the code of conduct prominently on the school's Website and must annually inform the school's agents with responsibilities for FFELP or private education loans of the code of conduct. The code of conduct must prohibit conflicts of interest with regard to interaction with FFELP and private education loans and lenders. Finally, the definition of "opportunity pool loan" has been updated to clarify what constitutes a payment by a school to a lender.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

A borrower may be advised of loan options by a school with a greater emphasis on how each option relates to the best interests of the borrower and student.

*School:*

A school may need to create and publish a code of conduct, or to amend an existing code of conduct, and to inform and train applicable staff regarding the code. The school may need to establish new policies to ensure compliance with the Program Participation Agreement requirements.

*Lender/Service:*

A lender may not respond to a school's solicitation of a prohibited gift.

*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:**

December 5, 2009

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

March 11, 2010

**PROPOSAL DISTRIBUTED TO:**

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

**Comments Received From:**

AES/PHEAA, ASA, FAME, Great Lakes, HESC, NASFAA, NCHELP, NSLP, OGSLP, PPSV, TG and USA Funds.

**Responses to Comments**

Most of the commenters supported this proposal as written. Some commenters provided minor wordsmithing and grammatical suggestions that were considered without a response. 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 recommended clarifying the language of the beginning of the second bullet of Subsection 4.1.E to align it with other language in the proposal.

**Response:**

The Committee agrees.

**Change:**

Revise Subsection 4.1.E, page 11, column 2, paragraph 2, bullet 2, sentence 2, as follows:

- ~~An employee of a school financial aid office or a~~An agent employed in the financial aid office or who has responsibilities with respect to FFELP or private education loans may not solicit or receive gifts from a FFELP or private education loan lender, servicer, or guarantor.

**COMMENT:**

Two commenters recommended adding a short title to bullets three through seven of Subsection 4.1.E, similar to the short titles added to bullets one and two of that subsection to add clarity.

**Response:**

The Committee agrees. In the Higher Education Act, Congress created short titles for all but one of the prohibitions that are required to be included in a school's Code of Conduct, so the Committee will follow suit. However, we will not be creating a short title for the fourth bullet as Congress did not create one in the Higher Education Act, so anything we add may lead to future confusion.

**Change:**

Revise Subsection 4.1.E, page 11, column 2, paragraph 2, as follows:

The code of conduct must prohibit conflicts of interest and include the following:

- A ban on revenue-sharing arrangements...
- A gift ban...
- A ban on contracting arrangements...
- A school may not assign, through award packaging or other methods, a lender to a first-time borrower. In addition, the school may not delay or refuse to certify a loan based on the borrower's choice of a particular lender or guarantor.  
[HEA §487(e)(4); §601.21(c)(4); DCL GEN-08-12/FP-08-10]
- A prohibition on offers of funds for private education loans...
- A ban on staffing assistance...
- A prohibition on receiving compensation for service on an advisory board...

bmf/edited-rrl

# COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: March 18, 2010

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With no changes	Mar 18

**SUBJECT:** Interest Capitalization on PLUS Loans

**AFFECTED SECTIONS:** 10.10.B Capitalization Frequency

**POLICY INFORMATION:** 1177/Batch 167

**EFFECTIVE DATE/TRIGGER EVENT:** July 1, 2010, unless implemented earlier by the lender.

**BASIS:**

§682.202(b)(2)(i), *Federal Register* dated July 23, 2009, p. 36564; *Federal Register* dated October 29, 2009, p. 55991.

**CURRENT POLICY:**

Current policy states that a lender may capitalize unsubsidized interest that accrues during periods of in-school status, grace, authorized deferment, and authorized forbearance. Current policy does not expressly permit the capitalization of interest on a PLUS loan from the date of the first disbursement to the date that repayment begins.

**REVISED POLICY:**

Revised policy allows a lender to capitalize interest that accrues on a PLUS loan from the date of the first disbursement to the date that repayment begins.

**REASON FOR CHANGE:**

This change is made to comply with the clarification provided in the Notice of Proposed Rulemaking in the *Federal Register* dated July 23, 2009, in which the Department indicated that this change reflects current practice.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Subsection 10.10.B, page 21, column 1, paragraph 5, 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 disbursement was made to the date the repayment period begins, on a PLUS loan.
- During the period from the date the first installment payment was due to the date it is made.
- ...

[§682.202(b)]

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Interest Capitalization on PLUS Loans**

The *Common Manual* has been revised to include an additional period of time during which a lender may capitalize interest on a PLUS loan. In addition to those periods currently included in Subsection 10.10.A, a lender is permitted to capitalize interest that accrues on a PLUS loan from the date of the first disbursement to the date that repayment begins.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

A PLUS borrower's unpaid principal balance will increase if the lender capitalizes the interest from the date of the first disbursement to the date repayment begins.

*School:*

None.

*Lender/Service:*

A lender may develop a process to trigger the capitalization of interest on a PLUS loan from the date of the first disbursement to the date repayment begins if such process is not already in place.

*Guarantor:*

A guarantor may need to update its program review procedures to capture a lender's ability to capitalize accrued interest on PLUS loans during this period.

*U.S. Department of Education:*

The Department may need to update its program review procedures to capture a lender's ability to capitalize accrued interest on PLUS loans during this period.

---

---

**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

October 26, 2009

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

March 11, 2010

**PROPOSAL DISTRIBUTED TO:**

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

**Comments Received From:**

AES/PHEAA, ASA, FAME, Great Lakes, HESC, NASFAA, NCHelp, NSLP, OGSLP, PPSV, TG and USA Funds.

**Responses to Comments**

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

**COMMENT:**

One commenter suggested that the Reason for Change also include reference to the *Federal Register* that published the applicable Final Rules since the changes made to the regulation in §682.202(b) were made through that *Federal Register*.

**Response:**

The Committee disagrees. The reference to the NPRM *Federal Register* in the Reason for Change is to preamble language that clarifies that the regulatory change reflects current practice. The commenter is correct that the Final Rules *Federal Register* does contain the actual change; however, reference to this *Federal Register* already appears on the Basis statement, which the Committee believes is sufficient.

**Change:**

None.

**COMMENT:**

One commenter suggested that the proposed addition to Subsection 10.10.A related to when capitalization begins on PLUS loans be removed. The commenter stated that this Subsection contains general information about capitalization and not specific information related to the various loan types. As such, the commenter believes it is not appropriate to include reference to a PLUS loan in Subsection 10.10.A.

**Response:**

The Committee agrees.

**Change:**

The following statement has been removed from Subsection 10.10.A:

A period from the date of the first disbursement to the date that repayment begins on a PLUS loan.

**COMMENT:**

One commenter suggested that the Lender Implication statement be revised to remove the words “need to” as their inclusion implies that the capitalization at the beginning of repayment is mandatory rather than optional.

**Response:**

The Committee agrees.

**Change:**

The Lender Implication statement has been revised as suggested.

nm/edited-rrl

# COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: March 18, 2010

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With no changes	Mar 18

**SUBJECT:** Post-Enrollment Deferment

**AFFECTED SECTIONS:** 11.6.E Post-Enrollment Deferment

**POLICY INFORMATION:** 1178/Batch 167

**EFFECTIVE DATE/TRIGGER EVENT:** Grad PLUS loan post-enrollment deferments granted on or after July 1, 2010.

**BASIS:**

§682.210(v)(1); *Federal Register* dated October 29, 2009, p. 55994.

**CURRENT POLICY:**

Current policy states that a borrower may defer his or her Grad PLUS loan first disbursed on or after July 1, 2008, during any 6-month period beginning on the date after the Grad PLUS borrower ceases to be enrolled at least half time at an eligible school.

**REVISED POLICY:**

Revised policy clarifies that a lender must, unless otherwise notified by the borrower, defer the borrower's Grad PLUS loan first disbursed on or after July 1, 2008, during any 6-month period beginning on the day after the Grad PLUS borrower ceases to be enrolled at least half time at an eligible school.

**REASON FOR CHANGE:**

This change is made to comply with the clarification provided in Final Rules as published in the *Federal Register* dated October 29, 2009.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Subsection 11.6.E, page 15, column 1, paragraph 2, as follows:

**11.6.E  
Post-Enrollment Deferment**

For a parent PLUS loan first disbursed on or after July 1, 2008, the borrower may request deferment of his or her PLUS loan during any 6-month period beginning on the day after the parent PLUS borrower ceases to be enrolled at least half time at an eligible school. For a Grad PLUS loan first disbursed on or after July 1, 2008, ~~the borrower may lender must, unless otherwise notified by the borrower, defer his or her the borrower's~~ Grad PLUS loan during any 6-month period beginning on the day after the Grad PLUS borrower ceases to be enrolled at least half time at an eligible school, as determined by the out-of-school date provided by the school.

...

[§682.210(v)]

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Post-Enrollment Deferment**

The *Common Manual* has been revised to clarify that, unless otherwise notified by the Grad PLUS borrower, a lender must automatically grant a 6-month post-enrollment deferment on a Grad PLUS loan first disbursed on or after July 1, 2008, upon notification that the Grad PLUS borrower is no longer enrolled at least half time at an eligible school.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:***Borrower:*

A Grad PLUS borrower will automatically receive a 6-month post-enrollment deferment unless she or he notifies the lender that she or he does not want the deferment.

*School:*

None.

*Lender/Service:*

A lender may need to revise procedures to ensure that a 6-month post-enrollment deferment is automatically granted to a Grad PLUS borrower when the lender receives notification that the borrower is no longer enrolled at least half time. A lender may also need to revise procedures to remove the 6-month post-enrollment deferment if the borrower notifies the lender that she or he does not want the deferment.

*Guarantor:*

The guarantor may need to revise its review procedures to ensure that the 6-month post-enrollment deferment is properly granted on eligible Grad PLUS loans.

*U.S. Department of Education:*

The Department may need to revise its review procedures to ensure that the 6-month post-enrollment deferment is properly granted on eligible Grad PLUS loans.

---

---

**To be completed by the Policy Committee****POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

October 26, 2009

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

March 11, 2010

**PROPOSAL DISTRIBUTED TO:**

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

**Comments Received From:**

AES/PHEAA, ASA, FAME, Great Lakes, HESC, NASFAA, NCHELP, NSLP, OGSLP, PPSV, TG and USA Funds.

**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 questioned the proposed Effective Date/Trigger Event of "Grad PLUS loan post-enrollment deferments granted on or after July 1, 2010." The commenter indicated that §682.210(v)(1) states that, "A student PLUS borrower is **entitled** to a deferment," which indicates that this type of deferment should have been automatically granted beginning with, at the latest, deferments granted on or after the clarification was included in the October 29, 2009 *Federal Register*.

**Response:**

The Committee understands the commenter's concern; however, the effective date/trigger event reflected in the policy relates specifically to the clarification made in the regulation through the Final Rules that requires a lender to grant a graduate or professional PLUS borrower a post-enrollment deferment, unless the borrower requests otherwise. This clarification is being incorporated into the Manual's existing policy, but does not remove or postpone the ability of a borrower to receive a post-enrollment deferment for Grad PLUS loans first



disbursed on or after July 1, 2008, which is even included in the Manual's text as a qualifier. The change to the language in this subsection is meant to emphasize that a lender is to automatically grant such a deferment unless the borrower tells the lender otherwise, rather than imply that a graduate or professional PLUS borrower would have to request the post-enrollment deferment as the current language could be interpreted. Because the Final Rules have an effective date of July 1, 2010, and the regulatory change in §682.210(v)(1) is not subject to early implementation, we do not believe it is appropriate to vary from the July 1, 2010 date.

**Change:**

None.

nm/edited-rrl

**COMMON MANUAL – FEDERAL POLICY PROPOSAL**

Date: March 18, 2010

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With no changes	Mar 18

**SUBJECT:** Forbearance Contact Clarifications

**AFFECTED SECTIONS:** 11.20.I Borrower Contact during Forbearance

**POLICY INFORMATION:** 1179/Batch 167

**EFFECTIVE DATE/TRIGGER EVENT:** Forbearance notices provided by the lender on or after July 1, 2010.

**BASIS:** §682.211(e)(2); *Federal Register* dated October 29, 2009, p. 55994.

**CURRENT POLICY:**  
Current policy includes the statutory revisions to the existing forbearance contact requirements, but does not clarify that the projected capitalized interest the lender includes in the forbearance contact must be based on projections as of the date of the notice itself. Current policy also does not consistently acknowledge that each notice must address the borrower or any applicable endorser.

**REVISED POLICY:**  
Revised policy clarifies the calculation of the projected capitalized interest and includes appropriate references to any applicable endorser.

**REASON FOR CHANGE:**  
This change is necessary to comply with the Final Rules published in the October 29, 2009, *Federal Register*.

**PROPOSED LANGUAGE - COMMON MANUAL:**  
Revise Subsection 11.20.I, page 31, column 1, paragraph 3, as follows:

During the forbearance period, the lender must contact the borrower or endorser not less than once every 180 days. The lender must inform the borrower or endorser of all of the following:

- ...
- ...
- ...
- The amount of interest accrued since the last forbearance notice ~~interest accrual information~~ was provided to the borrower or endorser.
- The amount of interest that will be capitalized on the loan, projected as of the date of the notice, and the date that the capitalization will occur.
- The borrower’s or endorser’s option to pay the interest before it is capitalized.
- ...

**PROPOSED LANGUAGE - COMMON BULLETIN:**  
**Forbearance Contact Clarifications**

The *Common Manual* has been revised to incorporate changes published in the *Federal Register* dated October 29, 2009, that modify the required forbearance notifications. The notice that the lender sends to the borrower or endorser must include the projected capitalized interest, and the regulations clarify that the interest must be projected as of the date of each notice. In addition, the policy language is modified to include appropriate references to any applicable endorser on the loan for which forbearance is processed.

**GUARANTOR COMMENTS:**  
None.

**IMPLICATIONS:**

*Borrower:*

A borrower will receive updated capitalized interest projections that provide an accurate reflection of the impact of the forbearance on the borrower's repayment obligations.

*School:*

None.

*Lender/Servicer:*

A lender may be required to make system changes to project capitalized interest for the remainder of the forbearance period and include it in the forbearance notice each time that the lender sends that notice to the borrower or endorser.

*Guarantor:*

A guarantor may need to amend program review procedures to ensure that forbearance notices include the prescribed information.

*U.S. Department of Education:*

The Department may need to amend program review procedures to ensure that forbearance notices include the prescribed information.

---

---

**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

December 31, 2009

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

March 11, 2010

**PROPOSAL DISTRIBUTED TO:**

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

**Comments Received From:**

AES/PHEAA, ASA, FAME, Great Lakes, HESC, NASFAA, NCHELP, NSLP, OGSLP, PPSV, TG, and USA Funds.

**Responses to Comments**

All commenters supported this proposal as written. The Committee appreciates the review of all commenters and their careful consideration of this draft policy.

bg/edited-tmh

# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: March 18, 2010

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With no changes	Mar 18

**SUBJECT:** Administrative Forbearance for Aligning Repayment on Certain PLUS Loans

**AFFECTED SECTIONS:** Figure 11-2 Forbearance Eligibility Chart  
11.21.O Repayment Alignment

**POLICY INFORMATION:** 1180/Batch 167

**EFFECTIVE DATE/TRIGGER EVENT:** Administrative forbearance granted on or after July 1, 2010, unless implemented earlier by the lender.

**BASIS:** §682.211(f)(15); *Federal Register*, dated October 29, 2009, pp. 55994-55995.

**CURRENT POLICY:**  
Current policy does not allow a lender to grant a forbearance, for the purpose of aligning repayment, to a borrower who has a PLUS loan(s) first disbursed prior to July 1, 2008; and a PLUS loan(s) first disbursed on or after July 1, 2008, or a Stafford loan(s) that is eligible for a grace period.

**REVISED POLICY:**  
Revised policy permits a lender to grant an administrative forbearance for the purpose of aligning repayment for a borrower who has a PLUS loan(s) first disbursed prior to July 1, 2008; and a PLUS loan(s) first disbursed on or after July 1, 2008, or a Stafford loan(s) that is eligible for a grace period.

Revised policy also states that when granting this type of administrative forbearance, the lender must notify the borrower that a forbearance has been granted. This notice must inform the borrower of the option to cancel the forbearance and continue paying on the PLUS loan.

**REASON FOR CHANGE:**  
This change is made to comply with the changes provided in Final Rules published in the *Federal Register* dated October 29, 2009.

**PROPOSED LANGUAGE - COMMON MANUAL:**  
Revise Figure 11-2, page 33, by adding a new last entry and new footnote, as follows:

TYPE	LENGTH
Repayment Alignment—SLS/Stafford <sup>4</sup>	First payment due date to last day of the longest applicable Stafford loan grace period
Repayment Alignment—PLUS/Stafford <sup>10</sup>	<u>Until end of in-school deferment or post-enrollment deferment on PLUS loan disbursed on or after July 1, 2008, or until end of grace on Stafford loan</u>

<sup>10</sup> Lender must notify borrower forbearance has been granted; notice must inform borrower of option to cancel forbearance and continue paying on the PLUS loan.

Revise Subsection 11.21.O, page 37, column 1, paragraph 4, as follows:

**11.21.O**  
**Repayment Alignment**

**Aligning Repayment of a Stafford and SLS Loan**

...

...

...

**Aligning Repayment of a PLUS Loan Not Eligible for a Post-Enrollment Deferment with Another PLUS or Stafford Loan**

A lender may grant an administrative forbearance on a borrower's PLUS loan(s) that was first disbursed prior to July 1, 2008, to align repayment with either of the following:

- The end of the in-school or post-enrollment period on the borrower's PLUS loan(s) that is first disbursed on or after July 1, 2008.
- The grace period end date on the borrower's Stafford loan(s).

When granting an administrative forbearance in this situation, the lender must notify the borrower that forbearance has been granted on the PLUS loan. The notice must inform the borrower that he or she may cancel the forbearance and continue paying on the PLUS loan. [§682.211(f)(15)]

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Administrative Forbearance for Aligning Repayment on Certain PLUS Loans**

The *Common Manual* has been revised to incorporate regulatory changes from the *Federal Register* dated October 29, 2009, that permit a lender to grant an administrative forbearance for purposes of aligning repayment for a borrower. Specifically, a lender may grant an administrative forbearance on a borrower's PLUS loan(s) that was first disbursed prior to July 1, 2008, to align repayment with either of the following:

- The end of the in-school or post-enrollment period on the borrower's PLUS loan(s) that is first disbursed on or after July 1, 2008.
- The grace period end date on the borrower's Stafford loan(s).

When granting this type of administrative forbearance, the lender must notify the borrower that forbearance has been granted. This notice must inform the borrower of the option to cancel the forbearance and continue paying on the PLUS loan.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

A borrower may have the repayment on all his or her loans aligned, including a PLUS loan that is not eligible for a post-enrollment deferment or for in-school deferment based on the enrolled status of the dependent student and a PLUS loan(s) that is eligible for those deferments, or a Stafford loan(s) that is eligible for a grace period.

*School:*

None.

*Lender/Service:*

A lender may align loan repayment for a borrower who has a PLUS loan(s) that does not qualify for a post-enrollment deferment, or for in-school deferment based on the enrolled status of the dependent student, and who also has a PLUS loan(s) that does qualify for those deferments, or a Stafford loan(s) that is eligible for a grace period.

*Guarantor:*

A guarantor may need to revise its program review procedures.

*U.S. Department of Education:*

The Department may need to revise its program review procedures.

---

**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**  
CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**  
October 26, 2009

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**  
March 11, 2010

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

**Comments Received From:**  
AES/PHEAA, ASA, FAME, Great Lakes, HESC, NASFAA, NCHELP, NSLP, OGSLP, PPSV, TG, and USA Funds.

**Responses to Comments**

---

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

**COMMENT:**

One commenter suggested a formatting change to the information added to Subsection 11.20.O to break up the long sentence into a bulleted list as follows:

**Aligning Repayment of PLUS Loans Not Eligible for a Post-Enrollment Deferment with Other PLUS or Stafford Loans**

A lender may grant an administrative forbearance on a borrower's PLUS loan(s) that was first disbursed prior to July 1, 2008, to align repayment with:

- The end of the in-school or post-enrollment period on the borrower's PLUS loan(s) that is first disbursed on or after July 1, 2008, or
- The grace period end date on the borrower's Stafford loan(s).

**Response:**

The Committee agrees.

**Change:**

The subparagraph in Subsection 11.20.O was revised as suggested by the commenter. The Committee also made a grammatical change to the headings of this section to make them singular tense rather than plural.

nm/edited-rrl

# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: March 18, 2010

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With no changes	Mar 18

**SUBJECT:** **Total and Permanent Disability Discharge Eligibility for Paid-in-Full Loans**

**AFFECTED SECTIONS:** **13.8.G Total and Permanent Disability**

**POLICY INFORMATION:** **1181/Batch 167**

**EFFECTIVE DATE/TRIGGER EVENT:** Total and permanent disability discharge requests received on or after March 14, 2004, unless implemented earlier by the loan holder.

**BASIS:**  
*Federal Register* dated November 1, 2002, page 67067; private letter guidance from Pam Moran, the Department of Education, dated March 14, 2004.

**CURRENT POLICY:**  
Current policy does not address whether a borrower may qualify for discharge of a loan that has already been paid in full when the loan holder receives the borrower's total and permanent disability discharge request.

**REVISED POLICY:**  
Revised policy states that a borrower is not eligible for discharge of a loan that has already been paid in full when the loan holder receives the borrower's total and permanent disability discharge request.

**REASON FOR CHANGE:**  
This change is made to align the Manual with the Department's guidance regarding the circumstances under which a borrower may be eligible for a loan discharge when the loan holder receives the borrower's total and permanent disability discharge request.

In the *Federal Register* dated November 1, 2002, page 67067, the Department stated that a borrower is not eligible for discharge of a Consolidation loan if the loan has already been paid in full when the loan holder receives the borrower's total and permanent disability discharge request. The Department's private letter guidance dated March 14, 2004 applied the same guidance to total and permanent disability discharge eligibility for all loan types.

## **PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Subsection 13.8.G, page 48, column 2, by inserting a new paragraph 1, as follows:

### **13.8.G Total and Permanent Disability**

A borrower is not eligible for discharge of a loan that has already been paid in full when the loan holder receives the borrower's total and permanent disability loan discharge request.

A total and permanent disability discharge request based on a determination by the U.S. Department of Veterans Affairs (VA) has different eligibility criteria than one that is not based on a VA determination, as outlined below.

## **PROPOSED LANGUAGE - COMMON BULLETIN: Total and Permanent Disability Discharge Eligibility for Paid-in-Full Loans**

The *Common Manual* has been revised to clarify that a borrower is not eligible for discharge of a loan that has already been paid in full when the loan holder receives the borrower's total and permanent disability discharge request.

**GUARANTOR COMMENTS:**  
None.

**IMPLICATIONS:**

*Borrower:*

A borrower is not eligible for refund of payments dating back to the date the physician certified the total and permanent disability discharge request, or, in the case of a VA total and permanent disability discharge, the date the VA determined that the borrower became unemployable due to a service-connected condition, if the loan is paid in full when the loan holder receives the total and permanent disability discharge request.

*School:*

None.

*Lender/Servicer:*

A lender will not process a total and permanent disability loan discharge request for a loan that was paid in full when the lender received the request.

*Guarantor:*

A guarantor may need to update its claim review and program review procedures.

*U.S. Department of Education:*

The Department may need to update its reinsurance review and program review procedures.

---

---

**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

USA Funds

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

December 3, 2007

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

March 11, 2010

**PROPOSAL DISTRIBUTED TO:**

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

**Comments Received From:**

AES/PHEAA, ASA, FAME, Great Lakes, HESC, NASFAA, NCHELP, NSLP, OGSLP, PPSV, TG, and USA Funds.

**Responses to Comments**

All commenters supported this proposal as written. The Committee appreciates the review of all commenters and their careful consideration of this draft policy.

ma/edited-chh