

## Summary of Changes Approved October 2006 through December 2006

This summary lists changes made since the 2006 Annual Update of the *Common Manual* was printed.

Change bars denote the latest policy changes, which were approved December 21, 2006.

Changes made before the 2006 Annual Update was printed are shown in appendix H of the manual.

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 4: School Participation</b>			
4.1.A Establishing Eligibility 4.1.C Maintaining Eligibility	Clarifies that, in order to establish or maintain eligibility, schools must submit requests for approval to participate in the Title IV programs and report changes to its current participation agreement to the Department electronically, using the Application for Approval to Participate in Federal Student Financial Aid Programs (E-App).	Applications for recertification, reinstatement, or changes in ownership submitted by the school on or after the publication date of the 1998-1999 <i>Federal Student Aid Handbook</i> . Applications for reporting changes to a current approval submitted by the school on or after the publication date of the 1999-2000 <i>Federal Student Aid Handbook</i> . Applications for initial certification submitted by the school on or after the publication date of the 2000-2001 <i>Federal Student Aid Handbook</i> .	903/134
<b>Chapter 6: School Certification</b>			
Figure 6-4 Stafford Undergraduate Annual and Aggregate Loan Limits	Revised policy clarifies the content of Figure 6-4 by changing the title to "Stafford Undergraduate Annual and Aggregate Loan Limits," and corrects the numerator of the loan proration formula for a program of study that is less than one academic year in length, to read "number of weeks enrolled in program."	Retroactive to the implementation of the <i>Common Manual</i> .	916/136
6.11.G Effects of a Consolidation Loan on New Stafford Loan Eligibility	The unallocated amount of a Consolidation loan is no longer included in the NSLDS calculation of a student borrower's aggregate outstanding principal balances, and the FAA is no longer required to investigate whether an unallocated amount might impact a student's eligibility for additional Stafford loans. However, if the FAA has conflicting information indicating that the unallocated amount would cause the student to exceed the aggregate limit, the conflict must be resolved and the information derived from that resolution must be used in determining the student's remaining Stafford eligibility.	January 2006.	908/135
<b>Chapter 7: Loan Origination</b>			
7.7 Disbursing the Loan	Revised policy requires a lender that disburses loan proceeds through an escrow agent to make funds available to the escrow agent no earlier than 10 days prior to the date of the scheduled disbursement.	Loan proceeds paid by a lender to an escrow agent on or after July 1, 2006.	913/136

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 9: School Reporting Responsibilities and the Return of Title IV Funds</b>			
9.2 Student Enrollment Status Reporting 9.2.B Reporting Student Enrollment Status Changes to the Lender or Guarantor Ad Hoc Reporting 9.2.C Information Sharing with the Department, a Lender, or a Guarantor	Revised policy states that in addition to submitting regular reports to the NSLDS, a school may be required to report a change in the student's enrollment status that affects the grace period, repayment responsibility, or deferment privileges of a borrower through an ad hoc report. An ad hoc report must be submitted within 30 days unless the school expects to submit a Submittal File within the next 60 days. Revised policy also provides ad hoc reporting methods a school may use. In addition, subsection 9.2.B has been renamed "Ad Hoc Reporting" and a new subsection 9.2.C "Information Sharing with the Department, a Lender, or a Guarantor" has been added.	Enrollment status changes reported by the school on or after March 1, 1997.	909/135
<b>Chapter 10: Loan Servicing</b>			
10.11.E Applying Funds Returned by the School	Clarifies that, if a lender deducted the federal default fee (or guarantee fee), or origination fee from the borrower's loan proceeds, the lender must reduce the fee proportionate to the amount of returned loan funds that a lender receives from a school.	Federal Stafford and PLUS loans guaranteed on or after July 1, 2006.	906/134
<b>Chapter 11: Deferment and Forbearance</b>			
11.2 ACTION Program Deferment 11.3 Armed Forces Deferment 11.4 Economic Hardship Deferment 11.6 In-School Deferment and Summer Bridge 11.7 Internship/Residency Deferment 11.8 Military Deferment 11.9 National Oceanic and Atmospheric Administration Corps Deferment 11.10 Parental Leave Deferment 11.11 Peace Corps Deferment 11.12 Public Health Service Deferment 11.14 Tax-Exempt Organization Volunteer Deferment 11.15 Teacher Shortage Area or Targeted Teacher Deferment 11.18 Working Mother Deferment	Revised policy states that deferment is <i>available to a borrower who is experiencing conditions that qualify the borrower for the deferment.</i>	Retroactive to the implementation of the <i>Common Manual</i> .	917/136
<b>Chapter 13: Claim Filing, Discharge, and Forgiveness</b>			
13.1.A Claim Filing Requirements	Revised policy adds a statement that bankruptcy claims filed by exceptional performers are subject to a review of the lender's compliance with standard bankruptcy policies and requirements. The lender's failure to comply with those requirements may result in the guarantor's return of the bankruptcy claim to the lender, or, if the claim has been purchased, the lender's repurchase of the loan(s).	Bankruptcy notifications received by the lender on or after July 1, 2007, unless implemented earlier by the guarantor.	914/136

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
13.2 Claim Returns	Revised policy adds that a guarantor may not return a claim due to errors in repayment conversion, due diligence, or timely filing for a lender or lender servicer designated as an exceptional performer. However, if the lender is unable to provide a complete claim or if the loan is otherwise ineligible for claim payment (such as ineligibility for claim payment due to a previous, unresolved loss of loan guarantee) the claim file must be returned despite the lender's or servicer's exceptional performer designation.	Claims filed by exceptional performer lenders and lender servicers on or after March 2004.	912/136
13.3 Claim Purchase or Discharge Payment	Revised policy creates consistency between two pieces of text and inserts text to acknowledge the various ways in which a borrower may be determined eligible for false certification loan discharge.	Retroactive to the implementation of the <i>Common Manual</i> .	915/136
13.5 Claim Repurchase	Revised policy adds a statement that bankruptcy claims filed by exceptional performers are subject to a review of the lender's compliance with standard bankruptcy policies and requirements. The lender's failure to comply with those requirements may result in the guarantor's return of the bankruptcy claim to the lender, or, if the claim has been purchased, the lender's repurchase of the loan(s).	Bankruptcy notifications received by the lender on or after July 1, 2007, unless implemented earlier by the guarantor.	914/136
13.8.D False Certification by the School	Revised policy creates consistency between two pieces of text and inserts text to acknowledge the various ways in which a borrower may be determined eligible for false certification loan discharge.	Retroactive to the implementation of the <i>Common Manual</i> .	915/136
13.8.G Unpaid Refund	Revised policy states that a borrower must complete, certify, and submit to his or her lender or guarantor an unpaid refund loan discharge application <i>which includes</i> a sworn statement of several declarations.	Retroactive to the approval of the common Loan Discharge Application: Unpaid Refund.	910/135
<b>Chapter 15: Federal Consolidation Loans</b>			
15.2 Borrower Eligibility and Underlying Loan Holder Requirements 15.3.C Reviewing the Loan Verification Certificate	Revised policy allows a borrower to seek consolidation with any consolidation lender, even if the borrower's loans are held by one holder.	Federal Consolidation loan applications received by the lender on or after June 15, 2006.	904/134
<b>Chapter 16: Cohort Default Rates and Appeals</b>			
16.1 Overview of Cohort Default Rates and Terminology	Adds information regarding the electronic process that the Department uses to notify schools of draft and official cohort default rates.	Domestic school's receipt of draft and of official cohort default rate notifications on or after June 1, 2005.	905/134
<b>Appendix B: PLUS/SLS Refinancing</b>			
B.2 Option 2: Refinancing to Secure a Variable Interest Rate	Clarifies that neither the guarantor nor the lender may charge a borrower a federal default fee (formerly guarantee fee) for refinancing loans to secure a variable interest rate.	Federal Stafford and PLUS loans guaranteed on or after July 1, 2006.	906/134
B.2 Option 2: Refinancing to Secure a Variable Interest Rate B.3 Option 3: Refinancing by Obtaining a New Loan	Adds the statutory limitations that define which loans may be refinanced for the purpose of changing a fixed-rate PLUS or SLS Loan to a variable-rate loan.	PLUS or SLS loans first disbursed prior to July 1, 1987.	907/134

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Appendix G: Glossary</b>			
Default	Revised policy removes the reference to 270 “consecutive” days, and defines “default” in the glossary as the failure of a borrower (or endorser or comaker, if any) to make installment payments when due, provided that this failure persists for the most recent period of 270 days for a loan repayable in monthly installments.	Retroactive to the implementation of the <i>Common Manual</i> .	918/136

## Stafford Undergraduate Annual and Aggregate Loan Limits

**Figure 6-4**

	Length of Program or Final Period of Enrollment		
	Program of study of at least a full academic year in length	One-year program of study with less than a full academic year remaining	Program of study of less than one academic year
<b>First-Year Undergraduates</b>			
Base Stafford eligibility (subsidized and unsubsidized)	\$2,625	Proportional Proration Calculation #1	Proportional Proration Calculation #2
Additional unsubsidized Stafford eligibility	\$4,000	Proportional Proration Calculation #1	Proportional Proration Calculation #2

	Length of Program or Final Period of Enrollment	
	Program of study of at least a full academic year in length	Program of study with less than a full academic year remaining
<b>Second-Year Undergraduates</b>		
Base Stafford eligibility (subsidized and unsubsidized)	\$3,500	Proportional Proration Calculation #1
Additional unsubsidized Stafford eligibility	\$4,000	Proportional Proration Calculation #1
<b>Third-, Fourth-, and Fifth-Year Undergraduates</b>		
Base Stafford eligibility (subsidized and unsubsidized)	\$5,500	Proportional Proration Calculation #1
Additional unsubsidized Stafford eligibility	\$5,000	Proportional Proration Calculation #1

### Proportional Proration Calculation #1

Multiply the following ratio by the applicable annual loan limit for a full academic year:

$$\frac{\text{Number of semester, trimester, quarter, or clock hours enrolled}}{\text{Number of semester, trimester, quarter, or clock hours in academic year}}$$

[§682.204(a)(ii) and (d)(ii)]

### Proportional Proration Calculation #2

Multiply the lesser of the following ratios by \$2,625 for base annual Stafford loan limit and by \$4,000 for additional annual unsubsidized Stafford loan limit:

$$\frac{\text{Number of semester, trimester, quarter, or clock hours enrolled}}{\text{Number of semester, trimester, quarter, or clock hours in academic year}}$$

or

$$\frac{\text{Number of weeks enrolled in program}^1}{\text{Number of weeks in academic year}}$$

[§682.204(a)(iii) and (d)(iii)]

### Dependent Undergraduate Students

The total amount of subsidized and unsubsidized Stafford loans made to a dependent undergraduate student for any academic year may not exceed the "base Stafford eligibility" specified above for that student's grade level. A dependent undergraduate student's unpaid principal amount of subsidized and unsubsidized Stafford loans (including all Direct Stafford loans received or any portion of an outstanding Consolidation loan that paid in full a Stafford or Direct Stafford loan) may not exceed \$23,000.

[§682.204(b)(1) and (c)(1)]

If a dependent undergraduate student's parent is unable to obtain a PLUS loan (because the parent has adverse credit or other exceptional circumstances exist that are documented by the FAA), the total amount of subsidized and unsubsidized Stafford loans for any academic year may not exceed the "base Stafford eligibility" plus the "additional unsubsidized Stafford eligibility" specified above for that student's grade level. Only one parent need be unable to obtain a PLUS loan for the student to be eligible for the additional loan funds. See [subsection 6.15.D](#) for more information. [§682.204(d)]

The student's aggregate unpaid principal amount of all Stafford loans (including all SLS and Direct Stafford loans received or any portion of any outstanding Consolidation loan that paid in full a Stafford, SLS, or Direct Stafford loan) may not exceed \$46,000 for undergraduate study, with subsidized Stafford loans comprising no more than \$23,000 of the total limit. See [section 6.11](#) for more information. [§682.204(b)(1) and (e)(1)]

### Independent Undergraduate Students

The total amount of subsidized and unsubsidized Stafford loans for any academic year may not exceed the "base Stafford eligibility" plus the "additional unsubsidized Stafford eligibility" specified above for that student's grade level. An independent undergraduate student's unpaid principal amount of all Stafford loans (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that paid in full a Stafford, SLS, or Direct Stafford loan) may not exceed \$46,000 for undergraduate study, with subsidized Stafford loans comprising no more than \$23,000 of the total limit. See [section 6.11](#) for more information. [§682.204(b)(1) and (e)(1)]

<sup>1</sup> Policy 916 (Batch 136), approved December 21, 2006

may allow reinstatement of the loan guarantee under the individual guarantor's policy. The lender should contact the guarantor if this condition occurs.

A lender that disburses loan proceeds through an escrow agent must make funds available to the escrow agent no earlier than 10 days prior to the date of the scheduled disbursement to the school or borrower and must require the escrow agent to disburse loan proceeds no later than 10 days after the agent receives the proceeds from the lender.<sup>1</sup>

[HEA 428(i)(1)]

Neither a lender nor a school may:

- Obtain a borrower's power of attorney or other authorization to endorse or otherwise approve the cashing of a loan check, or the delivery of funds disbursed by EFT.
- Use a document containing the borrower's power of attorney to support another party's endorsement or other method used to approve the cashing of a loan check, or the delivery of loan funds disbursed through EFT.

[§682.207(b)(1)(vii)(2)]

See [subsection 7.7.E](#) for acceptable uses of power of attorney applicable to students enrolled in study-abroad programs.

Some guarantors have additional or alternate requirements. These requirements are noted in [appendix C](#).

## 7.7.A Earliest Date for Disbursement

A lender or its disbursing agent must not disburse a Stafford or PLUS loan before obtaining a valid [Master Promissory Note \(MPN\)](#), a disbursement schedule provided by the school, and, except with the guarantor's prior approval, a guarantee disclosure from the guarantor.

The lender must disburse the loan according to the original schedule provided by the school, or any modifications the school makes to that schedule. If a lender cannot comply with the scheduled dates (for example, the date for the first disbursement has elapsed when the lender receives the guarantee disclosure), the lender may disburse the proceeds on the earliest possible date after the [disbursement date](#) requested by the school. The lender may not, under any

circumstances, disburse proceeds *earlier* than the school's scheduled dates. For more information on how a school schedules disbursement dates, see [section 6.4](#).

[§682.207]

### Rules That Schools Use in Establishing a Disbursement Schedule

Although schools are responsible for establishing a disbursement schedule that provides for disbursements to be made on a payment-period basis, lenders should be aware that federal regulations prohibit the making of a loan's first disbursement earlier than:

- 13 days before the first day of the first [payment period](#) for a loan disbursed by EFT or master check.
- 30 days before the first day of the first payment period for a loan disbursed by individual check.
- The 28th day of the first payment period if the student is a first-year undergraduate, first-time borrower and the school is subject to the [delayed delivery](#) provisions for such students, and the loan is disbursed by EFT or master check.

See [Figure 8-4](#) for information on the earliest dates that loan funds may be disbursed and delivered.

- The first day of the first payment period if the student is subject to the delayed delivery provisions and the loan is disbursed by individual check.

If the [loan period](#) for a Stafford or PLUS loan consists of one payment period, and the school is required to schedule multiple disbursements (see [subsection 7.7.B](#)), the school must schedule the second or subsequent disbursement so that the disbursement is delivered no earlier than the calendar midpoint between the first and last scheduled days of class of the loan period.

If the loan period for a Stafford or PLUS loan consists of more than one payment period, the earliest date on which a second or subsequent disbursement may be made is:

- 13 days before the first day of any subsequent payment period for a loan disbursed by EFT or master check.
- 30 days before the first day of any subsequent payment period for a loan disbursed by individual check. [§668.167(a); §682.207(b)(1)(iii); §682.603(i); §682.604(c)(6)(ii)]

<sup>1</sup> Policy 913 (Batch 136), approved December 21, 2006

### Acceptable Source Documents for Reporting the Correction of a First Name

A guarantor considers any of the following documents a valid source for reporting the correction of a first name:

- Social Security card.
- Current driver’s license.
- Birth certificate.
- State ID.
- U.S. Certificate of Naturalization (Form N-550 or N-570).
- Court order.
- Marriage certificate.
- W-2 Form.
- Passport.
- Unexpired U.S. military ID.
- U.S. military discharge papers (Form DD214).
- U.S. Certificate of Citizenship (Form N-560 or N-561).
- Alien Registration Card (Form I-551 or I-151).

## 9.2 Student Enrollment Status Reporting

A **school** must develop procedures to ensure that student enrollment status changes are reported correctly and in a timely manner to the **guarantor** and/or the lender. Timely and accurate enrollment status reporting is critical for the effective administration of the Title IV student loan programs. Enrollment information is used to determine a student borrower’s eligibility for in-school status, **deferment**, interest subsidy, and **grace period**. Enrollment information is also used to determine the cohort into which the student’s loans are relegated for purposes of determining the school’s **cohort default rate** (see [sections 9.4 and 16.2](#)).

A school reports student enrollment status changes through a process called **Enrollment Reporting** [previously called the Student Status Confirmation Report (SSCR)].

Examples of enrollment changes that a school is required to report include a change from full-time to half-time status, a change from half-time to less-than-half-time status, a withdrawal, a graduation, or an approved **leave of absence** that complies with Title IV requirements.

[*NSLDS Enrollment Reporting Guide, January 2004, Chapter 1, Section 1.1*]

### Reporting by All Schools Except Foreign Schools

All schools with the exception of foreign schools must report enrollment status changes to the **National Student Loan Data System (NSLDS)** (a foreign school may also use the NSLDS to report enrollment status changes; see the subheading “Reporting by Foreign Schools” below). Schools may elect to satisfy this requirement by reporting to the NSLDS directly or through the use of a third-party servicer. If a student’s enrollment status changes and the school does not expect its NSLDS enrollment reporting to be completed within the next 60 days, the school must submit an ad hoc report within 30 days. [See subsection 9.2.B.<sup>1</sup>](#)

[§682.610(c)]

If a school reports enrollment status information to a **third-party servicer**, the school may deliver any request for enrollment verification received from a guarantor to the third-party servicer for completion.

If a school that is required to report to the NSLDS directly or through the use of a third-party servicer does not do so, the school is not in compliance with the enrollment reporting requirements.

[§682.610(c); *NSLDS Enrollment Reporting Guide, October 2005, Chapter 1, Section 1.2*]

### Reporting by Foreign Schools

In most cases, **foreign schools** receive a paper request for enrollment information from the guarantor. The school is required to review the report, update student enrollment information, and return the updated information to the guarantor within 30 days of the date it received the guarantor’s request.

Some foreign schools have the capability to report electronically. These schools receive **Enrollment Reporting** information from the NSLDS either electronically or on

<sup>1</sup> Policy 909 (Batch 135), approved December 21, 2006

An authorized [official](#) from the school should review the enrollment data provided on the Submittal File for accuracy and completeness before transmitting the report to the NSLDS.

Questions on the proper completion and submission of enrollment data to the NSLDS should be directed to the NSLDS Customer Service Center. See [appendix D](#) for contact information.

[DCL GEN-96-17/96-L-189/96-G-291; DCL GEN-97-11; DCL G-00-329/L-00-223; *NSLDS Enrollment Reporting Guide*; *The Blue Book*, Chapter 6, section 6.4; *NSLDS Newsletter*, Number 2, January 2002]

## 9.2.B Reporting Student Enrollment Status Changes to the Lender or Guarantor Ad Hoc Reporting

In addition to being required to submit regular reports to the [National Student Loan Data System \(NSLDS\)](#), a school may be required to report changes in the student's enrollment status that affect the [grace period](#), repayment responsibility, or deferment privileges of a borrower through an ad hoc report. ~~requiring the timely completion of student enrollment reporting, federal regulations specify conditions under which a school is to report changes in the student's enrollment status directly to the applicable lender or guarantor.~~

Unless the school expects to submit a Submittal File within the next 60 days, the school (or its third-party servicer) must ~~report to the lender or guarantor~~ submit an ad hoc report to the NSLDS within 30 days of discovering that a student for whom a [FFELP](#) loan was made:

- Has dropped to less-than-half-time enrollment.
- Has failed to enroll on at least a half-time basis.
- Has ceased to be [enrolled](#) on a full-time basis. [[§682.610\(c\)\(2\)](#)]

Ad hoc reporting to the NSLDS can be done by one of the following methods:

- [Submitting an unscheduled Submittal File containing detail for enrollment status changes \(created on a PC or mainframe\).](#)
- [Updating the student records online using the Enrollment Update functions on the NSLDS Website under the ENROLL tab.](#)

- [Updating and returning an unscheduled Enrollment Reporting roster file requested from the NSLDS. It may be updated and returned as a Submittal File through the Student Aid Internet Gateway \(SAIG\) or updated online.](#)

~~A school should notify the lender and/or guarantor of an enrollment status change by any means acceptable to the guarantor (such as an individual letter on school letterhead, a computer-generated report, or a specific form provided by the guarantor).~~

By providing notice of a change in student status as outlined in this subsection, participating schools help the lender promptly establish repayment terms with the borrower. This will help prevent FFELP loan defaults and assist in controlling the school's [cohort](#) default rate. [[October 2005 NSLDS Enrollment Reporting Guide, Chapter 3, Section 3.3](#)]

### ~~Information Sharing with the Department, a Lender, or a Guarantor~~

## 9.2.C Information Sharing with the Department, a Lender, or a Guarantor

A school (or its designated [servicer](#)) is required—upon request by the [Department](#), a lender, or a guarantor—to promptly provide any information the school has regarding the last known address, full name, telephone number, enrollment information, employer, and employer address of a ~~borrower~~ student who attends or has attended the school. The school should respond to such a request within 30 days. [[§668.24\(f\)\(4\)](#)]

In addition, a school (or its designated servicer) must respond to all requests for borrower information from guarantors and lenders, including information needed to locate the borrower, to determine the borrower's eligibility for deferment, or to establish the borrower's repayment schedule. [[2006-07 Federal Student Aid Handbook, Volume 2, Chapter 10, p. 2-172](#)]

If the school discovers that a student who is enrolled and who has received a Stafford or SLS loan has changed his or her permanent address, the school is required to notify the [holder](#) of the loan of the new address within 30 days, either directly or through the guarantor. [[§682.610\(c\)\(2\)\(iv\)](#)]<sup>1</sup>

<sup>1</sup> Policy 909 (Batch 135), approved December 21, 2006

~~Schools should be aware that the National Student Loan Data System (NSLDS) and some third party servicers, in addition to reporting enrollment status changes, are capable of reporting to lenders and guarantors changes in an enrolled borrower's full name, permanent address, telephone number, enrollment information, employer, and employer address. However, the reporting frequencies of the NSLDS or the third party servicer may not comply with the required federal 30-day time frame for school reporting of changes in an enrolled borrower's address.~~

~~Unless a school expects to report to either the NSLDS or a third party servicer within 30 days of discovering a change in an enrolled borrower's permanent address, the school should notify the holder of the loan directly or through the guarantor of changes in an enrolled borrower's permanent address.~~

~~[\\$668.24(f)(4); \\$682.610(e)(2)(iv); DCL 96 L 186/96 G 287]<sup>1</sup>~~

### 9.3 Leave of Absence

For purposes of clarity, the *Common Manual* uses the term “leave of absence” to indicate a status in which the student is considered to be continuously enrolled for Title IV program purposes. In order for a student to be considered to be continuously enrolled for Title IV program purposes, the school's leave of absence policy must comply with all of the requirements set forth in 34 CFR 668.22(d). If the school's leave of absence policy does not comply with these requirements, the student is considered to have withdrawn.

A student on an approved leave of absence is considered to be enrolled. A leave of absence is an approved leave of absence if the following conditions are met:

- The school has a written policy regarding leaves of absence that is publicized to students and that requires a written, signed, and dated request from the student prior to the leave of absence. The request must include the reason for the leave.  
[§668.22(d)(1)(i) and (3)(iii); DCL GEN-98-28]
- The student has requested the leave of absence according to the school's policy, and the school has approved the leave. As part of its approval, the school must determine that there is a reasonable expectation that the student will return to school.  
[§668.22(d)(1)(ii) and (iii); DCL GEN-98-28]

- The leave of absence does not involve additional charges by the school to the student.  
[§668.22(d)(1)(v)]
- Except for a student enrolled in a clock-hour or non-term-based credit-hour program, upon return, the student must be permitted to resume and complete the coursework he or she began prior to the leave of absence at the point where the student interrupted his or her training. A student enrolled in a clock-hour or non-term-based credit-hour program is not required to complete the same coursework he or she began prior to the leave of absence upon return.  
[§668.22(d)(1)(vii)]
- If school policy requires a student to return at the beginning of a term and repeat some coursework previously completed, the school's leave of absence policy does not meet the standards required for an approved leave of absence even if the school does not charge the student for repeating the coursework.
- The total number of days of the student's combined, approved leaves of absence does not exceed 180 days in any 12-month period. The 12-month period begins on the first day of the student's leave of absence (or initial leave of absence, if applicable).  
[§668.22(d)(1)(vi)]
- Prior to granting the leave, the school explains to the student the effects that the student's failure to return from a leave of absence may have on repayment of the student's loans, including the depletion of some or all of the student's grace period.  
[2006-2007 *Federal Student Aid Handbook, Volume 5, Chapter 2, pp. 5-18 to 5-23*]

See section H.4 for information about a statutory or regulatory waiver authorized by the HEROES Act that may impact these requirements.

Unforeseen circumstances may prevent a student from providing a written request prior to the leave of absence. In such cases, the school may grant the student's request for a leave of absence if it documents its decision and collects the student's written request at a later date.  
[§668.22(d)(3)(iii)(B)]

If the student withdraws after returning from an approved leave of absence, the total number of calendar days in the payment period or period of enrollment used for a return of Title IV funds calculation must be adjusted. The number of calendar days in the leave of absence must be excluded

<sup>1</sup> Policy 909 (Batch 135), approved December 21, 2006

## 11.2 ACTION Program Deferment

An ACTION Program deferment is ~~intended to cover~~ available to a borrower who is engaged in full-time paid volunteer service with an organization participating in a program authorized under [Title I of the Domestic Volunteer Service Act of 1973](#) (ACTION programs).<sup>1</sup> [[§682.210\(b\)\(2\)\(iii\)](#)]

### 11.2.A Eligibility Criteria—ACTION Program

This deferment is available only if the borrower has an outstanding balance on a [FFELP](#) loan that was made before July 1, 1993, or the borrower had an outstanding balance on a FFELP loan made before July 1, 1993, when he or she obtained a loan disbursed on or after July 1, 1993. The deferment is also available to a PLUS borrower if that borrower has a PLUS loan first disbursed before August 15, 1983.

To qualify for this deferment, a borrower must request it and provide the lender with a statement from an official of the volunteer program certifying:

- That the borrower has agreed to serve as a volunteer on a full-time basis for at least one year.
- The date on which the borrower's service began.
- The date on which the borrower's service is expected to end.

### 11.2.B Deferment Documentation—ACTION Program

If a borrower requests an ACTION Program deferment, the lender should forward to the borrower the following common deferment form:

**PUB**  
Public Service Deferment Request

## 11.2.C Length of Deferment—ACTION Program

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends no later than 3 years after the date on which it began, or the date on which the borrower's commitment is certified to end or actually ends, whichever is earlier. [[§682.210\(l\)](#)]

## 11.3 Armed Forces Deferment

An Armed Forces [deferment](#) is ~~intended to cover~~ available to a borrower who is serving on active duty status in the U.S. Armed Forces (the Army, Navy, Air Force, Marine Corps, and Coast Guard).<sup>2</sup> [[§682.210\(i\)](#)]

See [section H.4](#) for information about a statutory or regulatory waiver authorized by the [HEROES Act](#) that may impact these requirements.

### 11.3.A Eligibility Criteria—Armed Forces

This deferment generally applies only to an active duty member of the U.S. Armed Forces who has an outstanding balance on a [FFELP](#) loan that was made before July 1, 1993, or who had an outstanding balance on a FFELP loan made before July 1, 1993, when he or she obtained a loan disbursed on or after July 1, 1993. The deferment is also available to a PLUS borrower if that borrower has a PLUS loan that was disbursed before August 15, 1983. Members of the National Guard or the Reserves who are serving in a full-time active duty status for a minimum of one year or in cases of a national emergency (not a 2-week active duty assignment for training status) may qualify for the Armed Forces deferment. Such [borrowers](#) are considered to be actively serving in the military. For a Stafford loan borrower who is called or ordered to active duty and who has a loan in a [grace period](#) or has a loan in an in-school status that would subsequently enter a grace period, see [subsection 10.3.C](#) for information on military extension of the grace period.

<sup>1</sup> Policy 917 (Batch 136), approved December 21, 2006

<sup>2</sup> Policy 917 (Batch 136), approved December 21, 2006

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

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

Several statutory and regulatory provisions were introduced in 1991 to provide additional benefits to borrowers who served on active duty in connection with Operations Desert Shield/Desert Storm. For additional information on these provisions, refer to [Dear Colleague Letters GEN-91-11](#) and [GEN-91-19](#) and the *Federal Register* dated September 16, 1991.

### 11.3.B Deferment Documentation—Armed Forces

If a borrower requests an Armed Forces deferment, the lender must forward to the borrower the following common deferment form:

**PUB**  
Public Service Deferment Request

### 11.3.C Length of Deferment—Armed Forces

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends no later than 3 years after the date on which it began, or the date on which the borrower’s qualifying service is certified to end or actually ends, whichever is earlier. A borrower may be granted a maximum of 3 years of deferment for any combination of service in the U.S. Armed Forces, U.S. Commissioned Corps of Public Health, and National Oceanic and Atmospheric Administration Corps (NOAA). [[§682.210\(i\)](#)]

For active duty status in connection with military mobilizations, the lender is permitted to accept, during specific emergency periods, the borrower’s request for the deferment and the supporting documentation from a close family member or an individual in a position to know the borrower’s military status (such as the borrower’s

commanding officer). In the case of a deferment on behalf of a borrower serving in Operations Desert Shield/Desert Storm, the lender was permitted to grant the deferment retroactive to the date the borrower was mobilized—even if that resulted in backdating the deferment more than 6 months. Furthermore, if a borrower had used the entire 36-month Armed Forces deferment eligibility before being mobilized, the borrower or a close family member had the option of requesting an emergency [administrative forbearance](#). [[DCL GEN-01-13](#); [DCL GEN-03-06](#)]

## 11.4 Economic Hardship Deferment

An [economic hardship](#) deferment is ~~intended to cover~~ [available to](#) a borrower who earns less than minimum wage or exceeds a federally defined debt-to-income ratio.<sup>1</sup>

### 11.4.A Eligibility Criteria—Economic Hardship

This deferment is available only if the borrower had no outstanding balance on a [FFELP](#) loan as of the date he or she obtained a loan on or after July 1, 1993.

To qualify for this deferment, a borrower must request it and provide the lender with documentation that he or she meets at least one of the following eligibility criteria:

1. The borrower has been granted an economic hardship deferment under either the [FDLP](#) or Federal Perkins Loan Program for the period of time for which the borrower has requested an economic hardship deferment for his or her FFELP loan.
2. The borrower is receiving payment under a federal or [state](#) public assistance program, such as Aid to Families with Dependent Children, Supplemental Security Income, Food Stamps, or state general public assistance.
3. The borrower is working full time and has a monthly income that does not exceed the greater of (a) the minimum wage rate described in section 6 of the [Fair Labor Standards Act of 1938](#) or (b) an amount equal to 100% of the poverty line for a family of two, as determined in accordance with [section 673\(2\) of the Community Service Block Grant Act](#) (*see Note 1 below*).

<sup>1</sup> Policy 917 (Batch 136), approved December 21, 2006

withdraws or completes the fellowship program, whichever is earlier.

[§682.210(d)]

See [section H.4](#) for information about a statutory or regulatory waiver authorized by the [HEROES Act](#) that may impact these requirements.

## 11.6 In-School Deferment and Summer Bridge

An in-school [deferment](#) is ~~intended to cover~~ available to a borrower for both full-time and half-time study at an eligible [school](#). A lender must grant an in-school deferment if it receives information that supports the borrower's eligibility for the deferment. The guarantor forwards this information to the lender in the following cases:<sup>1</sup>

- When the guarantor learns of circumstances that may entitle a borrower to an in-school deferment (which often occurs during [default](#) prevention activities).
- When the guarantor receives a request or documentation for the deferment (either verbally or in writing).
- When the guarantor receives verification of the borrower's eligibility for the deferment from the school.

If the lender receives information from the guarantor, the lender may rely on the information provided. The lender should require neither the borrower nor school to complete or submit any additional paperwork.

### 11.6.A Eligibility Criteria—In-School

A student's in-school enrollment includes any combination of courses, special studies, research, or work experience that the school considers to constitute a course of study. Full-time or half-time enrollment is determined by the individual school and may vary according to whether the student is a graduate or [undergraduate student](#); whether the enrollment is taking place during the summer or a regular session; and according to the nature of the program. Enrollment in a correspondence school program alone is considered half-time enrollment. The student's full-time or half-time enrollment also may be the result of adding

together simultaneous enrollments at more than one school, provided that a single school certifies total enrollment for all of the schools.

Medical interns and residents (except dental interns) cannot be certified as [enrolled](#) students for the purposes of in-school deferment eligibility. These borrowers are prohibited from receiving or continuing an in-school deferment on the basis of at least half-time study at a participating school. However, a medical intern or resident who is also concurrently enrolled in a Ph.D. program may receive an in-school deferment based on his or her half-time or full-time enrollment in a Ph.D. program.

To obtain an in-school deferment, the student must be attending a school that either is eligible to participate in any [Title IV](#) Program or that is operated by an agency of the federal government (such as a service academy). An in-school deferment may be permissible for a student enrolled in a school that has lost eligibility due to its [cohort default rate](#), or that has withdrawn from or never participated in the [FFELP](#), if the school has received a determination from the [Department](#) that it qualifies as an eligible school.

- ▲ Schools may contact individual guarantors or reference [Dear Colleague Letter 93-L-157](#) for more information on eligibility for in-school deferments. See [section 1.5](#) for contact information.

A borrower who is not a [national of the United States](#) is not eligible for an in-school deferment based on attendance at a [foreign school](#) located outside the United States.

If a PLUS loan borrower meets the conditions required for an in-school, graduate fellowship, or rehabilitation training deferment, the borrower may defer all of his or her PLUS loans based on that condition.

If a dependent student for whom a parent borrower obtained one or more PLUS loans meets the conditions required for an in-school deferment, the parent borrower may defer all of his or her PLUS loans based on the status of that one student—provided the parent borrower's loan was made on or after July 1, 1987, and before July 1, 1993, or the parent borrower had an outstanding balance on a FFELP loan made before July 1, 1993, when the parent obtained a loan disbursed on or after July 1, 1993.

A PLUS loan borrower who is classified under the category "[New borrower](#)" [July 1, 1993](#) defined in [subsection 11.1.A](#) must be enrolled on at least a half-time basis to be eligible for in-school deferment. A deferment for such a "new borrower" who obtains a PLUS loan may no longer be granted on the basis of the dependent student's enrollment status.

<sup>1</sup> [Policy 917 \(Batch 136\)](#), approved December 21, 2006

made appropriate [refunds](#), and payments to comply with the requirements for the [return of Title IV funds](#) (see [section 9.5](#)).  
[§682.210(c)]

See [section H.4](#) for information about a statutory or regulatory waiver authorized by the [HEROES Act](#) that may impact these requirements.

## 11.6.D Summer Bridge Extension

In some cases, a borrower may be eligible to extend the period of in-school deferment based on anticipated reenrollment for the fall term. If a student attends school and is deferred through the end of the spring [academic period](#) and is planning to reenroll for the academic period in the fall, the deferment may be extended through the summer months.

A PLUS loan borrower is eligible to extend an in-school deferment through the summer if the PLUS borrower intends to enroll on at least a half-time basis in the fall. If a PLUS loan borrower is eligible for deferment based upon a dependent student's status, the summer bridge extension may also be applied if any [dependent student](#) for whom a PLUS loan was obtained intends to enroll in the fall (see [subsection 11.1.A](#)).  
[§682.210(b)(4) and (6); §682.210(s)(1)]

When the lender receives notice of a student's intent to reenroll, it may maintain the in-school deferment on the loan for up to 30 days following the date the borrower has provided as the beginning of the fall academic period. If the lender does not receive verification of reenrollment by the end of the extension, the lender must convert the loan to repayment on the day following the last date of certified enrollment and capitalize [interest](#) accrued during the extension period. A payment due date must be established that is no later than 60 days—plus the 30-day extension in the case of a Stafford or SLS loan, *if applicable*, as outlined in [subsections 10.5.A](#) and [10.5.C](#)—after the end of the summer bridge extension.

A lender may accept the borrower's verbal statement of the student's intent to reenroll if that request is documented or may use a guarantor's form or its own form to document a borrower's request for a summer bridge extension. Guarantors recommend that the lender send the borrower a form and a letter explaining the extension approximately 45 to 60 days before the expiration date of an in-school deferment that was granted for the spring academic period.

If the lender does not receive a notice from the borrower regarding the student's intent to reenroll for the fall academic period, but subsequently receives documentation of the borrower's deferment eligibility for the fall period, the lender may retroactively process the summer bridge extension.

- ▲ Lenders may contact individual guarantors for more information on obtaining summer bridge extension forms. See [section 1.5](#) for contact information.

## 11.7 Internship/Residency Deferment

An internship/residency deferment is ~~intended to cover~~ available to a borrower for either of the following:<sup>1</sup>

- Service in an internship program that is required of the borrower to receive professional recognition in order to begin professional practice or service.
- Service in a medical internship or residency training program that leads to a degree or certificate awarded by an [institution of higher education](#), hospital, or a health care facility that offers postgraduate training.  
[§682.210(n)]

### 11.7.A Eligibility Criteria—Internship/Residency

This deferment is available only if the borrower has an outstanding balance on a [FFELP](#) loan that was made before July 1, 1993, or the borrower had an outstanding balance on a FFELP loan made before July 1, 1993, when he or she obtained a loan disbursed on or after July 1, 1993. The deferment is also available to a PLUS borrower if that borrower has a PLUS loan first disbursed before August 15, 1983.

To qualify for this [deferment](#), a [borrower](#) must request it and provide the [lender](#) with a statement from an authorized [official](#) of the organization with which the borrower is undertaking the internship or residency program certifying the following:

- That the internship or residency program is a supervised training program that requires the completion of at least a bachelor's degree before acceptance into the program.
- That the borrower has been accepted into the program.

<sup>1</sup> Policy 917 (Batch 136), approved December 21, 2006

- The anticipated dates on which the borrower will begin and complete the program, or begin and complete the minimum period of participation in the program that the [state](#) requires before an individual may be certified for professional practice or service, whichever is less.

For a medical internship or residency training program performed at a hospital, health care facility, or [institution of higher education](#), the borrower must provide [certification](#) from an authorized official of the internship/residency program. The certification must include a statement that completion of the program leads to a degree or certificate awarded by a hospital, health care facility, or institution of higher education that offers postgraduate training.

For a nonmedical internship program that is required of a borrower to begin professional practice of service, the borrower must provide certification from both the authorized program official and the appropriate state licensing agency. The certification must include a statement that completion of the program is required before the borrower can begin professional practice or service.

### 11.7.B Deferment Documentation—Internship/ Residency

If a borrower requests an internship/residency training deferment, the lender should forward to the borrower the following common deferment form:

**EDU**  
Education Related Deferment Request

### 11.7.C Length of Deferment—Internship/ Residency

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends no later than 2 years after the date on which it began, or the date on which the borrower's internship or residency is certified to end or actually ends, whichever is earlier.

[§682.210(n)]

A lender is required to grant [forbearance](#) to a borrower who has already received the maximum 2-year deferment but who has not yet completed his or her internship or residency program (see [subsection 11.23.B](#)). The 2-year deferment limit does not include periods of in-school deferment that were previously granted (before enactment of the [Omnibus Budget Reconciliation Act of 1989](#)).

## 11.8 Military Deferment

A military deferment is ~~intended to cover~~ available for a borrower's loan(s) that is first disbursed on or after July 1, 2001, while the borrower is serving on active duty during a war or other military operation, or a national emergency, or while the borrower is performing qualifying National Guard duty during a war or other military operation, or a national emergency.<sup>1</sup>

[[HEA 428\(b\)\(1\)\(M\)](#); [DCL GEN-06-02](#)]

### 11.8.A Eligibility Criteria—Military

The military deferment is loan-specific. This deferment is available only for a borrower's Stafford and PLUS loans first disbursed on or after July 1, 2001, and for Consolidation loan(s) when all Title IV loans included in the Consolidation loan were first disbursed on or after July 1, 2001. The borrower must meet the qualifications after July 1, 2001.

This deferment is available only for periods during which a borrower is serving in one of the following capacities:

- On active duty during a war or other military operation, or a national emergency.
- On qualifying National Guard duty during a war or other military operation, or a national emergency.  
[[HEA 428\(b\)\(1\)\(M\)](#); [DCL GEN-06-02](#)]

#### Definitions Applicable to Military Deferment

In the context of the military deferment, the following definitions apply:

- *Active duty* means serving in full-time duty in the active military service of the U.S., not including training or attendance at a service school.
- *Military operation* means a contingency operation in which a member of the Armed Forces is, or may become, involved in military actions, operations, or hostilities against an enemy of the U.S. or against an opposing military force; or results in the call or order to, or retention on, active duty of members of the uniformed services under [10 U.S.C. 688](#), [12301\(a\)](#), [12302](#), [12304](#), [12305](#), or [12406](#), [10 U.S.C. chapter 15](#),

<sup>1</sup> Policy 917 (Batch 136), approved December 21, 2006

or any other provision of law during a war or during a national emergency declared by the president or Congress.

- *National emergency* means a national emergency by reason of certain terrorist attacks declared by the president on September 14, 2001, or subsequent national emergencies declared by the president by reason of terrorist attacks.
- *Qualifying National Guard duty* means training or other duty, other than inactive, performed by a member of the U.S. Army National Guard or the Air National Guard on full-time National Guard duty as called to service authorized by the president or the secretary of defense. The training or other duty must be performed for more than 30 consecutive days in connection with a war or other military operation, or a national emergency as declared by the president and supported by federal funds.
- *Serving in active duty* means service by an individual who is a Reserve of an Armed Force ordered to active duty under section 10 U.S.C. 12301(a), 12301(g), 12302, 12304, or 12306, or any retired member of an Armed Force ordered to active duty under 10 U.S.C. 688, for service in connection with a war or other military operation or national emergency, regardless of the location at which the active duty service is performed. This also includes any other member of an Armed Force on active duty in connection with such emergency or subsequent actions of conditions who has been assigned to a duty station at a location other than where the member is normally assigned.

Not all active duty military personnel are eligible for the military deferment. A borrower who does not qualify for this deferment may be eligible for the Armed Forces deferment (see [subsection 11.3.A](#) for the Armed Forces deferment eligibility criteria).

A borrower is not eligible for a refund of any loan payments made prior to the time the deferment is granted.  
[HEA 428(b)(1)(M); DCL GEN-06-02]

## 11.8.B Deferment Documentation—Military

*Note: As of the printing of the manual, the Department has not approved a common Military Deferment Request form.*

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

## 11.8.C Length of Deferment—Military

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends on the earlier of the date that is no later than 3 years after the date on which it began, or the date on which the borrower's qualifying service is certified to end or actually ends.

[HEA 428(b)(1)(M); DCL GEN-06-02]

## 11.9 National Oceanic and Atmospheric Administration Corps Deferment

A National Oceanic and Atmospheric Administration Corps This deferment is ~~intended to cover~~ available to a borrower who is engaged in active duty service in the National Oceanic and Atmospheric Administration Corps (NOAA).<sup>1</sup>

### 11.9.A Eligibility Criteria—NOAA

This deferment is available only if the borrower has an outstanding balance on a FFELP loan that was made before July 1, 1993, or the borrower had an outstanding balance on a FFELP loan made before July 1, 1993, when he or she obtained a loan disbursed on or after July 1, 1993.

To qualify for this deferment, a borrower must request it and provide the lender with a statement from an authorized official of the NOAA Corps certifying:

- That the borrower is on active duty status in the NOAA Corps.
- The date on which the borrower's service began.

<sup>1</sup> Policy 917 (Batch 136), approved December 21, 2006

- The date on which the borrower’s service is expected to end.
- The borrower will not be attending [school](#) during this period.

## 11.9.B Deferment Documentation—NOAA

If a borrower requests a NOAA deferment, the lender should forward to the borrower the following common deferment form:

**PUB**  
Public Service Deferment Request

## 11.9.C Length of Deferment—NOAA

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends no later than 3 years after the date on which it began, or the date on which the borrower’s qualifying service is certified to end or actually ends, whichever is earlier. A borrower may be granted a maximum of 3 years of deferment for any combination of service in the U.S. Armed Forces, U.S. Commissioned Corps of Public Health, and NOAA.

[§682.210(p)]

## 11.10 Parental Leave Deferment

A parental leave deferment is ~~intended to cover~~ available to a borrower who is pregnant or caring for his or her newborn or newly adopted child.<sup>1</sup>

### 11.10.A Eligibility Criteria—Parental Leave

This deferment is available only if the borrower has an outstanding balance on a FFELP loan that was made before July 1, 1993, or the borrower had an outstanding balance on a FFELP loan made before July 1, 1993, when he or she obtained a loan disbursed on or after July 1, 1993.

To qualify for this deferment, a borrower must request it and provide to the lender a statement certifying that:

- The borrower is pregnant or caring for his or her newborn child, or caring for a child immediately following his or her adoption of that child.

- The borrower will not be working full time (at least 30 hours of work per [week](#) that is expected to last at least 3 months) during this period.
- The borrower has been [enrolled](#) at least half time during the 6 months before the date on which the deferment should begin.

In addition to his or her own statements, the [borrower](#) must provide to the [lender](#) a statement from the doctor verifying the pregnancy, or a birth certificate or a statement from an adoption agency indicating the recent placement of a child in the borrower’s care. In addition, the statement of the borrower’s in-school enrollment status must be certified by an authorized official of a participating [school](#).

[Deferment](#) eligibility is limited to the period during which the borrower is pregnant or the period immediately following the birth or adoption of a child.

Because the borrower must be [enrolled](#) at least half time at an eligible [school](#) at some time during the 6 months immediately preceding the period of the parental leave deferment, the lender, in granting the deferment, may waive all or a portion of the borrower’s [grace period](#) if the waiver is authorized by the borrower in writing.

The common deferment form for this deferment provides up to a one-month grace period waiver.

### 11.10.B Deferment Documentation—Parental Leave

If a borrower requests a parental leave deferment, the lender should forward to the borrower the following common deferment form:

**PLWM**  
Parental Leave/Working Mother Deferment Request

### 11.10.C Length of Deferment—Parental Leave

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends no later than 6 months after the date on which it began. This deferment may be granted to the same borrower in periods of no more than 6 months each time the borrower qualifies. This means that the borrower may receive the deferment for the birth or care of

<sup>1</sup> Policy 917 (Batch 136), approved December 21, 2006

more than one child, in increments not to exceed the 6-month maximum per occurrence.

[§682.210(o)]

## 11.11 Peace Corps Deferment

A Peace Corps **deferment** is ~~intended to cover~~ available to a borrower who is engaged in volunteer service under the Peace Corps Act.<sup>1</sup>

### 11.11.A Eligibility Criteria—Peace Corps

This deferment is available only if the borrower has an outstanding balance on a **FFELP** loan that was made before July 1, 1993, or the borrower had an outstanding balance on a FFELP loan made before July 1, 1993, when he or she obtained a loan disbursed on or after July 1, 1993. The deferment is also available to a PLUS borrower if that borrower has a PLUS loan first disbursed before August 15, 1983.

To qualify for this deferment, a borrower must request it and provide the **lender** with a statement from an official of the Peace Corps program certifying:

- That the borrower has agreed to serve as a volunteer on a full-time basis for at least one year.
- The date on which the borrower's service began.
- The date on which the borrower's service is expected to end.

### 11.11.B Deferment Documentation—Peace Corps

If a borrower requests a Peace Corps deferment, the lender should forward to the borrower the following common deferment form:

**PUB**  
Public Service Deferment Request

### 11.11.C Length of Deferment—Peace Corps

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends no later than 3 years after the date on which it began, or the date on which the borrower's commitment is certified to end or actually ends, whichever is earlier.

[§682.210(k)]

## 11.12 Public Health Service Deferment

A public health service **deferment** is ~~intended to cover~~ service available to a borrower who is serving as a full-time officer in the Commissioned Corps of Public Health of the United States Public Health Service (USPHS).<sup>2</sup>

### 11.12.A Eligibility Criteria—Public Health Service

This deferment is available only if the borrower has an outstanding balance on a **FFELP** loan that was made before July 1, 1993, or the borrower had an outstanding balance on a FFELP loan made before July 1, 1993, when he or she obtained a loan disbursed on or after July 1, 1993. The deferment is also available to a PLUS borrower if that borrower has a PLUS loan first disbursed before August 15, 1983.

To qualify for this deferment, the borrower must request it and provide the **lender** with a statement from an authorized official of the USPHS certifying:

- That the borrower is serving as a full-time officer in the Commissioned Corps of Public Health.
- The date on which the borrower's service began.
- The date on which the borrower's service is expected to end.

<sup>1</sup> Policy 917 (Batch 136), approved December 21, 2006

<sup>2</sup> Policy 917 (Batch 136), approved December 21, 2006

## 11.13.B Deferment Documentation—Rehabilitation Training Program

If a borrower requests a rehabilitation training program deferment, the lender should forward to the borrower the following common deferment form:

**EDU**  
Education Related Deferment Request

If a PLUS borrower requests a rehabilitation training deferment based on the participation in a qualified training program by the dependent student for whom the parent borrowed a PLUS loan, the lender should forward to the borrower the following common deferment form:

**PLUS**  
PLUS Borrower with Dependent Student Deferment  
Request

## 11.13.C Length of Deferment—Rehabilitation Training Program

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends when the borrower completes the program or withdraws, whichever is earlier. [[§682.210\(e\) and \(s\)\(4\)](#)]

## 11.14 Tax-Exempt Organization Volunteer Deferment

A tax-exempt organization volunteer deferment is intended to cover available to a borrower who is engaged in full-time paid volunteer service with a tax-exempt organization that the U.S. Department of Education has determined to be comparable to service as a Peace Corps or ACTION volunteer.<sup>1</sup>

### 11.14.A Eligibility Criteria—Tax-Exempt Organization Volunteer

This deferment is available only if the borrower has an outstanding balance on a [FFELP](#) loan that was made before July 1, 1993, or the borrower had an outstanding balance on a FFELP loan made before July 1, 1993, when he or she

obtained a loan disbursed on or after July 1, 1993. The deferment is also available to a PLUS borrower if that borrower has a PLUS loan first disbursed before August 15, 1983.

To qualify for this deferment, a borrower must request it and provide the lender with a statement from an official of the volunteer program certifying:

- That the borrower has agreed to serve on a full-time basis for at least one year.
- That the borrower serves as a volunteer in an organization that is exempt from taxation under [Section 501\(c\)\(3\) of the Internal Revenue Code of 1986](#).
- That the borrower provides service to low-income persons and their communities to assist them in eliminating poverty and poverty-related human, social, and environmental conditions.
- That the borrower's compensation—including a subsistence allowance, necessary travel expenses, and stipends—does not exceed the federal minimum wage, except that the tax-exempt organization may provide health, retirement, and other fringe benefits to the volunteer that are substantially equivalent to the benefits offered to other employees of the organization.
- That the borrower, as part of his or her duties, does not give religious instruction, conduct worship services, engage in religious proselytizing, or engage in fund-raising to support religious activities.
- The date on which the borrower's service began.
- The date on which the borrower's service is expected to end.

### 11.14.B Deferment Documentation—Tax-Exempt Organization Volunteer

If a borrower requests a tax-exempt organization volunteer deferment, the lender should forward to the borrower the following common deferment form:

**PUB**  
Public Service Deferment Request

<sup>1</sup> [Policy 917 \(Batch 136\), approved December 21, 2006](#)

## 11.14.C Length of Deferment—Tax-Exempt Organization Volunteer

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends no later than 3 years after the date on which it began, or the date on which the borrower's commitment is certified to end or actually ends, whichever is earlier.

[§682.210(m)]

## 11.15 Teacher Shortage Area or Targeted Teacher Deferment

A [teacher shortage area deferment](#) (also called a targeted teacher deferment) is ~~intended to cover full-time teaching available to a borrower who is teaching full time~~ in a public or nonprofit private elementary or secondary [school](#) in a teacher shortage area defined by the [Department](#), as recommended by the chief [state](#) school officer of the state.<sup>1</sup>

### 11.15.A Eligibility Criteria—Teacher Shortage Area

This deferment is available only if the borrower has an outstanding balance on a FFELP loan that was made on or after July 1, 1987, and before July 1, 1993, or who had an outstanding balance on a loan obtained on or after July 1, 1987, and before July 1, 1993, when he or she obtained a loan on or after July 1, 1993.

A teacher shortage area is defined as one of the following:

- A geographic region of the state in which there is a shortage of elementary or secondary school teachers.
- A specific [grade level](#)—or an academic, instructional, subject matter, or discipline classification—in which there is a statewide shortage of elementary or secondary school teachers.

If the borrower continues to teach in the same area as that in which the borrower was teaching when the deferment was originally granted, the borrower may request and receive subsequent deferment extensions—even if the area does not continue to be designated a teacher shortage area.

To qualify for this deferment, a borrower must request it and provide a separate statement for each school year of service that includes:

- A statement from the chief administrative officer of the school at which the borrower is teaching, certifying that the borrower is employed as a full-time teacher.
- A statement certifying that the borrower is teaching in a designated teacher shortage area. This statement must be obtained from either the school's chief administrative officer or the chief state school officer of the state in which the borrower is teaching. If the chief state school officer provides (and has notified the Department by way of a one-time written assurance that he or she provides) an annual listing of the state's designated teacher shortage areas to the chief administrative officers of all the schools affected and the [guarantor](#) for that state, the borrower may obtain the [certification](#) from the school's chief administrative officer.

To receive a subsequent deferment, a borrower must provide a statement from the chief administrative officer of the school at which the borrower is teaching, certifying that the borrower continues to be employed as a full-time teacher in the same area for which the teacher shortage deferment was obtained for the previous year(s).

### 11.15.B Deferment Documentation—Teacher Shortage Area

If a borrower requests a teacher shortage area deferment, the [lender](#) should forward to the borrower the following common deferment form:

EDU

Education Related Deferment Request

### 11.15.C Length of Deferment—Teacher Shortage Area

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends no later than one year after the date on which it began, or the date on which the borrower's qualifying service is certified to end, whichever is earlier. Each deferment may be granted only in 12-month increments, extending from July 1 of a calendar year through June 30 of the following year. The deferment ends

<sup>1</sup> Policy 917 (Batch 136), approved December 21, 2006

An unemployment [deferment](#) period ends as soon as one of the following events occurs:

- The condition that entitled the [borrower](#) to the unemployment deferment ends.
- The unemployment deferment period reaches the 2-year or 3-year maximum, as applicable.
- The 6-month period of deferment expires before the borrower submits an extension request.  
[§682.210(h); Appendix A of DCL 96-L-186/96-G-287]

If the borrower is eligible to receive a 6-month [post-deferment grace period](#) on his or her loan (see [subsection 11.1.H](#)), a lender may grant only one such grace period following one unemployment deferment period—regardless of how many periods of unemployment deferment the borrower is granted. This grace period should be provided only following the initial unemployment deferment period.

[HEA 428(b)(1)(M)(ii); §682.210(a)(5) and (h) and (s)(5)]

## 11.18 Working Mother Deferment

~~This A working mother deferment is intended to cover mothers available to a borrower who is the mother of a preschool-age children-child when the mothers are is entering or reentering the work force. A preschool-age child is defined as one who is not yet enrolled in first grade or a higher grade in elementary school.~~<sup>1</sup>

### 11.18.A Eligibility Criteria—Working Mother

This deferment is available only if the borrower has an outstanding balance on a FFELP loan that was made before July 1, 1993, or the borrower had an outstanding balance on a FFELP loan made before July 1, 1993, when he or she obtained a loan disbursed on or after July 1, 1993.

To qualify for this [deferment](#), a [borrower](#) must request it and provide the [lender](#) with:

- A statement that she is the mother of a preschool-age child; that she entered or is reentering the work force no more than one year before the beginning date of the period for which the deferment is being sought; and that she is currently employed full time (at least

30 hours of work per [week](#) that is expected to last at least 3 months) in a position for which she receives wages of no more than \$1.00 per hour more than the minimum wage.

- Documentation of the child’s age (such as a birth or baptismal certificate).
- Documentation of wages (such as a pay stub).

### 11.18.B Deferment Documentation—Working Mother

If a borrower requests a working mother deferment, the lender should forward to the borrower the following common deferment form:

#### PLWM

Parental Leave/Working Mother Deferment Request

### 11.18.C Length of Deferment—Working Mother

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends no later than 12 months after the date on which it began, or the date on which the borrower no longer qualifies for the deferment (for example, when a borrower achieves a salary that would exceed the hourly minimum wage plus \$1.00), whichever is earlier.

[§682.210(r)]

## 11.19 Forbearance

Forbearance is a tool lenders can use to assist borrowers in meeting their loan repayment obligations. By granting [forbearance](#), a lender permits a temporary cessation of payments, allows an extension of time for making payments, or temporarily accepts smaller payments than were previously scheduled. A lender is encouraged to grant a forbearance to prevent the borrower or [endorser](#) from [defaulting](#) on the repayment obligation or to permit the borrower or endorser to resume honoring the loan obligation after default. The lender may grant forbearance to borrowers or endorsers only if the lender reasonably believes, and documents in the borrower’s file, that the borrower or endorser intends to repay the loans, but due to poor health or other acceptable reasons, is currently unable to make payments. The lender also may grant forbearance

<sup>1</sup> Policy 917 (Batch 136), approved December 21, 2006

Chapter 13 describes the policies governing filing a claim with a guarantor and requesting loan discharge or loan forgiveness. This chapter discusses the policies related to and the documentation required for default claims, as well as for the various loan discharge types—closed school, death of a borrower or a student for whom a PLUS loan was obtained, false certification, total and permanent disability, and unpaid refund. Bankruptcy claim filing procedures are also covered, as well as a description of the procedures for the Teacher Loan Forgiveness Program and the Loan Demonstration Program for Child Care Providers.

## 13.1 Claim Filing

Lenders must adhere to the following requirements for all claim types. Compliance with these requirements is crucial; failure to comply may result in the cancellation of the loan's guarantee.

[§682.401(b)(19)]

### 13.1.A Claim Filing Requirements

A lender must file each claim according to the policies and deadlines pertaining specifically to the type of claim being filed (for more information on these policies and deadlines, see each specific claim type in [sections 13.6](#) and [13.8](#)). The lender's claim files must be accurate and must include all documentation specified in [subsection 13.1.D](#).

If a lender submits a claim with any required [documentation](#) that is missing, incomplete, or inaccurate, the guarantor may attempt to obtain the necessary information from its own system or request the information from the lender. The lender must provide the requested information and, if applicable, refile the claim by the refile deadline (refer to [subsection 13.2.A](#)).

- ▲ Some guarantors offer services that enable lenders to file claims electronically. Lenders may contact individual guarantors for more information on such services. See [section 1.5](#) for contact information.

#### Claim Form

The Claim Form is designed to be used by a lender to request [claim](#) reimbursement. All loans included on the Claim Form must have the same loan type (i.e., Stafford, PLUS, SLS, or Consolidation), due date, interest-paid-through date, lender ID, and, if available, claim review status.

The Claim Form and instructions include three separate claim-filing statuses: [exceptional performer](#) status, standard review status, and program review status. The claim-filing status the guarantor or Department assigns determines both the method by which the lender's claims will be reviewed and paid and the documentation and information the lender will be required to provide in the claim file.

The claim review statuses are defined as follows:

- The *Exceptional Performer Status* is defined in regulation and assigned by the Department. Lenders ~~achieving this status~~ designated as exceptional performers may file claims using documentation requirements outlined in [subsection 13.1.D](#). Such claims are not subject to additional review for due diligence, conversion to repayment, or timely filing requirements—except as determined to be necessary by the guarantor or the Department as part of the general program oversight responsibility. Bankruptcy claims filed by a lender designated as an exceptional performer are subject to review for the lender's compliance with standard bankruptcy policies and requirements. The lender's failure to comply with those requirements may result in the guarantor's return of the bankruptcy claim to the lender, or, if the claim has been purchased, the lender's repurchase of the loan(s). (See [subsection 13.8.A](#) for more information regarding bankruptcy servicing requirements.) [§682.415(ab)(7)(i)]<sup>1</sup>
  - The *Standard Review Status* is applicable to a lender for whom the guarantor has identified no significant servicing deficiencies. Lenders under this status may file claims using documentation requirements as outlined in [subsection 13.1.D](#).
  - The *Program Review Status* is applicable to a lender for whom the guarantor has identified significant servicing deficiencies. For lenders assigned this claim filing status, the guarantor may require additional information and documentation to support the claim.
- ▲ Some guarantors may require a separate claim for subsidized and unsubsidized loans and/or for loans with different interest rates. Lenders may contact individual guarantors for more information. See [section 1.5](#) for contact information.

Some guarantors have additional or alternate requirements. These requirements are noted in [appendix C](#).

<sup>1</sup> Policy 914 (Batch 136), approved December 21, 2006

physician, that the borrower became unable to work and earn money.

[§682.402(g)(1)(iv)]

Some guarantors have additional or alternate requirements. These requirements are noted in [appendix C](#).

### 13.1.E Missing Claim File Documentation

If a [lender](#) submits a [claim](#) file with any required [documentation](#) missing or incomplete, or if the [guarantor](#) determines that more information is needed to process the claim, the guarantor may attempt to obtain the necessary documentation or return the claim file to the lender with a request for the missing documentation.

To expedite the claim filing process and avoid the return of claim files to the lender, the guarantor may use a fax machine to request and receive missing information from lenders. The types of documentation that may be transmitted and received by fax include, but are not limited to, the [application](#), [promissory note](#), [promissory note assignment](#), [payment history information](#), [deferral](#) or [forbearance](#) documentation, and missing collection history. In the case of documentation where an original or true and exact copy may be required (such as the promissory note), the lender may fax a copy of the document so that the guarantor can continue processing the claim. However, the lender must, within the time frame established by the guarantor, forward the original document—or a copy certified as true and exact—to the guarantor to avoid a future claim return.

- ▲ Lenders may contact individual guarantors for information on faxing claim file documentation. See [section 1.5](#) for contact information.

If a lender is unable to provide requested documentation, the loan may be subject to [interest](#) penalties or [due diligence](#) violations. If a lender is unable to provide accurate payment information, as required on the Claim Form, the [guarantee](#) on the loan may be canceled. However, the lender may attempt to have the loan's guarantee reinstated in many cases by following the applicable [cure](#) procedures (see [section 14.5](#)).

In some cases, an indemnification [agreement](#) will be accepted if a lender is unable to provide required documentation for claim filing.

- ▲ Lenders may contact individual guarantors for information on the use of indemnification agreements to substitute for documents required in the claim file. See [section 1.5](#) for contact information.

### 13.1.F Missing Payment History

A guarantor views a period of missing payment history as a serious due diligence violation that must be cured, regardless of the length of the period. A loss of guarantee on a loan will result during any period for which all, or a portion of, the payment history is missing. For more information on this violation and how it may be cured, see [subsections 14.1.C](#) and [14.5.C](#), respectively.

### 13.2 Claim Returns

A [guarantor](#) will return (send back) a [claim](#) to the [lender](#) under certain circumstances. The guarantor will notify the lender of the reason for the return. Most claim returns occur for one or more of the following reasons:

- The lender incurs a violation(s) that results in a loss of guarantee on the loan.
- The claim package contains inadequate documentation.
- The borrower is found not to be in a default status.
- The lender is unable to provide sufficient documentation to justify the claim.
- The borrower is actually eligible for a loan when a lender incorrectly determines that he or she is ineligible, or if ineligible, is not ineligible *solely* due to his or her own error (e.g., when a lender receives retroactive information that a student never enrolled although the student actually attended classes).

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

[§682.415(b)(5)(i); DCL FP-04-04]<sup>1</sup>

<sup>1</sup> Policy 912 (Batch 136), approved December 21, 2006

- In the case of a [bankruptcy claim](#), the lender receives notice that the court has declared the borrower's loan nondischargeable or that the bankruptcy case has been dismissed.

Regardless of whether the lender is required to recall the claim or the lender chooses to recall the claim, if a claim is later filed, the lender must provide a complete history from the [out-of-school date](#) reported on the Claim Form. (Refer to [subsection 13.1.D](#) for documentation requirements.)

On an exception basis, a lender may request a waiver of the recall requirement in a situation where more than one recall has occurred previously.

A lender must immediately resume loan servicing upon receiving a recalled claim. If applicable, the next payment due date must fall within 45 days after the receipt of the recalled claim. Due diligence must be initiated based on the loan's new [delinquency](#) status as of the date that servicing resumes. If the loan is past due and the time frame within which the servicing is restarted does not require [due diligence](#) (on or after the 241st day of delinquency), the lender must mail, at a minimum, a new [final demand](#) letter and permit the borrower 30 days to respond to that letter before refiling the claim.

*Note: The definition of recall (of a claim) is when a lender requests that the guarantor return a claim before the guarantor pays the claim, or the lender remits to the guarantor an amount equal to the claim payment within 30 days of the date on which the lender receives the claim payment.*

### 13.3 Claim Purchase or Discharge Payment

The guarantor is required to purchase an approved claim or discharge request, or return the claim or discharge request to the lender within a specific number of days after receiving the claim or discharge request, as follows:

- 90 days for a default, total and permanent disability, or closed school claim.
- 45 days for a bankruptcy claim, a death claim, or a closed school unpaid refund discharge.
- 30 days from the ~~date the eligibility determination is made~~ approval date of the false certification loan discharge application, from the date of the guarantor's independent determination that the borrower is eligible for a false certification loan discharge, or from the

guarantor's receipt of notification from the Department that the borrower is eligible for a false certification discharge claim. (A guarantor may take up to 90 days to determine the ~~loan's~~ borrower's eligibility for discharge.)<sup>1</sup>

- 45 days from the date the eligibility determination is made for an open school unpaid refund discharge. (A guarantor may take up to 120 days to resolve the unpaid refund with the school. See [subsection 13.8.G](#).)

If the lender fails to provide complete documentation, or if the lender has committed one or more violations that warrant cancellation of the loan's guarantee (for any claim except a closed school or false certification discharge claim), the claim will be returned to the lender unpaid within the applicable time frame noted above. Closed school and false certification discharge claims are not subject to review for servicing violations.

[§682.402(d)(6)(ii)(G)(1); §682.402(e)(6)(iv) and (e)(7)(ii); §682.402(h)(1)(i); §682.402(l)(2)(ii); §682.402(n)(1); §682.406(a)(8)]

#### 13.3.A Claim Payment Amount

If a lender has complied with applicable servicing requirements and has not incurred interest penalties or violations sufficient to cause the loss of guarantee on the loan, a claim will be paid as follows:

- The guarantor will use the principal claimed amount provided by the lender on the Claim Form. This figure, which is the outstanding principal value of the claim, is calculated according to the following formula:

$$\begin{aligned} \text{Principal claimed} &= \text{Total amount disbursed} + \\ &\quad \text{Capitalized interest} - \\ &\quad \text{Principal repaid} - \\ &\quad \text{Cure interest capitalized} \end{aligned}$$

(See [subsections 13.8.F](#), [13.8.B](#), and [13.8.D](#) regarding claim payment for total and permanent disability, closed school, and false certification claims.)

- The guarantor will not pay any type of claim for a total amount that is less than \$50.00.

<sup>1</sup> Policy 915 (Batch 136), approved December 21, 2006

## 13.5 Claim Repurchase

If a lender discovers that a loan was declared to be in **default** due to circumstances beyond the control of the lender and **borrower** (rather than the borrower's action or inaction), guarantors strongly recommend that the lender **repurchase** the **claim**. Repurchases may be subject to guarantor approval.

A lender may be required to repurchase a claim if the guarantor becomes aware that the claim was inadvertently purchased due to circumstances such as the following:

- The lender incurred a servicing error (such as posting the borrower's payments to the wrong loan) or regulatory violation resulting in a loss of guarantee on the loan.
- New information is obtained demonstrating that the borrower currently should not be delinquent or in default.
- The **school** failed to verify the student's enrollment status.
- A delay occurred in the processing of a **deferment** that begins prior to the date of default.
- The loan is found to be legally unenforceable.
- Other reasons as determined by the guarantor.

Any lender, including a lender designated as an exceptional performer, is required to repurchase a loan that was paid as a **bankruptcy** claim if the bankruptcy is subsequently dismissed by the court or, as a result of the **hearing**, the loan is considered nondischargeable and the borrower is responsible for repayment of the loan.

[§682.402(f)(4)]

If the guarantor purchases a default claim and later receives documentation that the date of the bankruptcy petition preceded the date of default (the 270th day of delinquency for most claims), the lender will be required to repurchase the loan unless the loan is determined by the court to be dischargeable in the bankruptcy action. The repurchase requirement does not apply in the case of a loan that is filed as a default claim and the date of default precedes the petition date.<sup>1</sup>

[§682.402(j)]

<sup>1</sup> Policy 914 (Batch 136), approved December 21, 2006

If a claim is paid by the guarantor and the loan is later ruled by a court to be unenforceable against the borrower solely due to the lack of evidence of a **Confirmation** or **Notification** process or processes, the lender must repurchase the claim from the guarantor and refund to the Department any **interest benefits** and **special allowance** payments collected by the lender on the loan.  
[§682.406(c)]

A guarantor will notify the lender in writing of the guarantor's recommendation or requirement to repurchase a claim. If the lender disagrees with any aspect of the recommendation or requirement to repurchase, the lender should notify the guarantor and submit any new pertinent information on the loan. In the absence of a valid appeal, a guarantor-initiated repurchase must be finalized by the lender within 60 days of the lender's receipt of the request.

A **lender** may choose to initiate a **repurchase** at any time by contacting the **guarantor**. After the guarantor receives the lender's repurchase request and any supporting **documentation**, the guarantor will contact the lender to advise whether the request has been approved or denied. If the request is approved, the lender will be quoted the repurchase amount due. The guarantor may elect to waive some or all of the accrued **interest** and collection costs during the post claim period.

The lender may capitalize outstanding interest according to provisions in **section 10.10** and **subsection 11.20.O**.

If a lender chooses to **recall** a claim but the guarantor is unable to stop the claim payment, the lender may recall the claim by remitting an amount equal to the claim payment to the guarantor within 30 days of receiving the claim payment. If a claim is later filed, the lender must provide a complete history from the **out-of-school date** reported on the Claim Form. (Refer to **subsection 13.1.D** for documentation requirements.)

### Repurchase of Defaulted Loans

Upon receiving a lender's payment for the quoted repurchase amount, the guarantor will process the **repurchase** and provide the lender with appropriate file documentation and the original **promissory note**. Any payments received from the borrower that affect the repurchase quote will be applied as adjustments to the purchase amount or will be refunded to the lender.

*Note: The definition of repurchase (of a claim) is when a lender purchases from the guarantor a loan on which a claim was filed and paid if that purchase occurs more than 30 days after the lender receives the claim payment.*

Supporting documentation not required for claim submission must be retained by the lender in accordance with federal record retention requirements. (See [subsection 3.4.A](#) for information on lender record retention requirements.)

#### *Special Claim Filing Requirements for Consolidation Loans*

In addition to the [claim file documentation](#) listed above, if the [claim](#) includes Stafford, PLUS, or SLS loans that have been paid in full as a result of a Consolidation loan, the consolidation [lender](#) also must include all of the following in the claim file:

- Information to identify the loan type of each underlying loan. The Claim Form must not identify the loan as a Consolidation loan.
- The loan [application](#), if a separate loan application was provided to the lender, and the [promissory note](#) (or a true and exact copy of the promissory note) for each of the underlying loans. If the lender is aware that the MPN for any of the underlying loans is signed by a third party with POA for the borrower, the lender must also submit a copy of the applicable POA document.
- The [disbursement date](#) of each of the underlying loans for which [discharge](#) is requested.
- The identity of each previous, underlying loan [holder](#).
- The amount paid to each previous loan holder when the loan was consolidated.
- The total amount of payments that were made by or on behalf of the [borrower](#) and applied to each applicable underlying loan before consolidation.
- An interest-paid-through date equal to the date of consolidation, unless a [deferment](#) was applied to the subsidized portion of a Consolidation loan such that it requires adjustment of the interest-paid-through date to a later date.

Some guarantors have additional documentation requirements. These requirements are noted in [appendix C](#).

#### Processing an Approved Discharge

If the [guarantor](#) determines that a loan is eligible for [discharge](#) based on the school signing a loan [application](#) or [promissory note](#) without the borrower's authorization, or the school improperly determines the student's [ability to benefit](#) from the school's training, the guarantor will take the following actions within 30 days of approving the [loan discharge](#) or receiving notification from the Department [that the borrower is eligible for the false certification loan discharge](#):<sup>1</sup>

- Notify the [borrower](#) that his or her liability on the loan has been discharged with regard to the amount of the contested disbursement(s).
- Instruct all credit reporting agencies to which the guarantor previously reported the status of the loan to delete all adverse credit history associated with the discharged loan.
- Refund to the borrower all amounts paid by the borrower to the lender or the guarantor with respect to the discharged loan, including any late fees or [collection costs](#).
- Pay the applicable amount to the lender. (See information in this subsection regarding [claim payment amounts](#).)  
[§682.402(e)(9)]

If the guarantor determines that a loan is eligible for discharge based solely on the school signing a borrower's loan check, or EFT or master check authorization without the borrower's permission, the guarantor will take the following actions within 30 days of approving the discharge:

- Notify the borrower that his or her liability has been discharged with respect to the amount of the contested loan disbursement and that the lender has been informed of the discharge.
- Transfer to the lender the borrower's written assignment of any rights the borrower may have against third parties with respect to a loan disbursement that was discharged because the borrower did not sign the loan check.
- Notify the lender that the borrower's liability has been discharged with respect to the amount of the contested loan disbursement.

<sup>1</sup> Policy 915 (Batch 136), approved December 21, 2006

**Cosigner:** A signer of a promissory note who is secondarily liable for a loan obligation. This term is no longer used in federal regulations. See also [Endorser](#).

**Cost of Attendance: (COA)** An estimate of the student's educational expenses for the loan period. See [section 6.5](#).

**Cost of Education:** See [Cost of Attendance](#)

**Cost-Less-Aid:** A figure calculated by deducting all financial assistance the student has been or will be awarded for the loan period from the cost of attendance for the same loan period.

**Cumulative Loan Limit:** See [Aggregate Loan Limit](#)

**Cure:** Reinstatement of a loan's guarantee upon completion of a prescribed series of loan collection activities; also the process by which the loan's guarantee is reinstated.

**Curing Instrument:** Documentation the lender must obtain and retain to substantiate a cure. Examples of a curing instrument include, but are not limited to, a signed repayment agreement, evidence of one full payment received from or on behalf of the borrower, or documentation of the activities performed in an Intensive Collection Activities (ICA) cure.

## D

**DAA:** See [Default Aversion Assistance](#)

**DCL:** See [Dear Colleague Letter](#)

**Deactivation:** Loss of eligibility for a lender to participate in the FFELP. The Department will notify lenders that have failed to submit a Lender's Interest and Special Allowance Request and Report (LaRS report) for two consecutive quarters that they are candidates for deactivation.

**Dear Colleague Letter: (DCL)** A communication from the Department that explains and clarifies the Department's guidance regarding federal regulations and statutes.

**Dear Partner Letter: (DPL)** A communication from the Department that explains and clarifies the Department's guidance regarding federal regulations and statutes.

**Debt-Management Counseling:** Counseling provided to a student about debt and accumulated indebtedness. Counseling is required both before the student receives the first disbursement of the student's first loan—often referred to as entrance counseling, and when the student is

scheduled to complete an academic program—commonly referred to as exit counseling. See [subsections 4.4.B](#) and [4.4.C](#).

**Default:** The failure of a borrower (or endorser or comaker, if any) to make installment payments when due, ~~or to meet other terms of the promissory note or other written agreement(s) with the lender under circumstances where the Department or guarantor of the loan reasonably concludes that the borrower no longer intends to honor the borrower's obligation to repay a loan,~~ provided that this failure persists for the most recent period of 270 ~~consecutive~~ days (for a loan repayable in monthly installments) or the most recent 330-day period (for a loan repayable in less frequent installments). A loan also may be considered in default if the borrower (or endorser or comaker, if any) fails to meet other terms of the promissory note or other written agreement(s) with the lender under circumstances where the Department or guarantor of the loan reasonably concludes that the borrower no longer intends to honor the borrower's obligation to repay the loan. See [section 13.6](#).<sup>1</sup>

**Default Aversion Assistance: (DAA)** The help provided to a lender by the guarantor in order to prevent a delinquent loan from defaulting. See [section 12.5](#).

**Default Aversion Assistance Request Period:** The period during which a lender must submit a request for default aversion assistance from a guarantor. This period begins no earlier than the 60th day and ends no later than the 120th day of the borrower's delinquency.

**Deferment:** A period of time during repayment in which the borrower, upon meeting certain conditions, is not required to make payments of loan principal. See [chapter 11](#).

**Delayed Delivery:** The federally mandated delay in the school's delivery of the first disbursement of loan funds for first-year, first-time undergraduate Stafford loan borrowers. Schools subject to delayed delivery must delay the delivery of the first disbursement until the student completes the first 30 days of his or her program of study. For more information on delayed delivery provisions, see [subsection 8.7.D](#).

<sup>1</sup> Policy 918 (Batch 136), approved December 21, 2006