

## Summary of Changes Approved September through December 2007

This summary lists changes made since the 2007 Annual Update of the *Common Manual* was printed.

Change bars denote the latest policy changes, which were approved December 20, 2007.

Changes made before the 2007 Annual Update was printed are shown in appendix H of the manual.

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 2: About the FFELP</b>			
2.3.C Common Forms	Deletes reference to the Ad Hoc Standardization Committee, adds that NCHelp developed and updates the common default aversion and claim forms, and updates the listing of common forms.	September 20, 2007	967/142
<b>Chapter 3: Lender Participation</b>			
3.5.A Federal Origination Fee and Lender Fee	States that, beginning with loans first disbursed on or after October 1, 2007, a lender is charged a lender fee equal to 1.0% of the principal amount of each FFELP loan made.	Loans first disbursed on or after October 1, 2007.	984/145
<b>Chapter 4: School Participation</b>			
4.1.A Establishing Eligibility	Clarifies that a school may certify loans of different types (Stafford or PLUS) in separate programs for the same enrollment period and same student.	Stafford and PLUS loans certified on or after December 1, 2006, unless implemented earlier by the school.	980/144
<b>Chapter 5: Borrower Eligibility</b>			
5.1.B Student Eligibility Requirements	States that, in order to receive any Title IV aid other than a parent PLUS loan, the student must certify, as part of the FAFSA, a statement of educational purpose. To receive a parent PLUS loan without completing a FAFSA, the student must complete and submit to the school a separate statement of educational purpose.	Retroactive to the implementation of the <i>Common Manual</i> .	986/145
5.1.B Student Eligibility Requirements	Clarifies that the student must be enrolled or accepted for enrollment on at least a half-time basis to be eligible for a Stafford or PLUS loan.	Retroactive to the implementation of the <i>Common Manual</i> .	968/142
5.1.C Graduate or Professional Student and Parent PLUS Loan Borrower Eligibility Requirements	States that each PLUS borrower must certify a statement of educational purpose, which is fulfilled by the borrower's certification of the PLUS MPN. Revised policy also corrects the regulatory citation for this requirement.	Retroactive to the implementation of the <i>Common Manual</i> .	969/142
5.2 Federal Data Matches 5.2.A Citizenship Data Match 5.2.D Prior Overpayment 5.2.E Prior Default	Removes from Appendix F, FFELP Community Initiatives, the information on the NSLDS data match and adds it to Section 5.2 Federal Data Matches. Also adds information on the DOJ data match, the USCIS data match, and the VA data match. Current references in 5.2.A to the Immigration and Naturalization Service (INS) have been replaced with references to the USCIS, which now performs the citizenship data match.	Implementation of any federal data match is determined by the Department.	981/144

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 6: School Certification</b>			
6.2 Determining the Loan Period	States that a school may include a retroactive period in a loan period when certifying a Stafford or PLUS loan if the student completed the retroactive period on at least a half-time basis. Requires the school to ensure that a loan period that includes a retroactive period does not exceed the maximum allowable loan period as currently described in this section, and that it meets applicable criteria for determining the frequency of Stafford annual loan limits. Adds cross-references to other pertinent sections and text.	Publication date of the 03-04 FSA Handbook.	976/143
6.11.A Stafford Annual Loan Limits Figure 6-4 Stafford Undergraduate Annual and Aggregate Loan Limits	States that a dependent student who is taking preparatory coursework necessary for enrollment in an undergraduate program is eligible to borrow the base Stafford annual loan limit of \$2,625. An independent student, or a dependent student whose parent is not eligible for a PLUS loan, who is taking preparatory coursework necessary for enrollment in an undergraduate program is eligible to borrow a combined subsidized and unsubsidized Stafford annual loan limit of up to \$6,625, of which no more than \$2,625 may consist of subsidized Stafford loan funds.  Updates Figure 6-4 to include the additional unsubsidized Stafford annual loan limit for an independent student, or a dependent student whose parent is not eligible for a PLUS loan, who is enrolled in preparatory coursework necessary for enrollment in an undergraduate program.	Loans first disbursed on or after July 1, 2007.	964/142
6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students	States that a health profession student must be enrolled at least half time to be eligible for increased unsubsidized Stafford loan limits.	Loan periods beginning on or after May 1, 1999.	965/142
6.11.F Prorated Loan Limits	States that loan proration is not required for a student completing coursework necessary for a professional credential or certification from a state if that credential or certification is required for employment as a teacher in an elementary or secondary school in that state.	Retroactive to the implementation of the <i>Common Manual</i> .	977/143
6.15.B Stafford Loan Certification 6.15.C PLUS Loan Certification	Clarifies that the student must be enrolled or accepted for enrollment on at least a half-time basis to be eligible for a Stafford or PLUS loan.	Retroactive to the implementation of the <i>Common Manual</i> .	968/142
6.15.D Additional Unsubsidized Stafford Loan Certification for a Dependent Student	Clarifies that a dependent student enrolled in a school that participates in the PLUS loan program whose parent is unable to obtain a PLUS loan is eligible to borrow additional unsubsidized Stafford loan funds, not to exceed the student's maximum additional unsubsidized Stafford loan limit. A school does not have the option of denying the additional funds to an otherwise eligible student, unless the school's refusal to certify is based on a documented reason.	Retroactive to the implementation of the <i>Common Manual</i> .	970/142

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.15.D Additional Unsubsidized Stafford Loan Certification for a Dependent Student	Places into a bulleted format the list of exceptional circumstances that may prevent a dependent student's parent from obtaining a PLUS loan. Also clarifies that if the school refuses to certify a loan for which the student is eligible, or refuses to certify the full amount of unsubsidized loan funds for which the student is eligible, the school must document the reason.	Retroactive to the implementation of the <i>Common Manual</i> .	987/145
<b>Chapter 7: Loan Origination</b>			
7.6.A General Initial Disclosure Requirements	Removes the requirement that the lender disclose to the borrower in the initial disclosure, information on how the interest rate is calculated.	Disclosures provided by the lender to a borrower on or after July 1, 2006.	988/145
<b>Chapter 8: Loan Delivery</b>			
8.3 Required Authorizations	States that a school must obtain a parent PLUS borrower's written authorization to deliver parent PLUS loan funds directly to the student, in addition to any other authorization it must obtain from the student (e.g., an authorization to deliver funds to the student's bank account or to the student's stored-value card).	Publication date of the 97-98 FSA Handbook.	982/144
8.6 Managing Overawards	Clarifies that an overaward may occur not only from a student's receipt of additional Title IV funds, but also from the receipt of additional non-Title IV financial assistance, such as a scholarship or an alternative loan.	Retroactive to the implementation of the <i>Common Manual</i> .	989/145
Figure 8-6 Delivery or Return of Loan Funds	Adds a footnote clarifying that the required authorization for the school to deliver loan funds received by EFT or master check is included on the MPN. However, if the MPN is signed by a third party with power of attorney for the borrower, the school must obtain a separate authorization from the borrower, except in the case of a study-abroad student.	Retroactive to the implementation of the Federal Stafford Loan Master Promissory Note.	971/142
<b>Chapter 10: Loan Servicing</b>			
10.9.C Excess Interest Rebates	Revises Subsection 10.9.C to remove historic information on excess interest rebates, called "windfall profits," which were last required in 1994. This information is present in Section H.2 of the History Appendix. The historic information is being replaced with the current requirement for excess interest rebates (as currently listed in Figure A-3 in Appendix A), effective for loans first disbursed on or after April 1, 2006.	December 20, 2007	990/145
<b>Chapter 11: Deferment and Forbearance</b>			
11.3.A Eligibility Criteria—Armed Forces 11.3.C Length of Deferment—Armed Forces	Moves text concerning Operations Desert Shield/Desert Storm to the history appendix.	September 20, 2007	974/142
11.4.A Eligibility Criteria—Economic Hardship	States that a borrower who is receiving a payment or benefit 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 is eligible to receive an economic hardship deferment.	Economic hardship deferments granted by the lender on or after January 1, 2008, unless implemented earlier by the lender.	944/143

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 12: Due Diligence in Collecting Loans</b>			
12.4.E Endorser Due Diligence	Aligns the Manual's text with the history Appendix to specify that when a loan is discharged due to the borrower's total and permanent disability, bankruptcy, closed school, false certification, or unpaid refund, the endorser is released from his or her obligation to repay the loan. Also specifies that an endorser is released from his or her obligation to repay the loan when he or she files an adversary proceeding before the bankruptcy court on the basis of undue hardship and the loan obligation is discharged, and when he or she is determined to be totally and permanently disabled after the loan becomes delinquent.	Retroactive to the implementation of the <i>Common Manual</i> .	983/144
<b>Chapter 13: Claim Filing, Discharge, and Forgiveness</b>			
13.8 Discharge	Adds information about the Request For Reimbursement Due to Partial Discharge of a Federal Consolidation Loan form that a lender may use to request a partial discharge of the portion of the Consolidation loan that represents any underlying loans that are eligible for discharge due to disability (only for comade Consolidation loans), closed school, death, or false certification discharge. Incorporates a new chart that helps lenders determine what information must be provided on this form.	Lenders may have begun using the Request For Reimbursement Due to Partial Discharge of a Federal Consolidation Loan form upon the applicable publication date.	963/142
<b>Chapter 15: Federal Consolidation Loans</b>			
15.1.A Agreement to Guarantee Federal Consolidation Loans	States that, beginning with loans first disbursed on or after October 1, 2007, a lender is charged a lender fee equal to 1.0% of the principal amount of each FFELP loan made.	Loans first disbursed on or after October 1, 2007.	984/145
15.1.A Agreement to Guarantee Federal Consolidation Loans	Clarifies that any failure on the part of a lender to fulfill due diligence requirements on a Consolidation loan may also result in a loss of eligibility for any special allowance payments that might otherwise apply to that Consolidation loan.	Retroactive to the implementation of the <i>Common Manual</i> .	978/143
15.3.A Providing Consolidation Loan Information	Revises language to acknowledge electronic delivery methods. Also suggests that consolidating lenders provide Consolidation loan applicants with a complete explanation of any applicable loss of loan benefits if a borrower is consolidating loans from other loan programs into a Federal Consolidation loan and an explanation of any special benefits the lender may offer on Federal Consolidation loans and the criteria for obtaining those benefits.	July 1, 2008, unless implemented earlier by the lender.	979/144
15.3.C Reviewing the Loan Verification Certificate	Incorporates more detailed guidance from DCL GEN-07-03/FP-07-07 regarding when a loan holder may decline to certify an LVC and when the loan holder must notify the Federal Student Aid Financial Partners staff of a its decision not to complete an LVC.	Consolidation Loan Verification Certificates (LVC) received by a loan holder on or after May 22, 2007.	985/145
<b>Appendix F: FFELP Community Initiatives</b>			
National Student Loan Data System (NSLDS)	Removes from Appendix F, FFELP Community Initiatives, the information on the NSLDS data match and adds it to Section 5.2 Federal Data Matches.	Implementation of any federal data match is determined by the Department.	981/144

<b>Common Manual Section</b>	<b>Description of Change</b>	<b>Effective Date/Triggering Event</b>	<b>#</b>
<b>Appendix G: Glossary</b>			
Lender Fee	States that, beginning with loans first disbursed on or after October 1, 2007, a lender is charged a lender fee equal to 1.0% of the principal amount of each FFELP loan made.	Loans first disbursed on or after October 1, 2007.	984/145
Post-Deferment Grace Period	Adds a reference in the appendix G entry entitled "Post-Deferment Grace Period" to additional information in the history appendix on a post-deferment grace period for military personnel who served in Operations Desert Shield/Desert Storm.	September 20, 2007	974/142
<b>Appendix H: History of the FFELP and the <i>Common Manual</i></b>			
H.4 History of Statutory and Regulatory Waivers	Moves text concerning Operations Desert Shield/Desert Storm to the history appendix.	September 20, 2007	974/142

### 3.4.D Borrower Defenses

In some cases, a loan may be subject to borrower claims and defenses (such as poor quality of education). This may result in the borrower being released from his or her obligation to repay the loan, if the loan meets either of the following criteria:

- The loan was made by a for-profit postsecondary school.
- The proceeds of the loan were used to pay tuition and other charges at a for-profit postsecondary school that refers loan applicants to the lender—or that is affiliated with the lender by common control, contract, or business arrangement.

### 3.4.E Charges to Borrowers

A lender may impose the following charges on borrowers, as provided by the terms of the borrower's [promissory note](#) and as permitted by federal and state law:

- Federal default (formerly guarantee) and [origination fees](#).  
[§682.202(c) and (d)]
- Interest (not to exceed the applicable statutory rate).  
[§682.202(a)]
- Capitalized interest.  
[§682.202(b)]
- Late charges.  
[§682.202(f)]
- Reasonable collection costs, such as court costs and attorney fees incurred by the lender or its [servicer](#) in collecting a delinquent loan.  
[§682.202(g)(1)]

If an [ineligible borrower](#) receives a loan solely as a result of his or her error or false statements, the lender also may charge the borrower the amount of special allowance that was paid by the Department through the most recently ended fiscal quarter.  
[§682.202(h)]

If a borrower refinances a fixed interest rate PLUS or SLS loan to obtain a [variable interest rate](#), the lender may charge the borrower a fee of up to \$100 to cover the costs of conversion. For more information on refinancing PLUS and SLS loans, see [appendix B](#).  
[§682.202(e)]

#### Nonpermissible Charges

A [lender](#) may not charge the [borrower](#) either of the following:

- Additional fees for making a loan, such as lender [application](#) fees or the cost of credit checks performed on a borrower (federally authorized [guarantee](#) and [origination fees](#) are permissible).
- Normal collection costs, such as costs associated with the preparation and mailing of notices or letters or the making of telephone calls.  
[§682.202(g)(2)]

## 3.5 Lender Reporting

A lender must comply with all the reporting requirements outlined in this section. A lender also must comply with any applicable consumer loan reporting requirements, as outlined in various federal and [state](#) laws.

### 3.5.A Federal Origination Fee and Lender Fee

This subsection contains information on two fees that ~~A~~ a lender is required to pay ~~two fees~~ to the Department, ~~for each Stafford or PLUS loan it originates~~—One is a federal origination fee that a lender must pay for each Stafford and PLUS loan it originates; and the other is a lender fee that a lender must pay for each FFELP loan it originates.<sup>1</sup>

#### Assessing the Origination Fee

##### *Stafford Loans*

A Stafford loan first disbursed on or after July 1, 1994, but before July 1, 2006, is subject to a maximum 3% federal origination fee. Beginning July 1, 2006, the maximum origination fee that a lender may charge to a Stafford loan borrower will change annually through July 1, 2010, as follows:

<sup>1</sup> Policy 984 (Batch 145), approved December 20, 2007

- A Stafford loan first disbursed on or after July 1, 2006, will have a maximum fee of 2%.
- A Stafford loan first disbursed on or after July 1, 2007, will have a maximum fee of 1.5%.
- A Stafford loan first disbursed on or after July 1, 2008, will have a maximum fee of 1%.
- A Stafford loan first disbursed on or after July 1, 2009, will have a maximum fee of 0.5%.
- A Stafford loan first disbursed on or after July 1, 2010, will have no origination fee (the fee will be eliminated).
- The borrower's [expected family contribution \(EFC\)](#), used to determine loan eligibility, is equal to or less than the maximum qualifying EFC for a Federal [Pell grant](#) at the time the loan is certified. [[§682.202\(c\)\(2\)\(i\)](#)]
- The borrower qualifies for a subsidized Stafford loan. [[§682.202\(c\)\(2\)\(i\)](#)]
- The borrower meets a comparable standard approved by the Department. [[§682.202\(c\)\(2\)\(ii\)](#)]

The lender must pay to the Department the maximum applicable origination fee for each Stafford loan that it makes, regardless of whether the lender requires the borrower to pay all or a portion of the fee. Remitting the origination fee payment is generally the responsibility of the originating lender. Before purchasing a loan, a lender should obtain confirmation that the origination fee has been paid.

#### *PLUS Loans*

A PLUS loan first disbursed on or after July 1, 1994, is subject to a 3% federal origination fee. The lender must charge the full 3% origination fee to any PLUS loan borrower. The reductions in the Stafford loan origination fee are not applicable to PLUS loans made either to parents or to graduate and professional students.

The lender must pay to the Department the full origination fee that it charges to the borrower for each PLUS loan that it makes. Remitting the origination fee payment is generally the responsibility of the originating lender. Before purchasing a loan, a lender should obtain confirmation that the origination fee has been paid.

[[§682.202\(c\)\(1\) and \(5\)](#)]

#### **Charging a Lesser Origination Fee**

The lender may reduce or waive the origination fee it charges its Stafford borrowers, but must ensure that origination fees are assessed equally to all Stafford borrowers who reside in a particular state or attend school in that state. The exception to this rule is that the lender may charge a lesser fee to a Stafford borrower who demonstrates “greater financial need” based on any one of the following qualifications:

[[§682.202\(c\)\(2\)](#)]

If a lender charges a lesser origination fee to a Stafford borrower who has been determined by the lender to have “greater financial need,” the lender must charge all such borrowers who reside in that state or attend school in that state an origination fee that is calculated at the same percentage rate. In addition, if the lender charges the borrower a lesser origination fee on an unsubsidized Stafford loan, the lender must charge that borrower an origination fee that is calculated at the same percentage rate on a subsidized Stafford loan.

[[§682.202\(c\)\(3\) and \(4\)\(ii\)](#)]

Lenders should note that the regulations consider either of the following to be a single lender for purposes of charging a lesser origination fee to qualifying borrowers:

- All lenders under common ownership, including ownership by a common holding company, that make loans to borrowers in a particular state. [[§682.202\(c\)\(4\)\(i\)\(A\)](#)]
- Any beneficial owner of loans that provides funds to an eligible lender trustee to make loans on the beneficial owner's behalf in a particular state. [[§682.202\(c\)\(4\)\(i\)\(B\)](#)]

#### **Lender Fee**

In addition to the origination fee, lenders are charged a [lender fee](#) ~~equal to 0.5% of~~ based on the principal amount of each FFELP loan made. This fee is paid to the Department and cannot be charged to the borrower. For loans first disbursed on or after October 1, 1993, and prior to October 1, 2007, the lender fee is 0.5% of the principal loan amount. For loans first disbursed on or after October 1, 2007, the lender fee is 1.0% of the principal loan amount. [[HEA §438\(d\)](#); [§682.305\(a\)\(3\)\(ii\)](#)]<sup>1</sup>

<sup>1</sup> Policy 984 (Batch 145), approved December 20, 2007

## 5.1.B Student Eligibility Requirements

In addition to meeting the requirements of [Subsection 5.1.A](#), each student who is seeking a Stafford loan or a [Grad PLUS loan](#)—and each student for whom a parent borrower is seeking a PLUS loan—must meet the following eligibility requirements:

- The student must have—and may self-certify that he or she has—at least a high school diploma or the recognized equivalent of a high school diploma (see [section 5.9](#)), or the student must meet one of the following standards:
  - The student must (a) be beyond the age of compulsory school attendance in the [state](#) in which the postsecondary school is located and (b) pass an independently administered [ability-to-benefit](#) test that has been approved by the Department (see [subsection 5.10](#)).  
[§668.32(e)(1)]
  - The student must (a) be beyond the age of compulsory school attendance in the [state](#) in which the postsecondary school is located and (b) pass an independently administered [ability-to-benefit](#) test that has been approved by the Department (see [subsection 5.10](#)).  
[§668.32(e)(2)]
  - The student must have—and may self-certify that he or she has—completed a secondary school education in a home school setting that is treated as a home or private school under applicable state law. Federal regulations do not require a home-schooled student to pass an ability-to-benefit test approved by the Department in order to qualify for Title IV assistance. An underage home-schooled student is considered to be beyond the age of compulsory school attendance in the state in which the postsecondary school is located if that state does not consider the student to be truant once he or she has completed a home-school program, or if that state would not require the student to attend school or continue to be home-schooled.  
[§668.32(e)(4); DCL GEN-02-11]
- To receive any Title IV aid with the exception of a parent PLUS loan, the<sup>1</sup> ~~The~~<sup>2, 3</sup> ~~Each~~<sup>4</sup> student must certify, as part of the [Free Application for Federal Student Aid \(FAFSA\)](#) filed with the Department, a [statement of educational purpose](#). To receive a parent PLUS loan without completing a FAFSA, the student must complete and submit to the school a separate
  - statement of educational purpose.  
[HEA §432(m)(1)(C); HEA §484(a)(4)(A); §668.32(h)]<sup>5</sup>
  - The student must be enrolled or accepted for enrollment on at least a half-time basis in an eligible program at a participating school. See [Section 5.11](#) for student enrollment requirements.  
[§668.32(a)(1)(i) and (iii)]<sup>6</sup>
  - The student, if currently enrolled, must be maintaining [satisfactory academic progress \(SAP\)](#), as determined by the school according to federal regulations and the school’s policy. (See [section 8.4](#) for information on SAP requirements.)  
[§668.32(f)]
  - The student must not be serving in a medical internship or residency program required of doctors of medicine, osteopathy, and optometry. Students who are serving in an internship as part of any other degree program (e.g., a dental or veterinary internship) are considered eligible students for purposes of Stafford loans and PLUS loans, as applicable.  
[§682.201(a)(9); DCL GEN-90-33, Q&A #16]
  - Unless exempt, a male student must register with the Selective Service. A female student is exempt from the Selective Service registration requirement (see [subsection 5.2.C](#)).  
[§668.32(j); §668.37]
  - The student must not have fraudulently borrowed a loan, provided information that caused his or her loan to exceed applicable [annual loan limits](#) during an [academic year](#), nor knowingly exceeded an [aggregate loan limit](#) for the [FFELP](#), [FDLP](#), or Federal Perkins Loan Program.
  - The student must not have had his or her eligibility for Title IV aid denied when sentenced by a court due to conviction of possession or distribution of a controlled substance, under the authority of the [Anti-Drug Abuse Act of 1988](#). A student whose financial aid eligibility is denied as part of the penalty for a drug conviction will be placed on the Department’s Drug Abuse Hold File at the direction of the Department of Justice. The student will receive a SAR with no calculated [EFC](#) and a comment instructing him or her to contact the U.S. Department of Education if the student wishes to contest the finding.

1. Policy 986 (Batch 145), approved December 20, 2007

2. Policy 968 (Batch 142), approved September 20, 2007

3. Policy 986 (Batch 145), approved December 20, 2007

4. Policy 968 (Batch 142), approved September 20, 2007

5. Policy 986 (Batch 145), approved December 20, 2007

6. Policy 968 (Batch 142), approved September 20, 2007

A school determines a student borrower's maximum eligibility for a Grad PLUS loan by subtracting from the cost of attendance (COA) the estimated financial assistance (EFA) that the student is expected to receive for the loan period.

Before applying for a Grad PLUS loan, a student is required to submit a completed Free Application for Federal Student Aid (FAFSA) and the school is required to determine the student's maximum eligibility for subsidized and unsubsidized Stafford loan funds in the program (FFELP or Direct) in which the school is participating for Stafford loan purposes. However, the student may decline the Stafford loan funds and the school may not require the student to accept Stafford loan funds as a condition of applying for a Grad PLUS loan.

[§682.201(b)(3); DCL GEN-06-02/FP-06-01; DCL FP-06-05]

## 6.15.D Additional Unsubsidized Stafford Loan Certification for a Dependent Student<sup>1</sup>

If a dependent student's parent is unable to obtain a PLUS loan at a school that participates in the Federal PLUS Loan Program due to exceptional circumstances documented by the financial aid administrator (FAA)—~~such as adverse credit history, incarceration, parental whereabouts unknown, or family income limited to public assistance or disability benefits~~<sup>2</sup>—and the student's family is otherwise unable to provide the expected family contribution (EFC), the ~~school may certify dependent student is eligible for additional unsubsidized Stafford loan funds for the student not to exceed the student's maximum additional unsubsidized Stafford annual~~<sup>3</sup> loan limit, assuming the student meets the other criteria in Section 5.1.<sup>4</sup> See Figure 6-4. The school is not permitted to deny the additional funds to an otherwise eligible student, unless the school's refusal to certify is based on a documented reason. See Subsection 6.15.E for information on the requirements for exercising professional judgment to reduce or deny loan certification. [§682.603(e)]<sup>5, 6</sup>

~~Other e~~Exceptional circumstances<sup>7</sup>—if properly documented—that an FAA may entitle use to certify additional unsubsidized Stafford loan funds for an

~~otherwise eligible dependent student to additional unsubsidized Stafford loan funds~~ may include, but are not limited to:<sup>8, 9</sup>

- The dependent student's parent has an adverse credit history.  
[§682.201(a)(3)]
- The dependent student's parent is incarcerated.  
[§682.201(a)(3)]
- The whereabouts of the dependent student's parent are unknown.  
[§682.201(a)(3)]
- The dependent student's family income is limited to public assistance or disability benefits.  
[§682.201(a)(3)]
- The dependent student's parent is prohibited from borrowing a PLUS loan because he or she is not a U.S. citizen or eligible noncitizen. See [subsection 5.2.A](#) for citizenship and eligible noncitizenship criteria.  
[DCL GEN-05-16, Q&A 5]
- The dependent student's parent files a bankruptcy petition and provides the school with an official letter from the bankruptcy court confirming that the parent has filed for bankruptcy and is prohibited from incurring additional debt.  
[DCL GEN-05-16, Q&A 6]
- The dependent student's parent is prohibited from borrowing a PLUS loan because he or she is in default on a Title IV loan.  
[§682.201(b)(1)(iv)]
- The dependent student's school has evidence that the student's parent has been denied a PLUS loan by a lender due to the parent's existing debt burden, income-to-debt ratio, likely inability to repay, or other credit standards or factors the lender has adopted.  
[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-85]

The school is not permitted to deny the additional unsubsidized Stafford loan funds to an otherwise eligible student unless such denial is based on a permissible reason and the school provides the reason for its action to the borrower in writing. For more information, see [Subsection 6.15.E](#).  
[§682.603(e)]<sup>10</sup>

1. Policy 970 (Batch 142), approved September 20, 2007

2. Policy 987 (Batch 145), approved December 20, 2007

3. Policy 970 (Batch 142), approved September 20, 2007

4. Policy 987 (Batch 145), approved December 20, 2007

5. Policy 970 (Batch 142), approved September 20, 2007

6. Policy 987 (Batch 145), approved December 20, 2007

7. Policy 987 (Batch 145), approved December 20, 2007

8. Policy 970 (Batch 142), approved September 20, 2007

9. Policy 987 (Batch 145), approved December 20, 2007

10. Policy 987 (Batch 145), approved December 20, 2007

## 7.6 Borrower Disclosures

Certain information must be disclosed to:

- The borrower by the lender in an initial disclosure at or before the first disbursement of the loan (see [subsections 7.6.A and 7.6.B](#)).
- The lender by the guarantor when the loan is guaranteed (see [subsection 7.6.C](#)).

### 7.6.A General Initial Disclosure Requirements

At or before the first [disbursement](#) of a Stafford or PLUS loan, the [lender](#) must provide the borrower (at no cost to the borrower) with the following initial disclosure information in a written or electronic format:

- The lender's name and the address to which correspondence with the lender and payments should be sent.
- A telephone number accessible at no cost from within the U.S., and, at the lender's option, an electronic address at which the borrower can obtain additional loan information.
- The [principal balance](#).
- The amount of any charges, including the federal [origination fee](#) and [federal default fee](#) (formerly [guarantee fee](#)) collected by the lender before or at the time of each disbursement of the loan, if applicable, and an explanation of whether those charges are being deducted from the [loan proceeds](#) or paid separately by the borrower.
- The [actual interest rate](#), including information on how the rate is calculated.<sup>1</sup>
- A statement of the cumulative outstanding balance of loans the borrower owes to the lender, including the loan applied for, and an estimate of—or information that will allow the borrower to estimate—the projected monthly payment amount based on the cumulative outstanding balance.

- A separate statement, written in plain English, that summarizes the borrower's rights and responsibilities with respect to the loan and the consequences of defaulting on the loan. The lender must provide the borrower with either the Borrower's Rights and Responsibilities statement or, in the case of each subsequent loan made using the multi-year feature of the [Master Promissory Note](#), the Plain Language Disclosure, in order to meet the required disclosure of the following information:
  - The annual and aggregate maximum loan amounts that may be borrowed (loan limits).
  - A statement that information on the loan, including the date of disbursement and amount of the loan, will be reported to a national credit bureau.
  - An explanation of when repayment of the loan is required and when the borrower is required to pay interest that accrues on the loan.
  - The minimum and maximum number of years for repayment and the minimum annual payment amount.
  - A statement that the lender may sell or transfer the loan to another party, in which case the address and identity of the party to which correspondence and payments should be sent may change.
  - An explanation of any options the borrower may have for consolidating or refinancing the loan.
  - A statement that the borrower has the right to prepay all or part of the loan at any time, without penalty.
  - A statement describing the circumstances under which the borrower may defer repayment of the principal or accruing interest.
  - A statement of the availability of the Department of Defense program for repayment of loans on the basis of military service.
  - A statement on the consequences of default, including litigation, national credit bureau reporting, liability for substantial collection costs, state offsets or federal [Treasury offsets](#), wage

<sup>1</sup> Policy 988 (Batch 145), approved December 20, 2007

## 8.4 Assessing Satisfactory Academic Progress

Federal regulations require that a [school](#) measure a student's [satisfactory academic progress \(SAP\)](#) in accordance with the school's published SAP policy before delivering the [loan proceeds](#). At some schools, SAP verification is performed before the delivery of each [disbursement](#), while at others, SAP may be assessed at specific times during the [academic year](#), such as at the beginning of each term.

[§668.32(f)]

A school's SAP standards must be applied consistently, and must include both a qualitative and a quantitative measure. A maximum time frame for program completion and a minimum quality standard, such as grade point average, must be established. A student's quantitative progress must be assessed each academic year, at a minimum. Federal regulations permit a school to establish its own maximum time frame for program completion, provided the school's time frame for an undergraduate program does not exceed 150% of the published program length.

[§668.16(e); §668.34]

In measuring SAP for subsequent disbursements, the school is not required to develop a system that is separate from the system the school already has established for verifying progress for subsequent disbursements of other [Title IV](#) Programs. However, the progress standards for [Title IV](#) aid recipients must be at least as restrictive as those used for students not receiving aid.

[§668.16(e)(1)]

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

## 8.5 Completing Verification

The school may not deliver loan proceeds before the [verification](#) process is complete, if verification is required (see [subsection 6.6.A](#)). If the school does not receive the required financial aid information, or if the student does not complete the verification process within 45 days from the date the school receives the proceeds, the school must return the proceeds to the lender promptly, but no later than 10 business days after the last day of the 45-day period. If, during the 10-business-day return period, all financial aid information is received or the verification process is completed, the school may deliver the proceeds rather than return them to the lender, provided the delivery is made on or before the last day of the return period.

[§668.58(c); §668.60(b)(1)(D) and (b)(3)]

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

## 8.6 Managing Overawards

An [overaward](#) occurs when a student receives additional financial assistance after the initial awarding process, which may include financial assistance other than [Title IV funds](#) (e.g., a scholarship or an alternative loan), or the student's [expected family contribution \(EFC\)](#) increases, which results in a reduction of the borrower's eligibility for any previously certified Stafford or Grad PLUS loan. Up to \$300 of Federal Work-Study earnings are excluded from the determination of an overaward.<sup>1</sup>

The school must reduce or eliminate an overaward using one of the following options:

- Use the student's unsubsidized Stafford, PLUS, [state-sponsored](#), or private loan to cover the EFC, if not already done.  
[§682.604(h)(1)]
- Return the entire undelivered disbursement to the [lender](#) or [escrow agent](#) and provide the lender with a written statement describing the reason for the return of proceeds and the student's revised [financial need](#). The school should request that the lender redisburse the revised amount and, if necessary, revise subsequent disbursements to eliminate the overaward.  
[§682.604(h)(2)(i) and (ii)]

<sup>1</sup>. Policy 989 (Batch 145), approved December 20, 2007

## 10.9 Interest Charges

If a borrower's loan is a subsidized Stafford loan, the federal government pays the interest that accrues during the [in-school](#), [grace](#), and authorized [deferment periods](#). If the loan is an unsubsidized or a nonsubsidized Stafford loan, a PLUS loan, or an SLS loan, the borrower is responsible for paying all interest that accrues on the loan from the first [disbursement date](#)—including interest that accrues during deferment periods. For information on the interest charges applicable to Consolidation loans, see [subsection 15.3.D](#) and [section 15.6](#).  
[§682.202; §682.300]

### 10.9.A Annual Variable Interest Rate Charges

When servicing a variable-rate Stafford, SLS, or PLUS loan, a lender must adjust the interest rate annually on July 1 in accordance with interest rates established by the [Department](#). The variable interest rate for a loan is based on the type of loan and the disbursement date. For more information on how a loan's variable interest rate is determined, see [sections 7.4](#) and [7.5](#).

The adjustment to the variable interest rate on a loan may affect the monthly payment amount and the borrower's overall repayment terms. Refer to [subsection 10.6.E](#) for more information on adjusting the borrower's repayment terms.

[Guarantors](#) recommend that the [lender](#) inform the [borrower](#) of the [variable interest rate](#) change. The lender must inform the borrower of any changes in the payment amount.

For more information on current and past variable interest rates, refer to [appendix H](#).

### 10.9.B Reduced Interest Rates

A lender may choose to charge a borrower an interest rate that is lower than the maximum rate permitted by statute ([statutory rate](#)). If a lower rate is charged, the lender must ensure that reports to the Department (such as the Lender's Interest and Special Allowance Request and Report [LaRS report]) are adjusted appropriately. (See [subsection 7.4.B](#) regarding lender disclosure requirements when offering lower interest rates.) The lender must notify the borrower, at the time the lower interest rate is offered, that the lower

interest rate ends on the date the loan is purchased by the guarantor as a default or ineligible borrower claim. The loan will revert to the applicable statutory rate as of the date the defaulted loan or ineligible borrower claim is purchased.

### 10.9.C Excess Interest Rebates

~~In 1986 and 1992, Congress required lenders to refund interest to certain Stafford loan borrowers under specific circumstances. The process of refunding interest is commonly referred to as excess interest rebates or "windfall profits."~~

~~This requirement affected certain Stafford loan borrowers with fixed rates of 7%, 8%, 9%, or 8%/10%. Until January 1, 1994, lenders were required to make excess interest rebates. On or before January 1, 1995, lenders were required to convert fixed rate Stafford loans that were eligible for interest rebates to a variable interest rate. Loans that are converted to a variable interest rate under these provisions require lenders to adjust the interest rate annually on July 1.~~

Effective for loans first disbursed on or after April 1, 2006, lenders are required to refund excess interest on Stafford, PLUS, and Consolidation loans for any quarter in which the applicable interest rate of the loan exceeds the special allowance support level. See [Figure A-3](#) and [Figure A-4](#) for further information on the current calculation of excess interest rebates.

~~For more historic information about previous which Stafford loans that were eligible for excess interest rebates, and the conversion of these loans to a variable interest rate, see [Section H.2](#).<sup>1</sup>~~

### 10.9.D Payment of Accrued Interest on Loans Not Eligible for Federal Interest Benefits

A lender must arrange with the borrower of a loan that is not eligible for [federal interest benefits](#) (an unsubsidized or nonsubsidized Stafford, PLUS, or SLS loan) the way in which the borrower will pay accruing interest during periods when regular principal payments are not due. Interest begins accruing on the date of the first [disbursement](#) and may become a substantial sum over the course of a long period of continuous enrollment or

<sup>1</sup> Policy 990 (Batch 145), approved December 20, 2007

Chapter 15 highlights policies and procedures specific to Federal Consolidation loans. A **borrower** may obtain a Consolidation loan to merge several types of federal student loans with varying repayment terms into a single loan.

## 15.1 Lender Participation

To participate in the Federal Consolidation Loan Program, a **lender** must meet the following requirements:

- The lender must be an **eligible lender** under the **FFELP** (**secondary markets** may also be considered eligible lenders).
- The lender must sign an **agreement to guarantee** Federal Consolidation loans with a **guarantor** (this agreement may be a separate agreement or included as part of other agreements between the lender and the guarantor).
- The lender must maintain a certificate of comprehensive insurance coverage with the guarantor providing such coverage. **[HEA 428C(b)]**

Some guarantors have additional or alternate requirements. These requirements are noted in **appendix C**.

- ▲ Lenders may contact individual guarantors for information on whether Consolidation loan agreements are separate from other lender agreements. See **section 1.5** for contact information.

### 15.1.A Agreement to Guarantee Federal Consolidation Loans

The agreement to guarantee Federal Consolidation loans defines the terms and conditions under which the lender may make guaranteed Consolidation loans. This agreement is similar to the agreement that the lender must sign to participate in other loan programs with a guarantor (see **subsection 3.3.A**).

The lender must meet specific requirements in the agreement for Consolidation loan guarantees to remain in effect. By signing the agreement, the lender agrees to meet the following requirements:

- To exercise reasonable care and diligence in the making, servicing, and collecting of Consolidation loans.
- To comply with all applicable federal and **state** laws and regulations—as well as procedures required in federal regulations, this manual, guarantor bulletins, and Consolidation loan forms, **applications**, and agreements.
- To use an approved Consolidation loan application and **promissory note**. **[§682.206(b)]**
- To secure information on the outstanding balance of each eligible loan to be consolidated before including it in the Consolidation loan. **[§682.206(f)]**
- To pay the full proceeds of each outstanding loan to the appropriate **holder(s)**.
- To pay a **0.5%–1.0% origination-lender fee** to the **Department** on each Consolidation loan made. This fee may not be charged to the borrower. **[HEA §438(d)]<sup>1</sup>**
- To promptly provide reports on other information that may be requested by the guarantor.
- To pay the Department a monthly rebate fee on Consolidation loans made on or after October 1, 1993, and held by the lender at month end (see **section 15.7**). **[HEA 428C(f)]**
- To make Consolidation loans without discriminating against an applicant. See below for information concerning nondiscrimination provisions. **[HEA 428C(b)(6); DCL GEN-98-7/98-L-201/98-G-307]**

Lenders must diligently service Consolidation loans in accordance with provisions applicable to other **FFELP** loans. Any failure to fulfill those requirements may result in a loss of the **guarantee** on the loan and a loss of eligibility for any **interest subsidy and special allowance payments** that might otherwise apply (see **section 15.6 Sections 12.4 and 15.6**).<sup>2</sup>

<sup>1</sup> Policy 984 (Batch 145), approved December 20, 2007

<sup>2</sup> Policy 978 (Batch 143), approved October 18, 2007

An authorized official of the holder must sign the LVC certifying that:

- The information on the form is accurate and complete.
- Each loan listed is a legal, valid, and binding obligation of the borrower.
- Each loan was made and serviced in compliance with all applicable laws and regulations.
- For Federal Stafford, Federal PLUS, Federal SLS, Federal Consolidation, and Federal Insured Student Loans, the insurance on each such loan is in full force and effect.
- The loan amounts confirmed include only unpaid principal, unpaid accrued interest for which the borrower is responsible, late charges, and eligible collection costs.

#### Circumstances That May Prevent the Loan Holder from Certifying the LVC

The holder of each loan to be consolidated must respond to the LVC within 10 business days from the date the LVC is received. If the holder is unable to certify to the matters described above, the holder must provide the consolidating lender and the guarantor(s) of the loan(s) listed on the form with a written explanation of the circumstances preventing the loan holder from certifying the LVC.

[§682.206(f); §682.209(j)]

If there is a technical issue that will result in a delay of the loan holder's certification of the LVC, the loan holder must inform the consolidating lender within 10 business days of receipt of the LVC that a delay will occur.

[DCL FP-04-02]

If a loan holder receives an LVC that does not include the name and, in the case of a FFELP lender, the lender identification number (LID) of the eligible consolidating lender or trustee lender, it should not provide any information related to a borrower's loan. The loan holder should instead provide a written explanation to inform the requestor as to why it is not completing the LVC.

~~Additional~~ Other circumstances that may prevent a holder from completing the LVC include those in which:

- The loan holder never held the loan.
- The loan is not fully disbursed or the borrower is not in grace or repayment status.

- The loan has been sold.
- The loan is more than 270 days delinquent and a default claim has been submitted to the guarantor.
- The loan has been assigned to a guarantor.
- The loan is subject to collection by administrative wage garnishment.
- There is a judgment against the borrower on the loan for which the borrower has requested consolidation.

If the loan holder is unable to certify the LVC due to one of these ~~additional~~ circumstances, the ~~reason should be included on the LVC and the loan holder should return the LVC, or other~~ must provide a written explanation, to the consolidating lender within 10 business days of the loan holder's receipt of the LVC.

[§682.209(j); DCL FP-04-02]

For each of the following additional circumstances, within 10 business days of the loan holder's receipt of the LVC, the loan holder must provide to the consolidating lender a written explanation as to why the LVC is not being completed with payoff information, and also must notify the Federal Student Aid Financial Partners staff of the holder's decision not to complete the LVC. These additional circumstances are:

- Within the last 90 days, the loan holder has completed an LVC on the loan for another lender, indicating that the borrower may have more than one Consolidation loan application outstanding.
- The borrower appears to have no eligible loans other than a single Consolidation loan that is held by the loan holder.

For the two additional circumstances listed above, once the loan holder provides the consolidating lender with an explanation of why the LVC is not completed, if the consolidating lender provides additional information to the loan holder that supports the borrower's eligibility to consolidate the loans, the holder must complete the LVC within 10 business days of receipt of that information. Supporting information may include the following:

- For the first circumstance noted above, a written statement from the borrower stating that he or she has canceled any previous Consolidation loan applications.<sup>1</sup>

<sup>1</sup> Policy 985 (Batch 145), approved December 20, 2007

- For the second circumstance, documentation from the consolidating lender showing that the borrower has one or more additional loans that will be consolidated with the Consolidation loan.

[\[DCL GEN-07-03/FP-07-07\]](#)<sup>1</sup>

## **15.3.D Calculating the Interest Rate**

Interest rates applicable to Consolidation loans are listed in the table on the following page.

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<sup>1</sup> Policy 985 (Batch 145), approved December 20, 2007

**Late Conversion:** The scheduling of a Stafford, SLS, PLUS, or Consolidation loan borrower's first payment due date beyond the normal regulatory time limits for establishing that date. See [subsection 10.5](#) for information on the regulatory time frames.

**Late Disbursement or Delivery:** A disbursement made by a lender or delivered by a school after the end of the loan period or the date on which the student ceased to be enrolled on at least a half-time basis. See [subsections 7.7.G](#) and [8.7.E](#).

**Leader, Summer Term:** A summer term that comes at the beginning of a school's Scheduled Academic Year.

**Leave of Absence:** For purposes of the *Common Manual*, a leave of absence is a status in which the student is considered to be continuously enrolled for Title IV program purposes, as approved by the school. An approved leave of absence is a break in enrollment, not including a semester or spring break, that is requested by the student and approved by the school based upon the school's published leave of absence policy. The student's request must be in writing and must include the reason for the leave. In an approved leave of absence, the student does not incur any additional charges. The total number of days of all approved leaves of absence may never exceed 180 days in any 12-month period.

For information on an *unapproved* leave of absence (i.e., a leave of absence that is not considered approved for Title IV purposes), see [sections 9.3](#) and [9.4](#).

**Lender:** For purposes of the Federal Family Education Loan Program (FFELP), a lender is an entity that has entered into an agreement to participate in the FFELP. A lender may be a national or state chartered bank, a mutual savings bank, a savings and loan association, a stock savings bank, a credit union, a pension fund, an insurance company, a single state agency, the Student Loan Marketing Association (SLMA), a Rural Rehabilitation Corporation, a nonprofit private agency functioning in a state as a secondary market, a consumer finance company subsidiary of a national bank, a guarantor, or a school. Each entity must meet the specific eligibility qualifications, as applicable, outlined in [sections 3.1](#) and [3.2](#).

**Lender Fee:** A fee that the holder of the loan must pay to the Department. ~~on~~ For any loan first disbursed on or after October 1, 1993, and prior to October 1, 2007, the fee is equal to 0.5% of the principal amount of the loan. ~~For loans first disbursed on or after October 1, 2007, the fee is equal to 1.0% of the principal amount of the loan. and~~ This fee is deducted from interest and special allowance due the

lender. The lender remits the fee by making an entry on the Lender's Interest and Special Allowance Request and Report (LaRS report) that results in an offset of the amount of quarterly interest and special allowance benefits due to the lender. The lender may not pass this fee on to the borrower. For more information about the lender fee, see [Appendix A](#).<sup>1</sup>

**Lender of Last Resort: (LLR)** A lender (or guarantor, in some cases) that agrees to make Stafford loans to students who qualify for interest benefits, who are eligible for combined subsidized and unsubsidized Stafford loan amounts of at least \$200, and who are otherwise unable to obtain loans from other eligible lenders for the same period of enrollment (or who are attending schools that have been designated LLR schools). See [section 3.7](#).

**Lender Participation Questionnaire for New Lenders:** The application form that a lender must complete and return to the Department before receiving approval to participate in the FFELP.

**Lender's Interest and Special Allowance Request and Report: (LaRS Report)** An accounting mechanism that a lender uses to report to the Department the loans that it has made and to request from the Department interest benefits and special allowance that it has earned. The federal origination and lender fees that the lender must pay to the Department are usually deducted from the amount that the Department owes the lender for interest benefits and special allowance. The lender may submit the report using the automated Lender Reporting System or the paper form. See [appendix A](#).

**Limitation:** The continuation of a school's eligibility to participate in the guarantor's programs, subject to compliance with special conditions or restrictions established by agreement with the Department or the guarantor. See [subsection 18.1.A](#).

**LLR:** See [Lender of Last Resort](#)

**Loan Assignment:** See [Assignment](#)

**Loan Period:** The period of time for which a loan is certified.

**Loan Proceeds:** The amount of loan funds that have been guaranteed.

**Loan Sale:** The change in ownership of a loan from one eligible FFELP lender or holder to another lender or holder.

<sup>1</sup> Policy 984 (Batch 145), approved December 20, 2007