

Summary of Changes Approved September 2007

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

The policy changes listed below were approved September 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 | # |
|--|--|---|---------|
| Chapter 2: About the FFELP | | | |
| 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 |
| Chapter 5: Borrower Eligibility | | | |
| 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 |
| Chapter 6: School Certification | | | |
| 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 |
| 6.15.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 |

| Common Manual Section | Description of Change | Effective Date/Triggering Event | # |
|---|--|--|---------|
| 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 |
| Chapter 8: Loan Delivery | | | |
| 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 |
| Chapter 11: Deferment and Forbearance | | | |
| 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 |
| Chapter 13: Claim Filing, Discharge, and Forgiveness | | | |
| 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 |
| Appendix G: Glossary | | | |
| 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 |
| Appendix H: History of the FFELP and the <i>Common Manual</i> | | | |
| 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 |

2.3.C Common Forms

The 1992 [Reauthorization of Title IV](#) of the Higher Education Act of 1965 (HEA) ~~begin required the U.S. Department of Education (the Department),~~ in cooperation with industry participants, to develop common loan applications and [promissory notes](#), deferment forms, and reporting formats.

~~Common forms for the Federal Family Education Loan Program (FFELP) generally are developed through a collaborative effort led by the Program Operations Committee of the National Council of Higher Education Loan Programs (NCHELP), and with review and approval by the Ad Hoc Standardization Committee and, ultimately, the Department, and the Office of Management and Budget (OMB).~~

~~NCHELP's Program Operations Forms subcommittee coordinates forms development, and various NCHELP Program Operations subcommittee task forces work groups to develop the forms; and circulate them to the NCHELP membership and other industry entities that represent schools, lenders, and other financial aid constituencies and the Ad Hoc Standardization Committee for initial comment. After the forms are reviewed and approved, the forms are submitted to the Department for its consideration and approval.~~

~~The Ad Hoc Standardization Committee with representation from students, schools, lenders, and other financial aid constituencies broadens the industry view on the forms and processes recommended by NCHELP. After the forms are reviewed and approved, the forms are submitted to the Department for their consideration and approval.~~

~~The Department reviews the forms, looking especially at regulatory and legal compliance, risk, and overall consistency with the goals of the Title IV programs, and revises the forms, if needed. If needed, negotiations occur between the parties (the Department, the Ad Hoc Standardization Committee, and NCHELP) until agreement is reached.~~

~~Once preliminary agreement is reached, the The Department submits forms designed to collect information to the OMB for review and approval. This process includes publication of notices moves the forms into the final approval process, which takes approximately four months to complete. The Department posts the forms for public comment in the *Federal Register* (typically two) that make the forms available for public comment on two separate~~

~~occasions.~~ The first comment period is for 60 days and the second is for 30 days. After the Department ~~and/or~~ the OMB receive and review the comments and make any adjustments, the OMB assigns a control number and an expiration date to the forms, and the Department announces approval to the community ~~in a *Dear Partner Letter*.~~

Approved common forms are reviewed at least every 3 years for updates and revisions. The revision process follows the same general flow as that used for new forms; ~~however, the time frame for development is greatly reduced.~~

Default aversion and claim forms listed later in this subsection are developed and updated by NCHELP. The Department does not participate in the development or update of these forms, and thus the forms are not subject to OMB review or approval.

The following is a list of the common forms that are used in the FFELP. The most current forms may be found on the NCHELP Website (www.nchelp.org) as well as on many guarantor Websites.

Loan Origination Forms

- Federal Stafford Loan Master Promissory Note
- Addendum to the Federal Stafford Loan Master Promissory Note
- Federal Stafford Loan Plain Language Disclosure
- Federal Stafford Loan School Certification
- Federal PLUS Loan Application and Master Promissory Note
- Addendum to the Federal PLUS Loan Application and Master Promissory Note
- Federal PLUS Loan Plain Language Disclosure
- Federal PLUS Loan Information and School Certification
- Endorser Addendum to Federal PLUS Loan Application and Master Promissory Note
- Federal Consolidation Loan Application and Promissory Note
- Addendum to the Federal Consolidation Loan Application and Promissory Note
- Federal Consolidation Loan Verification Certificate
- Request to Add Loans to a Federal Consolidation Loan (180-Day Add-On Provision)
- Additional Loan Listing Sheet for Federal Consolidation Loan Application and Promissory Note¹

¹ Policy 967 (Batch 142), approved September 20, 2007

Return of Title IV Funds Worksheets

- Treatment of Title IV Funds When a Student Withdraws from a Credit-Hour Program
- Treatment of Title IV Funds When a Student Withdraws from a Clock-Hour Program
- Information Required When Referring Student Overpayments due to Withdrawal to Borrower Services—Collections

Deferment Forms

- SCH In-School Deferment Request
- EDU Education Related Deferment Request
- PUB Public Service Deferment Request
- TDIS Temporary Total Disability Deferment Request
- UNEM Unemployment Deferment Request
- PLWM Parental Leave/Working Mother Deferment Request
- HRD Economic Hardship Deferment Request and Worksheets
- PLUS PLUS Borrower with Dependent Student Deferment Request
- MIL Military Deferment Request

~~Claim Forms~~ Default Aversion Forms

- Default Aversion Assistance Request Form

Claim Forms

- Claim Form
- Supplemental Claim Form
- Request for Reimbursement Due to Partial Discharge of a Federal Consolidation Loan¹

Loan Discharge/Forgiveness Forms

- Loan Discharge Application: School Closure
- Loan Discharge Application: False Certification of Ability to Benefit
- Loan Discharge Application: False Certification (Disqualifying Status)
- Loan Discharge Application: Unauthorized Signature/Unauthorized Payment
- Loan Discharge Application: Total and Permanent Disability
- Loan Discharge Application: Unpaid Refund
- Teacher Loan Forgiveness Application
- Teacher Loan Forgiveness Forbearance Form
- Child Care Provider Loan Forgiveness Application for Renewal Benefits
- Child Care Provider Loan Forgiveness Forbearance Form

¹ Policy 967 (Batch 142), approved September 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 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]
- ~~The~~ Each student must certify, as part of the [Free Application for Federal Student Aid \(FAFSA\)](#) filed with the Department, a [statement of educational purpose](#).
[HEA 432(m)(1)(C); HEA 484(a)(4)(A); §668.32(h)]
- 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)]¹
- 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.
- The student must not have been convicted of a state or federal offense involving the possession or sale of an illegal drug that occurred while the student was

¹ Policy 968 (Batch 142), approved September 20, 2007

enrolled in school and receiving Title IV aid (see [section 5.8](#)). Any student who applies for federal student aid and reports such a conviction on his or her FAFSA will receive a warning on his or her Student Aid Report (SAR) indicating that a conviction for the possession or sale of an illegal drug may result in the loss of the student's eligibility for Title IV aid. [An illegal drug is a controlled substance as defined in section 102(6) of the Controlled Substance Act, and does not include alcohol or tobacco.]

[[HEA 484\(r\)\(1\)](#); [§668.40](#); [DCL GEN-06-05](#)]

- The student must not be [incarcerated](#) at the time [funds](#) are disbursed or delivered. [[§668.32\(c\)\(3\)](#)]
- The student must meet other applicable provisions of this chapter. [[§668.32\(k\)](#)]

5.1.C Graduate or Professional Student and Parent PLUS Loan Borrower Eligibility Requirements

For purposes of obtaining a PLUS loan, an eligible [parent borrower](#) is a student's biological or adoptive mother or father. The spouse of a parent who is remarried is also an eligible parent borrower if the spouse's income and assets would have been taken into account when calculating a [dependent student's expected family contribution](#) (EFC). All of a dependent student's eligible parent borrowers may borrow separately to provide for the educational expenses of the student—provided that the combined borrowing of the parent borrowers does not exceed the calculated [cost of attendance \(COA\)](#) minus estimated financial assistance (EFA).

[[§668.2\(b\)](#); [§682.201\(b\)\(2\)](#); [DCL GEN-98-26](#)]

To be eligible for a [parent PLUS loan](#), a parent borrower must be applying for the loan to pay the postsecondary educational costs for an eligible dependent [undergraduate student](#) who is [enrolled](#) or accepted for enrollment at least half time at a participating school. A parent may not receive a PLUS loan on behalf of a student serving in a medical internship or residency program required of doctors of medicine, osteopathy, and optometry.

[[§682.201\(b\)](#)]

To be eligible for a [Grad PLUS loan](#), a graduate or professional student borrower must be applying for the loan to pay educational costs incurred for at least half-time

enrollment in a graduate or professional program at a participating school. Before applying for a Grad PLUS loan, the borrower must submit a completed Free Application for Federal Student Aid (FAFSA) and the school must determine the student's maximum eligibility for subsidized and unsubsidized Stafford loan funds. However, the student may decline the Stafford loan and the school may not require the student to accept Stafford loan funds as a condition of applying for a Grad PLUS loan.

[[DCL FP-06-05](#)]

Each PLUS loan borrower must certify, ~~as part of the Federal PLUS Loan Application and Master Promissory Note (PLUS MPN) filed with the school or lender,~~ a statement of educational purpose. A statement of educational purpose is included on the Federal PLUS Loan Application and Master Promissory Note (PLUS MPN). By signing the PLUS MPN, the borrower certifies that he or she will comply with the statement of educational purpose. [[§668.32\(h\)](#); [§682.201\(b\)\(1\)](#); [§682.201\(c\)\(1\)\(v\)](#)]¹

Each PLUS loan borrower must be determined not to have adverse credit to be eligible for a PLUS loan (see [subsections 7.1.B](#) and [7.1.C](#)). [[§682.201\(b\)\(2\)](#)]

5.2 Federal Data Matches

When a student submits a completed Free Application for Federal Student Aid (FAFSA), the Department of Education assists schools in determining a student's eligibility as a Stafford loan borrower, a Grad PLUS loan borrower, or as the dependent student of a parent PLUS loan borrower. The Department conducts federal data matches of the citizenship, [Social Security number](#), Selective Service, and student financial aid overpayment or default information that the student reports or certifies on the FAFSA. The results of the data matches with the Immigration and Naturalization Service, Social Security Administration, Selective Service System, and [National Student Loan Data System \(NSLDS\)](#) are reported to the school and the student. For more information about confirming a student's citizenship status, Social Security number, Selective Service registration, or student financial aid overpayment or default status, see [subsections 5.2.A](#), [5.2.B](#), [5.2.C](#), [5.2.D](#), and [5.2.E](#). Schools may also obtain more information about the Department's data matches from the [2006-2007 Federal Student Aid Handbook](#), Volume 1, Chapter 2, pp. 1-17 to 1-19.

¹ Policy 969 (Batch 142), approved September 20, 2007

- A dependent student who has a bachelor's degree and is enrolled or accepted for enrollment in coursework necessary for a professional credential or certification from a state that is required for employment as a teacher in an elementary or secondary school in that state is eligible to borrow the base Stafford annual loan limit of \$5,500. An independent student, or a dependent student whose parent is not eligible for a PLUS loan, is eligible to borrow a combined subsidized and unsubsidized Stafford annual loan limit of up to \$12,500. Of the total amount borrowed for the year, no more than \$5,500 may consist of subsidized Stafford loan funds (see figure 6-4). The loan limits for this category of student are not prorated. [[§682.204\(a\)\(7\) and \(d\)\(6\)\(iii\)](#)]

- A dependent student who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in an undergraduate program is eligible ~~for to borrow the base Stafford annual loan funds not to exceed the annual loan limits applicable to first-year undergraduate students~~ limit of \$2,625. An independent student, or a dependent student whose parent is not eligible for a PLUS loan, is eligible to borrow a combined subsidized and unsubsidized Stafford annual loan limit of up to \$6,625. Of the total amount borrowed for the year, no more than \$2,625 may consist of subsidized Stafford loan funds (see Figure 6-4). A student is eligible for loans for one period of 12 consecutive months beginning on the first day of the loan period for which the student is enrolled. The loan limits for this category of student are not prorated if the coursework is less than an academic year.

[[§682.204\(a\)\(6\)\(i\) and \(d\)\(6\)\(i\); 07-08 FSA Handbook, Volume 3, Chapter 4, p. 3-91](#)]¹

- A dependent student who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in a graduate or professional program is eligible to borrow the base Stafford annual loan limit of \$5,500. An independent student, or a dependent student whose parent is not eligible for a PLUS loan, is eligible to borrow a combined subsidized and unsubsidized Stafford annual loan limit of up to \$12,500. Of the total amount borrowed for the year, no more than \$5,500 may consist of subsidized Stafford loan funds (see figure 6-4). Preparatory coursework required for

admission into a graduate or professional program may be taken at a school that is not generally permitted to certify loans at the fifth-year undergraduate loan level. A student is eligible for loans for one period of 12 consecutive months beginning on the first day of the loan period for which the student is enrolled. The loan limits for this category of student are not prorated. [[§682.204\(a\)\(6\)\(ii\) and \(d\)\(6\)\(ii\)](#); [DCL GEN-98-2](#)]

A school may not link separate, stand-alone programs of study to allow a student to qualify for higher annual loan limits than the student would otherwise be eligible to receive based on the length of the program. [[§682.204\(a\) through \(d\)](#); [DCL GEN-98-2](#); [2006-2007 Federal Student Aid Handbook, Volume 3, Chapter 4, p. 3-78](#)]

Graduate and Professional Students

A student **enrolled** in a graduate or professional program of study is eligible to borrow a combined subsidized and unsubsidized Stafford annual loan limit of up to \$20,500 for each **academic year**. Of the total amount borrowed for the year, no more than \$8,500 may consist of subsidized Stafford loan funds. If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire \$20,500 Stafford annual loan limit in unsubsidized Stafford loan funds.

[[§682.204\(a\)\(5\) and \(d\)\(5\)](#)]

Exception: Increased unsubsidized Stafford annual loan limits are authorized for certain health profession students (see [subsection 6.11.D](#)).

¹ Policy 964 (Batch 142), approved September 20, 2007

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 |
| Preparatory Coursework for Undergraduate Program | | | |
| Base Stafford eligibility (subsidized and unsubsidized) | \$2,625 | N/A | N/A |
| Additional unsubsidized Stafford eligibility | \$4,000 | N/A | N/A ¹ |
| First-Year Undergraduates | | | |
| Base Stafford eligibility (subsidized and unsubsidized) | \$3,500 | 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 | |
| Second-Year Undergraduates | | | |
| Base Stafford eligibility (subsidized and unsubsidized) | \$4,500 | Proportional Proration Calculation #1 | |
| Additional unsubsidized Stafford eligibility | \$4,000 | Proportional Proration Calculation #1 | |
| Third-, Fourth-, and Fifth-Year Undergraduates | | | |
| Base Stafford eligibility (subsidized and unsubsidized) | \$5,500 | Proportional Proration Calculation #1 | |
| Additional unsubsidized Stafford eligibility | \$5,000 | Proportional Proration Calculation #1 | |
| Teacher Certification or Preparatory Coursework for Graduate or Professional Program | | | |
| Base Stafford eligibility (subsidized and unsubsidized) | \$5,500 | N/A | |
| Additional unsubsidized Stafford eligibility | \$7,000 | N/A | |

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 \$3,500 for base Stafford annual loan limit and by \$4,000 for additional unsubsidized Stafford annual 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

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

[§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 loans 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)]

¹ Policy 964 (Batch 142), approved September 20, 2007

For loan periods beginning on or after May 1, 2005, schools offering the following health profession programs are eligible to award increased unsubsidized Stafford loan limits to students enrolled in these programs:

- Naturopathic Medicine programs that lead to a Doctor of Naturopathic Medicine (N.M.D.) Degree or a Doctor of Naturopathy (N.D.) Degree and are accredited by the Council on Naturopathic Medical Education (CNME).
[DCL GEN-05-09]

Student Eligibility

To be eligible for the increased unsubsidized Stafford loans exceeding standard [annual loan limits](#), a health profession student must meet the following criteria:

- The student must be eligible for an unsubsidized Stafford loan.
- The student must be enrolled ~~full time~~ at least half time.
- The student must not receive a HEAL program loan for any portion of the same loan period as the increased unsubsidized Stafford loan limit.
- The student must be enrolled in an eligible program at an eligible school, as defined above.
[DCL GEN 98-18; DCL GEN 97-4; DCL GEN 96-14; 07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-102]¹

The 5-year Bachelor of Pharmacology Program is the only program in which an undergraduate student is eligible for increased unsubsidized Stafford loan limits under these provisions. In addition to being required to meet all of the other eligibility criteria outlined in this subsection, a student enrolled in this program must meet the following criteria to be eligible for the increased unsubsidized Stafford loan limits:

- The student must be enrolled in the fourth or fifth year of the program.
- The student must be independent, or be a dependent student whose parent is unable to borrow a PLUS loan.
[DCL GEN 98-18]

Special Annual Unsubsidized Stafford Loan Limits

The increased annual unsubsidized Stafford loan limits for eligible health profession students supplement the regular Stafford loan limits the student would be eligible to receive in the same [loan period](#), and cannot exceed the lesser of the following:

- The student's [cost of attendance](#) (COA) less other financial aid.
- The student's regular unsubsidized Stafford loan limit (see [subsection 6.11.A](#)) plus the student's applicable HEAL loan maximum.
[2006-2007 *Federal Student Aid Handbook*, Volume 3, Chapter 4, p. 3-91]

HEAL program and discipline loan maximums are specified in section 104.3.2 of the *Department of Health and Human Services, Student Financial Aid Guidelines*. In general, the maximums are as follows:

- \$12,500 for a 9-month academic year, not to exceed \$16,667 for a 12-month academic year, for students enrolled in a graduate of public health, graduate in allied health, doctor of chiropractic, doctoral degree in clinical psychology, masters or doctoral degree in health administration, or bachelor or master of science in pharmacology or equivalent degree. In the case of a pharmacology student, the doctor of pharmacy degree is considered to be an equivalent degree if it is taken at a school that does not require the bachelor or master of science in pharmacy as a prerequisite for the doctor of pharmacy degree.
- \$20,000 for a 9-month academic year, not to exceed \$26,667 for a 12-month academic year, for students enrolled in doctoral programs in allopathic medicine, osteopathic medicine, dentistry, veterinary medicine, optometry, podiatric medicine, and naturopathic medicine.

Schools must follow HEAL proration requirements and other HEAL program restrictions when awarding students increased unsubsidized Stafford loans, except that the HEAL program needs test is not required for increased unsubsidized Stafford loan limits.
[2006-2007 *Federal Student Aid Handbook*, Volume 3, Chapter 4, p. 3-91]

¹ Policy 965 (Batch 142), approved September 20, 2007

6.15.B Stafford Loan Certification

A school may certify a Stafford loan only if the student borrower meets the eligibility criteria outlined in [subsections 5.1.A and 5.1.B](#), and [Section 5.11](#).¹

Before certifying a Stafford loan for an [undergraduate student](#), a school that participates in the Federal Pell Grant Program must determine the student's eligibility for a Pell grant. If the student is eligible for a Pell grant, the amount that he or she is eligible to receive must be included in the student's [estimated financial assistance \(EFA\)](#) when determining the student's Stafford loan eligibility. If the student applies for a Pell grant and receives notification that the funds will not be available, the school may disregard the student's Pell grant eligibility in assessing the student's [financial need](#).

Before certifying an unsubsidized Stafford loan, a school must determine a student's eligibility for a subsidized Stafford loan. If the student is eligible for a subsidized Stafford loan in an amount that exceeds \$200, the school must certify a subsidized Stafford loan prior to certifying an unsubsidized Stafford loan. If the student is eligible for a subsidized Stafford loan in an amount of \$200 or less, the school is not required to certify an application for the subsidized Stafford loan prior to certifying the unsubsidized Stafford loan. In such cases, the school may include the amount of subsidized Stafford eligibility in the unsubsidized Stafford loan. Although the \$200 tolerance does not exist for an unsubsidized Stafford loan, the school may refuse to certify the student's eligibility for an unsubsidized Stafford loan if the student has a nominal amount of eligibility and the lender has a minimum loan amount that exceeds the student's eligibility. [\[2006-2007 Federal Student Aid Handbook, Volume 3, Chapter 4, p. 3-103\]](#)

The school must document in the student's file the reason it did not certify a Stafford loan. [\[HEA 428\(b\)\(1\)\(A\) and \(B\); §682.201\(a\)\(1\) and \(2\)\]](#)

6.15.C PLUS Loan Certification

PLUS loans are available both to parent borrowers who wish to borrow on behalf of their dependent undergraduate students, and to graduate and professional student borrowers. A school that participates in the Federal PLUS Loan Program and offers both undergraduate and graduate or professional programs must offer PLUS loans both to

parents and to the school's graduate and professional students. Schools are not permitted to exclude either category of borrower from participation in the Federal PLUS Loan Program. [\[DCL FP-06-05\]](#)

Parent Borrowers

A school may certify a [parent PLUS loan](#) only if both the parent borrower and the student for whom the loan is being obtained meet the eligibility criteria outlined in [subsection 5.1.A](#). In addition, the student must meet the eligibility criteria outlined in [subsection 5.1.B](#) and [Section 5.11](#) and the parent borrower must meet the eligibility criteria outlined in [subsection 5.1.C](#).

A school determines a parent borrower's maximum eligibility for a parent PLUS loan by subtracting from the [cost of attendance \(COA\)](#) the estimated financial assistance (EFA) that both the student, and the parent on behalf of the student, are expected to receive for the [loan period](#).

A school is not required to perform [need analysis](#) to determine a parent's eligibility for a PLUS loan. Likewise, a school is not required to determine a student's eligibility for a Pell grant or a subsidized or unsubsidized Stafford loan prior to certifying a parent PLUS loan or disbursing parent PLUS loan funds. A parent may choose to borrow the entire amount of the COA minus the EFA for an eligible dependent student regardless of whether the student is eligible to receive other Title IV aid—including a [Pell grant](#), a subsidized Stafford loan, or an unsubsidized Stafford loan. However, if the student is seeking such aid, the school must include that aid in the EFA when determining the parent's PLUS loan eligibility. [\[2006-2007 Federal Student Aid Handbook, Volume 3, Chapter 6, p. 3-78\]](#)

Graduate and Professional Student Borrowers

A school may certify a [Grad PLUS loan](#) for a graduate or professional student only if the student meets the eligibility criteria for both a student and a PLUS loan borrower. These eligibility criteria are outlined in [subsections 5.1.A, 5.1.B, and 5.1.C](#), and [Section 5.11](#).²

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.

¹ Policy 968 (Batch 142), approved September 20, 2007

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

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

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—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 loan limit. 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)]

Other exceptional circumstances—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:¹

- 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)]

A parent's unwillingness or refusal to take out a PLUS loan is not considered an exceptional circumstance. The certification of additional unsubsidized Stafford loan funds, when combined with the student's estimated financial assistance (EFA), must not exceed the student's cost of attendance (COA) for the loan period. Only one parent needs to be unable to obtain a PLUS loan in order for the dependent student to be eligible for the additional unsubsidized Stafford loan funds. A school may not certify additional unsubsidized Stafford loan funds for a dependent student based on the school's decision not to participate in the Federal PLUS Loan Program. [§682.201(a)(3); §682.204(k)]

If either parent subsequently is determined to be eligible for a PLUS loan *after* the school certifies the student for additional unsubsidized Stafford loan funds, the school must return to the lender any additional unsubsidized Stafford loan funds received by the school but not yet delivered to the student for that loan period. The school must request the cancellation of any future disbursements of the additional unsubsidized Stafford loan funds. The school is not responsible for recovering and returning Stafford loan funds for which the student was previously determined eligible and which have been released to the student. However, those Stafford funds must be included in the EFA used in determining eligibility for the PLUS loan. [DCL 96-L-186/96-G-287, Q&A #3]

If a parent of a dependent student is initially determined to be eligible for a PLUS loan but subsequently is denied additional PLUS loan funds for the same loan period, the school may choose to certify additional unsubsidized Stafford loan funding for the student, not to exceed the maximum additional unsubsidized loan amounts (see [subsection 6.11.A](#)). Any eligible PLUS loan proceeds delivered or scheduled for future delivery during the loan period must be included in the EFA used in determining eligibility for the additional unsubsidized Stafford loan. The school need not recover or return PLUS loan funds for which the parent was previously determined eligible and

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

Delivery or Return of Loan Funds

Figure 8-6

For more detailed information about the delivery or return of loan proceeds, see [subsections 8.7](#) and [8.9](#)

| Situation | Condition under Which Proceeds May Be Delivered to Student | Latest Delivery Date ¹ | Time Frame for Returning Undelivered Proceeds to Lender ^{2, 3} |
|---|---|---|---|
| Enrolled student fails to respond to request for endorsement of loan check or fails to authorize EFT or master check ⁴ | After endorsement or authorization, subject to FFELP loan delivery requirements | Check: Within 30 days after receipt of proceeds EFT/Master Check: Within 3 business days after receipt of proceeds [§668.167(b)(1)(ii) and (iii)] | Promptly, but no later than 10 business days after the latest delivery date [§668.167(c)(1)] |
| Student is on an approved leave of absence [§682.604(c)(4)] | Student returns from the leave of absence | Check: Within 30 days after receipt of proceeds EFT/Master Check: Within 3 business days after receipt of proceeds [§668.167(b)(1)(ii) and (iii)] | Promptly, but no later than 10 business days after the latest delivery date [§668.167(c)(1)] |
| Student fails to undergo initial loan counseling [§682.604(f)] | After counseling, subject to FFELP loan delivery requirements | Check: Within 30 days after receipt of proceeds EFT/Master Check: Within 3 business days after receipt of proceeds [§668.167(b)(1)(ii) and (iii)] | Promptly, but no later than 10 business days after the latest delivery date [§668.167(c)(1)] |
| Student selected for verification [§668, Subpart E] | When verification is completed, subject to FFELP loan delivery requirements | Within 45 days of receipt of proceeds [§668.58(c); §668.60(b)(3)] | Promptly, but no later than 10 business days after the latest delivery date if verification is not completed [§668.167(c)(1)] |
| Missing financial aid information for student (see subsection 5.14.A) [§668.19] | When all required financial aid information is received, subject to FFELP loan delivery requirements (see section 8.7) | Check: Within 30 days after receipt of proceeds EFT/Master Check: Within 3 business days after receipt of proceeds [§668.167(b)(1)(ii) and (iii)] | Promptly, but no later than 10 business days after the latest delivery date if all required financial aid information is not received [§668.167(c)(1)] |
| Student fails to register [§682.604(d)(3)] | N/A | <i>Only to determine time frame for returning proceeds</i> Check: Within 30 days after receipt of proceeds EFT/Master Check: Within 3 business days after receipt of proceeds [§668.167(b)(1)(ii) and (iii)] | Promptly, but no later than 10 business days after the latest delivery date [§668.167(c)(1)] |
| Registered student withdraws or is expelled before first day of classes, or fails to attend [§682.604(d)(3)] | N/A | <i>Only to determine time frame for returning proceeds</i> Check: Within 30 days after receipt of proceeds EFT/Master Check: Within 3 business days after receipt of proceeds [§668.167(b)(1)(ii) and (iii)] | Promptly, but no later than 10 business days after the latest delivery date [§668.167(c)(1)] |
| Student fails to maintain at least half-time enrollment or loses loan eligibility [§682.604(b)(2)(i)] | N/A | <i>Only to determine time frame for returning proceeds</i> Check: Within 30 days after receipt of proceeds EFT/Master Check: Within 3 business days after receipt of proceeds [§668.167(b)(1)(ii) and (iii)] | Promptly, but no later than 10 business days after the latest delivery date [§668.167(c)(1)] |
| Student is overawarded [§682.604(h)] | Student is eligible for portion of proceeds | Check: Within 30 days after receipt of proceeds EFT/Master Check: Within 3 business days after receipt of proceeds [§668.167(b)(1)(ii) and (iii)] | Promptly, but no later than 10 business days after the latest delivery date if entire loan disbursement [§668.167(c)(1)] Within 60 days of determining an overaward exists if portion of proceeds |

- Schools may delay delivery of loan proceeds for a conditional period of 10 business days after the last day of the initial period if, within this conditional period, the school expects the student to complete the required number of clock or credit hours in a preceding payment period or the school expects the student to meet all FFELP eligibility requirements. The school is encouraged to document the reason for holding loan proceeds for delivery within this conditional period. This provision does not apply to students for whom verification has not been completed.
[§668.167(c)]
- In the case of an overaward, schools *must* indicate in writing the reason for returning loan proceeds and, if applicable, provide the student's withdrawal date. In all other cases, schools are encouraged to provide the reason for returning loan proceeds and, if applicable, provide the student's withdrawal date. If, during the return period, the school determines that the student has become eligible to receive the loan proceeds, 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.
[§668.167(b)(3); §682.604(h)]
- For purposes of returning undelivered proceeds to the lender, the term "promptly" means that a school may not delay initiating and completing its normal return process. "Returning the proceeds promptly, but no later than 10 business days" means that the school must either mail a check or initiate an electronic funds transfer to the lender by the close of business of the last day of the return period.
[§668.167(b)(2)]
- The required authorization is included on the Master Promissory Note (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. This requirement does not apply to students enrolled in a study-abroad program (see [Subsection 7.7.E](#)).¹

¹ Policy 971 (Batch 142), approved September 20, 2007

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, 1991.¹~~

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]²~~

11.4 Economic Hardship Deferment

An **economic hardship** deferment is available to a borrower who earns less than minimum wage or exceeds a federally defined debt-to-income ratio.

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*).

¹ Policy 974 (Batch 142), approved September 20, 2007

² Policy 974 (Batch 142), approved September 20, 2007

13.8 Discharge

A loan discharge is a release of a borrower's or any comaker's obligation to repay his or her loan, either in whole or in part. There are several circumstances under which a borrower's or comaker's loan may be discharged. Each of these circumstances and its corresponding borrower eligibility criteria are outlined in this section. In certain circumstances, a lender that discharges all or a portion of an eligible borrower's loan may be reimbursed by the guarantor by filing a claim. For information about claim filing procedures, see [section 13.1](#).

Partial Discharge of a Consolidation Loan

The lender of a Consolidation loan must submit to the guarantor of the Consolidation loan a request for partial discharge ~~of the portion~~ of the Consolidation loan for the portion that represents any underlying loans that are eligible for discharge due to disability (only for comade Consolidation loans), closed school, death, false certification, unpaid refund, or another discharge type. Upon approval of the discharge, the guarantor will process a payment for the discharged principal and interest portion of the Consolidation loan and forward the payment to the Consolidation loan lender.

- ▲ Lenders may contact the guarantor of the Consolidation loan for information on how to file the request for partial discharge.

Request for Reimbursement Due to Partial Discharge of a Federal Consolidation Loan Form

The Request for Reimbursement Due to Partial Discharge of a Federal Consolidation Loan form is designed to be used by a lender to request a partial discharge of the Consolidation loan for the portion 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.

Request for Reimbursement Due to Partial Discharge of a Federal Consolidation Loan Form Instructions

Figure 13-3 will help lenders determine what information must be provided on the Request for Reimbursement Due to Partial Discharge of a Federal Consolidation Loan form. Detailed descriptions of these items are located in the Instructions for Reimbursement Due to Partial Discharge of a Federal Consolidation Loan form.¹

¹ Policy 963 (Batch 142), approved September 20, 2007

Comakers and Endorsers

If a PLUS loan was obtained by two [parents](#) as [comakers](#) (as applicable to a PLUS loan made prior to April 16, 1999), or a Consolidation loan was obtained by two spouses as comakers (as applicable to a Consolidation loan made from an application received by the consolidating lender prior to July 1, 2006), and one of the borrowers is eligible for [discharge](#), one or both comakers remain obligated to repay the loan. However, if each comaker on a loan meets the eligibility criteria for a discharge—under the same type or a different discharge type—the loan holder may grant a discharge on the loan. [[§682.402\(a\)\(2\) and \(3\)](#)]

If a comaker on a joint Consolidation loan is determined to be totally and permanently disabled, the disabled comaker's underlying loans are discharged but the disabled comaker and the non-disabled comaker both remain jointly and severally liable for the repayment of the balance of the loan. For a comade PLUS loan, if one comaker is determined to be totally and permanently disabled, that comaker's obligation on the loan is discharged and the non-disabled comaker assumes responsibility for repayment of the entire loan balance.

If the lender has begun collection activities with respect to the endorser's obligation on a PLUS loan, and if the endorser is determined to be totally and permanently disabled, the endorser's obligation on the loan is discharged and the primary borrower assumes sole responsibility for repayment of the entire loan balance.

Credit Bureau Reporting

As required under [subsection 3.5.C](#), the lender must report to at least one [national credit bureau](#) the date a borrower's loan is [discharged](#) due to the [disability](#), [bankruptcy](#), or the death of the borrower or [dependent student](#), as applicable. For closed [school](#) and false [certification](#) claims, the current loan [holder](#) must, within 30 days of the date the lender is notified that a loan is [discharged](#), notify all credit reporting agencies to which any adverse credit has been reported that the loan obligation has been discharged and that the adverse credit information must be corrected. [[§682.208\(b\)](#)]

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

Information to Be Provided on the Request for Reimbursement Due to Partial Discharge of a FFELP Consolidation Loan Form

Figure 13-3

| Item Description | Required¹ |
|--|-----------------------------|
| <u>Reason type.</u> | • |
| <u>Date condition occurred (DCO).</u> | • |
| <u>Borrower name.</u> | • |
| <u>Borrower Social Security number (SSN).</u> | • |
| <u>Comaker name.</u> | • |
| <u>Comaker Social Security number (SSN).</u> | • |
| <u>Dependent student name.</u> | • |
| <u>Dependent student Social Security number (SSN).</u> | • |
| <u>Loan ID.</u> | • |
| <u>1st disbursement date for Consolidation loan.</u> | • |
| <u>Principal amount outstanding for the Consolidation loan based on date of death or disability, or for closed school or false certification based on date of disbursement of the Consolidation loan. Also, include the sum of the outstanding principal amounts provided.</u> | • |
| <u>Interest rate and interest rate type for Consolidation loan.</u> | • |
| <u>Proration rate.</u> | • |
| <u>Loan type for each underlying loan to be discharged.</u> | • |
| <u>First disbursement date for each underlying loan to be discharged.</u> | • |
| <u>Amount requested.</u> | • |
| <u>Interest-paid-through date.</u> | • |
| <u>Interest claimed as of (date and amount).</u> | • |
| <u>Total amount requested.</u> | • |
| <u>Eligible payments.</u> | • |
| <u>Reimbursement amount requested.</u> | • |
| <u>Lender's six-digit lender ID assigned by the Department and, as applicable, four-digit non-Department suffix.</u> | • |
| <u>Servicer's six-digit servicer ID assigned by the Department.</u> | • |
| <u>Lender/servicer name/address.</u> | • |
| <u>Preparer's name and telephone number.</u> | • |

¹ Refers to information the lender must provide on the Request for Reimbursement Due to Partial Discharge of a FFELP Consolidation Loan form.¹

¹ Policy 963 (Batch 142), approved September 20, 2007

- At least 26 weeks of instructional time and 900 clock hours of supervised training in a program using clock hours to measure academic progress.
- At least 26 weeks of instructional time and 900 clock hours in a correspondence program.

Origination Fee: A fee charged to offset the cost of interest, special allowance, and reinsurance payments by the federal government on a FFELP loan. This fee, if charged to the borrower, may be subtracted from the borrower's loan proceeds. See [section 7.9](#).

Out-of-School Date: The date the student ceases to be enrolled on at least a half-time basis at an eligible school.

Overaward: Any amount of a student's total estimated financial assistance (excluding Pell grants) that exceeds the student's financial need. See [section 8.6](#).

P

Parent: For purposes of PLUS loan eligibility, a student's natural or adoptive mother, father, or the spouse of a parent who remarried if the spouse's income and assets would have been taken into account when calculating a dependent student's expected family contribution.

Parent PLUS Loan: A PLUS loan made to the parent of a dependent undergraduate student.

Partial Cancellation: Cancellation of a disbursement or a portion of a disbursement rather than of an entire loan.

Participating School: An eligible school that meets the standards for participation in Title IV programs in [subpart B](#), has a current Program Participation Agreement with the Department, and is eligible to receive funds under these programs.

Payment Period: The basis on which a school must schedule and deliver disbursements for a particular loan period. The payment period begins on the first day of regularly scheduled classes. A payment period is determined based on the structure of the school's academic program. At a school that does not use standard terms, a payment period is measured in credit or clock hours completed by the student in relation to the length of the student's program of study. The payment period requirement does not eliminate the multiple disbursement requirement for a school to deliver loan proceeds in substantially equal installments, with no installment exceeding one-half of the loan amount. See [section 6.3](#).

Pell Grant: A federal need-based grant.

Period of Enrollment: As defined by federal regulation, the period for which a Stafford or PLUS loan is intended. The period of enrollment must coincide with a bona fide academic term established by the school for which the school's charges are generally assessed, i.e., semester, trimester, quarter, length of the student's program or the school's academic year. The period of enrollment is also referred to as the loan period (see [section 6.2](#)). In addition, the term "period of enrollment" is commonly used by the financial aid community to refer to the period of time during an academic year when a student is enrolled at the school.

[§682.200(b); §682.603(f)(1) and (2)]

Permanent Resident of the United States: A person who meets certain requirements of the U.S. Immigration and Naturalization Service (INS). Valid documentation of permanent residency includes the following: I-551, I-151, I-181, I-94, or a passport stamped processed for I-551, "Temporary evidence of lawful admission for permanent residence."

PLUS MPN: See [Federal PLUS Loan Application and Master Promissory Note](#)

Post-Deferment Grace Period: A 6-month period following a deferment during which payments are not required. The 6-month post-deferment grace period applies only to loans disbursed before October 1, 1981, and, in some cases, to loans for borrowers who participated on active-duty status in certain emergency military mobilizations, such as Operations Desert Shield/Desert Storm. See [subsection 11.1.H](#). See [Section H.1](#), under [April 9, 1991, for information on the post-deferment grace period applicable to Operations Desert Shield/Desert Storm](#).¹

Post-Withdrawal Disbursement: A disbursement made when the calculations for the school's return of Title IV funds result in the student being eligible to receive more Title IV aid than was disbursed or delivered prior to his or her withdrawal. A post-withdrawal disbursement must meet certain conditions for late disbursement. See [subsection 9.5.A](#).

PPA: See [Program Participation Agreement](#)

Preaccredited School: A public or private nonprofit school that is progressing towards accreditation within a reasonable period of time, as certified by an accrediting agency. The status must be recognized by the Department for purposes of Title IV program eligibility. See also [Accrediting Agency](#).

¹ Policy 974 (Batch 142), approved September 20, 2007

- The student must certify that he or she did not, at the time of enrollment, meet the legal requirements for employment in the student’s state of residence in the field for which the course of study was preparatory because of a mental or physical condition, age, or criminal record, or other reason accepted by the Secretary.

Absence of Documentation/Evidence

A borrower’s statement that he or she (or, in the case of a PLUS loan, the student) was “falsely certified” or “improperly tested” would not be considered sufficient evidence of the borrower’s entitlement to discharge if it is not supported by some evidence that the student was admitted to a course of study to which he or she should not have been admitted as a result of improper administration of ATB provisions.

The guarantor is expected to obtain [documentation](#) and [records](#) from any available public or private agency which reviewed or had oversight responsibilities for the school. If the guarantor determines that evidence or documentation does not exist, it is the borrower’s responsibility to substantiate the claim with substantive persuasive evidence.

H.4 History of Statutory and Regulatory Waivers

H.4.A Waivers for Operations Desert Shield/Desert Storm

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.

H.4.A HEROES Act Waivers

H.4.B HEROES Act Waivers¹

The [Higher Education Relief Opportunities for Students \(HEROES\) Act of 2003 \(P.L. 108-76\)](#) requires the Department to publish waivers or modifications to statutory

or regulatory provisions applicable to the Title IV federal student aid programs. The HEROES Act directs the Department to publish waivers and modifications that are appropriate to assist “affected individuals” who are also federal student aid applicants and recipients. The Department originally announced the HEROES Act waivers in a [Federal Register notice dated December 12, 2003](#), effective until September 30, 2005. In a [Federal Register notice dated October 20, 2005](#), the Department extended the waivers to September 30, 2007.

Not all waivers and modifications apply to all affected individuals. The Department designated four categories of waiver recipients, and identified specific waivers and modifications that apply to each category. In addition to granting waivers to affected individuals, the Department also granted waivers to the *dependents and spouses* of two categories of affected individuals (see [Figure H-2](#) under “HEROES Act Waivers and Modifications”).

Affected Individuals under the HEROES Act

The HEROES Act defines an “affected individual” as any one of the following:

- A member of a U.S. Armed Force serving on active duty in connection with a war or other military operation, a national emergency, or subsequent actions or conditions, who is assigned to a duty station at a location other than the location at which the individual is normally assigned.
 - Active duty service includes a Reserve, or a retired member of a U.S. Armed Force ordered to active duty in connection with a war or other military operation, or a national emergency, regardless of the location at which that active duty service was performed.
- A member of the National Guard on full-time National Guard duty under a call to active service authorized by the president or the secretary of defense for a period of more than 30 consecutive days in connection with a war or other military operation, or a national emergency.
- An individual who resides or is employed in an area that was declared a disaster area by any federal, state, or local official in connection with a national emergency.
- An individual who suffers direct economic hardship as a direct result of a war or other military operation, or a national emergency, as determined by the Department.

¹ Policy 974 (Batch 142), approved September 20, 2007

must perform uninterrupted, otherwise qualifying service for a specified length of time or for consecutive periods of time.

The requirement that periods of service be uninterrupted and/or consecutive is waived, if the reason for the interruption is related to the borrower's status as an affected individual. The period during which the borrower is an affected individual, including a 3-month transition period that immediately follows, will not be considered an interruption in the required service for the borrower to receive loan forgiveness.

22. *Consolidating Defaulted Loans* (see [section 15.2](#))

A defaulted Title IV loan is eligible for consolidation if, at the time of application for the Consolidation loan, the borrower has agreed to repay the Consolidation loan under an income-sensitive repayment schedule, or the borrower has made satisfactory repayment arrangements. Satisfactory repayment arrangements for Consolidation loan eligibility purposes are defined as three, consecutive, on-time (received within 15 days of the due date), voluntary, full monthly payments. These payments must be reasonable and affordable with respect to the borrower's financial situation and must be received by the holder of the defaulted loan during the 3 months immediately preceding the receipt of a consolidating lender's verification certificate.

For an affected individual who establishes eligibility to consolidate a defaulted loan by making satisfactory repayment arrangements, the requirement for consecutive monthly payments is waived. Guarantors should not treat any payment missed during the time that a borrower is an affected individual as an interruption in the requisite three consecutive, monthly, on-time payments. When the borrower is no longer considered to be an affected individual, or in a 3-month transition period that immediately follows, the required sequence of qualifying payments may resume at the point they were discontinued as a result of the borrower's status.

23. *Collection Activities on Defaulted Loans* (see [34 CFR 682.410](#) and the [2006-2007 Federal Student Aid Handbook, Volume 6](#))

Title IV loan holders must attempt to recover amounts owed from defaulted loan borrowers.

The provisions that require collection activities on defaulted Title IV loans are waived for the time period during which the borrower is an affected individual. Collection activities may cease upon notification by

the borrower, a member of the borrower's family, or another reliable source that the borrower is an affected individual. The loan holder is not required to obtain evidence of the borrower's status as an affected individual. Collection activities must resume after the borrower has notified the loan's holder that he or she is no longer an affected individual, and must include the 3-month transition period that immediately follows. The loan holder must document in the loan file the reason that it suspended collection activities.

Documentation Requirements

A school, lender, or guaranty agency must document the application of a waiver or modification in such a way that it can report to the Department, upon request, the effect of the waivers and modifications.

H.4.B Higher Education Hurricane Relief Act Waivers

H.4.C Higher Education Hurricane Relief Act Waivers¹

The [Higher Education Hurricane Relief Act of 2005 \(P.L. 109-148\)](#) authorized the Department to waive or modify any statutory or regulatory provision applicable to the Title IV programs, or any student or institutional eligibility provision in the HEA, as the Department deems necessary in connection with a Gulf hurricane disaster.

Based on this authority, on February 23, 2006, the Department published [Electronic Announcement #9](#) and [Electronic Announcement #12](#), stating that hurricane-impacted schools that were in possession of Title IV funds that were awarded to students enrolled for an academic period that was disrupted by Hurricane Katrina or Hurricane Rita will, generally, not be required to return those funds for students who withdrew or who never began attendance. For the purposes of this relief, a hurricane-impacted school is a school with a main campus that ceased on-campus operations for more than thirty days as a result of Hurricane Katrina or Hurricane Rita, as determined by the Department.

¹ Policy 974 (Batch 142), approved September 20, 2007