

## Summary of Changes Approved September through April 2008

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 April 17, 2008.

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>			
Figure 2-1 The Life of a Stafford Loan	Incorporates into the Manual loan discharge provisions applicable to the spouses and parents of September 11, 2001 victims contained in the Third Higher Education Extension Act of 2006 (P. L. 109-292), and regulations published in the <i>Federal Registers</i> dated December 28, 2006, and September 28, 2007.	Loan discharges granted to spouses and parents of September 11, 2001 victims on or after October 29, 2007.	1024/149
Figure 2-2 The Life of a Parent PLUS Loan			
2.2.C Repayment			
2.3.C Common Forms			
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>			
3.2 Schools Acting as Lenders and Eligible Lender Trustee Relationships	Aligns the Manual guidance for a school or school-affiliated organization that makes or originates loans through an eligible lender trustee with the final regulations published November 1, 2007.	Loans first disbursed under an ELT relationship on or after January 1, 2007.	1016/148
3.2 Schools Acting as Lenders and Eligible Lender Trustee Relationships	Adds a glossary definition that states that a school-affiliated organization is any organization that is directly or indirectly related to a school and includes, but is not limited to: alumni organizations, foundations, athletic organizations, or social, academic, or professional organizations.	July 1, 2008.	1049/150
3.4.A Recordkeeping Requirements	Adds that the holder of an electronically signed MPN must retain the original MPN for at least 3 years after all the loans made on the MPN have been satisfied. Also adds the documentation that the Department may require to resolve a factual dispute on a loan that has been assigned to the Department, and expands the disbursement record requirement.	Electronically signed notes in existence as of July 1, 2008, and all electronically signed notes created on or after July 1, 2008.  Assignments made on or after July 1, 2008. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the department publishes guidance with a different triggering event, the Common Manual will immediately notify schools and lenders of the change.</i>	1038/150

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
3.4.C Permitted and Prohibited Activities	<p>Amends certain existing lender prohibitions, such that a lender is not permitted to offer directly or indirectly points, premiums, payments, or other inducements to any school or other party to secure applications for FFELP loans or to secure FFELP loan volume.</p> <p>Clarifies certain prohibited lender activities, as including, but not being limited to, providing preferential rates for or access to the lender's other financial products, computer hardware or non-loan processing or non-financial aid-related software at below-market rental or purchase cost, or printing and distribution of college catalogs and other materials at reduced or no cost.</p> <p>Also adds a list of permissible lender activities.</p>	Lender activities that occur on or after July 1, 2008.	1039/150
3.4.D Borrower Defenses	Provides that a borrower may assert certain claims and defenses against repayment of a loan received for attendance at any post-secondary school, if the loan was made by the school or a school-affiliated organization, or was made by a lender that was designated by the school, affiliated with the school, or provided improper inducements to obtain the loan business.	July 1, 2008.	1025/149
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
3.5.C Credit Bureau Reporting	Incorporates into the Manual loan discharge provisions applicable to the spouses and parents of September 11, 2001 victims contained in the Third Higher Education Extension Act of 2006 (P. L. 109-292), and regulations published in the <i>Federal Registers</i> dated December 28, 2006, and September 28, 2007.	Loan discharges granted to spouses and parents of September 11, 2001 victims on or after October 29, 2007.	1024/149

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
3.5.C Credit Bureau Reporting	<p>States that if a loan is discharged due to closed school or false certification, a lender must request that the credit bureau remove any negative or inaccurate information regarding that loan from an individual's credit history.</p> <p>States that federal due diligence requirements in collecting any delinquent loan payments, as well as federal credit bureau reporting requirements, do not preempt the provisions of the Fair Credit Reporting Act (FCRA) that provide relief to an individual while a lender determines the legal enforceability of a loan when the lender receives a valid identity theft report or notification from a credit bureau of an alleged identity theft.</p> <p>States that for an individual to qualify for a loan discharge due to false certification as a result of the crime of identity theft, the individual must provide the lender with a copy of a local, state, or federal court verdict or judgment that conclusively determines that the individual who is named as the borrower or endorser of the loan was the victim of a crime of identity theft by a perpetrator named in the verdict or judgment.</p> <p>States that the Department also ends its obligation to pay federal interest benefits and special allowance to a lender on the date the lender determines a loan to be legally unenforceable based on the receipt of an identity theft report or notification from a credit bureau of an alleged identity theft.</p>	<p>Deletion of loans from credit bureau records, loans discharged on or after July 1, 2008. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i></p> <p>Reports received on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i></p> <p>False certification identity theft loan discharge claims processed by the lender on or after September 8, 2006.</p> <p>Interest benefits and special allowance billing discontinuance, loans deemed unenforceable on or after July 1, 2008. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i></p>	1027/149
3.5.C Credit Bureau Reporting	<p>Provides for the suspension of credit bureau reporting and administrative forbearance for 120 days on any loan for which the lender receives a valid identity theft report or notification from a credit bureau of an allegation of identity theft. The lender must determine the legal enforceability of the loan. If a lender determines that a loan does not qualify for a false certification loan discharge as a result of the crime of identity theft, but the loan is nonetheless legally unenforceable against that individual, the lender must notify the credit bureau of the determination.</p>	<p>Reports received on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i></p>	1026/149

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
3.5.D Reporting Loan Information	Requires that a lender report enrollment and loan status information, or any loan-related information that the Department may require, by the deadline established by the Department.	Enrollment or loan status changes submitted to the guarantor or to the Department on or after July 1, 2008 unless implemented earlier by the lender and the guarantor on or after November 1, 2007. <i>This trigger event aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i>	1007/147
3.9 Exceptional Performer Designation 3.9.A Applying for the Designation 3.9.B Department Determination of Request for Designation	Removes from the manual all language that relates to an exceptional performer designation for a lender or servicer, as well as all exceptional performer claim filing requirements.	Claims originally filed by a lender on or after October 1, 2007.	1005/147
<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
4.4 Providing Information to Students	Places greater emphasis on the borrower's right to choose a FFELP lender, and incorporates new regulatory requirements regarding the use of "recommended lender lists."  Clarifies how schools that choose <i>not</i> to recommend lenders may still provide information to assist borrowers with their choice of lender.	Recommended lender lists provided to students and parents on or after July 1, 2008.  Certifications based on the borrower's choice of lender and/or guarantor, effective retroactive to the implementation of the <i>Common Manual</i> .  Ensuring that there is no delay in certification and/or processing of the loan based on the borrower's choice of lender or guarantor, effective for loans certified by the school on or after July 1, 2008.	1009/147
4.4 Providing Information to Students 4.4.C Entrance Counseling 4.4.D Exit Counseling	Incorporates entrance counseling requirements for graduate or professional student PLUS loan borrowers. In addition, redundant text has been removed and other language has been added to improve the clarity of the school counseling requirements. Also, Appendix G's definition of "Debt Management Counseling" is modified by removing reference to entrance counseling, and the definitions of "Entrance Counseling" and "Exit Counseling" have been expanded.	Entrance and exit counseling provided by the school on or after July 1, 2008, unless implemented earlier by the school on or after 11/1/07.	1028/149
4.4.C Entrance Counseling 4.5 Recordkeeping Requirements	Outlines two standards for notifying the borrower of his or her right to cancel a loan at the time of disbursement, depending on whether the borrower provided affirmative confirmation of his or her desire to receive the loan. Also includes in the school record-keeping requirements the indefinite retention period for documentation of the confirmation process, which first appeared in the 04-05 FSA Handbook.	Loans disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.  For the retention of documentation of the confirmation process, the publication date of the 04-05 FSA Handbook.	1029/149

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<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
5.2.A Citizenship Data Match	Updates the information on acceptable documentation for verification of eligible U.S. Citizens and Nationals and Eligible Noncitizens.	Implementation of a federal citizenship form is determined by the Department.	1000/146
5.2.A Citizenship Data Match	Adds victims of human trafficking and their relatives as eligible noncitizens for purposes of determining eligibility for Title IV assistance.	FFELP loans certified by the school on or after May 11, 2006.	992/146

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5.4.A Conditional Discharge of a Prior Loan Due to Total and Permanent Disability	<p>States that a borrower is not eligible for a total and permanent disability loan discharge if the borrower receives a new Title IV loan after the date <i>the physician completes and certifies the loan discharge application</i>. Adds revisions that state that a borrower's 3-year conditional discharge period is prospective from the date that the physician completes and signs the loan discharge application. If the lender receives the discharge application after the borrower's 90-day return time frame, the borrower must have the physician complete a new application and the lender must receive the application within 90 days of the physician's certification of the new discharge application. Revised policy adds information regarding additional medical evidence that the borrower must provide to the Department, upon the Department's request, if the borrower's application does not conclusively prove that the borrower is disabled</p> <p>Also removes language that states that a lender may apply an "initial" administrative forbearance on the borrower's loan, not to exceed 60 days, from the date that a borrower initially advises the lender that he or she is totally and permanently disabled through the date that the lender receives the physician's certification of the disability or a letter from the physician stating that additional time is needed to make the disability determination.</p>	<p>Total and permanent disability applications received by the lender on or after July 1, 2008.</p> <p>July 1, 2008, for administrative forbearance related to total and permanent disability.</p>	1040/150
5.11 Student Enrollment Requirements	States that a course of study that uses direct assessment rather than credit hours or clock hours is not an eligible course for purposes of teacher certification or recertification.	September 8, 2006.	993/146
<b>Chapter 6: School Certification</b>			
6.1 Defining an Academic Year Figure 6-2 Frequency of Stafford Annual Loan Limits	<p>Provides that, for the purposes of determining the frequency with which a student may receive the annual loan limits, nonstandard term-based credit-hour programs are now divided into two categories: those with terms of substantially equal length, with each term containing no less than nine weeks of instructional time; and those with terms that are not substantially equal or that include terms that are not at least nine weeks long.</p> <p>Nonstandard term-based credit-hour programs with terms that meet these length requirements are now treated like standard term-based credit-hour programs for the purpose of determining the frequency of annual loan limits. A student enrolled in such a program enters a new academic year for annual loan limit purposes when the calendar time for the academic year has elapsed.</p>	Loans certified on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1042/150

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6.1 Defining an Academic Year Figure 6-2 Frequency of Stafford Annual Loan Limits	Clarifies that a school may use a SAY or BBAY to determine Stafford annual loan limit frequency and determine the parent or Grad PLUS loan period for a student who is enrolled in a standard term-based program that is offered in a traditional academic year calendar, including such a program that is comprised of modules. Revised policy also broadens the definition of a BBAY to acknowledge its use in all types of programs and provides new detail concerning the use of a BBAY in standard term-based programs that do, and do not, have a traditional academic year calendar.	Publication date of the 05-06 FSA Handbook.	1030/149
6.1 Defining an Academic Year	Includes new guidance from the 07-08 FSA Handbook stating that when a student transfers from a graduate program to an undergraduate program within an academic year, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher, (graduate/professional) annual loan limit.	Publication date of the 07-08 FSA Handbook.	1018/148
6.2 Determining the Loan Period	States that the maximum period for which a school may certify a Stafford or PLUS loan is an academic year, and eliminates the 12-month maximum.  Clarifies that the maximum period of time for which a school may certify a loan is the calendar period of time in which a student is expected to successfully complete the credit or clock hours and the instructional weeks in the Title IV academic year.	Loan periods beginning on or after July 1, 2008. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i>	1019/150
6.2 Determining the Loan Period	Reduces the minimum loan period to a single term for a non-standard term-based credit-hour program with terms that are substantially equal in length and for which no term is less than nine weeks in length. Also provides that the minimum loan period for a student who transfers, or completes one program and begins another within an academic year, is the shorter of the remainder of the program or the remainder of the academic year associated with the previous program.	Loan periods beginning on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1043/150
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
6.2 Determining the Loan Period	Clarifies that, if the student's loss of eligibility was based on a failure to meet satisfactory academic progress standards, the school must comply with its written satisfactory academic progress policy, if the written policy provides that the student's eligibility will be reinstated at a later point.	Publication date of the 96-97 FSA Handbook.	999/146

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6.3 Determining Payment Periods	<p>States that the payment periods for a program measured in credit hours with standard terms or with non-standard terms that are substantially equal in length, for all Title IV programs, must correspond with the terms in the academic year. For all other types of academic programs, for FFELP funds, the loan period must be divided into two payment periods.</p> <p>For the purpose of these payment period definitions, revised policy defines “substantially equal in length” and “successful completion,” and describes the effect of excused absences when determining whether a student has successfully completed the payment period in a clock hour program.</p> <p>Provides additional information about the payment period for a student who returns to the same program after 180 days or, at any time, either transfers into a different program at the same school or enrolls in another school.</p>	Disbursements delivered by the school on or after July 1, 2008.	1044/150
6.3.B Standard Term-Based Programs Offered in Modules	<p>Clarifies that a school may use a SAY or BBAY to determine Stafford annual loan limit frequency and determine the parent or Grad PLUS loan period for a student who is enrolled in a standard term-based program that is offered in a traditional academic year calendar, including such a program that is comprised of modules. Revised policy also broadens the definition of a BBAY to acknowledge its use in all types of programs and provides new detail concerning the use of a BBAY in standard term-based programs that do, and do not, have a traditional academic year calendar.</p>	Publication date of the 05-06 FSA Handbook.	1030/149
6.4.B When Disbursements May Be Scheduled Made	<p>States that the payment periods for a program measured in credit hours with standard terms or with non-standard terms that are substantially equal in length, for all Title IV programs, must correspond with the terms in the academic year. For all other types of academic programs, for FFELP funds, the loan period must be divided into two payment periods.</p> <p>For the purpose of these payment period definitions, revised policy defines “substantially equal in length” and “successful completion,” and describes the effect of excused absences when determining whether a student has successfully completed the payment period in a clock hour program.</p> <p>Provides additional information about the payment period for a student who returns to the same program after 180 days or, at any time, either transfers into a different program at the same school or enrolls in another school.</p>	Disbursements delivered by the school on or after July 1, 2008.	1044/150

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6.9 Defining Enrollment Status	<p>For an undergraduate program, a school's definition of half-time enrollment must amount to at least half of the academic workload of the applicable minimum full-time enrollment definition for that program. More clearly states that a school must define full-time enrollment status for each of its undergraduate, graduate, or professional programs.</p> <p>Aligns Section 6.9 with glossary information about the enrollment status for a student enrolled solely in a correspondence program, and further expands that section to include regulatory updates that address enrollment status for a student who is enrolled in a non-correspondence program and combines correspondence with regular coursework.</p>	<p>Enrollment periods that begin on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i></p> <p>Retroactive to the implementation of the <i>Common Manual</i> for the following:</p> <ul style="list-style-type: none"> <li>• Determining enrollment status for a student enrolled solely in a correspondence program.</li> <li>• Defining full-time enrollment for each of a school's undergraduate, graduate, and professional programs.</li> </ul>	1031/149
6.11.A Stafford Annual Loan Limits	Includes new guidance from the 07-08 FSA Handbook stating that when a student transfers from a graduate program to an undergraduate program within an academic year, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher, (graduate/professional) annual loan limit.	Publication date of the 07-08 FSA Handbook.	1018/148
6.11.A Stafford Annual Loan Limits Figure 6-4 Stafford Undergraduate Annual and Aggregate Loan Limits	<p>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.</p> <p>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.</p>	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

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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 School Certification of the Loan	Places greater emphasis on the borrower's right to choose a FFELP lender, and incorporates new regulatory requirements regarding the use of "recommended lender lists."  Clarifies how schools that choose <i>not</i> to recommend lenders may still provide information to assist borrowers with their choice of lender.	Recommended lender lists provided to students and parents on or after July 1, 2008.  Certifications based on the borrower's choice of lender and/or guarantor, effective retroactive to the implementation of the <i>Common Manual</i> .  Ensuring that there is no delay in certification and/or processing of the loan based on the borrower's choice of lender or guarantor, effective for loans certified by the school on or after July 1, 2008.	1009/147
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.C PLUS Loan Certification	Requires the school to provide to a Grad PLUS applicant information regarding his or her eligibility for a Stafford loan, comparative information on the two loan programs, and an opportunity to apply for the maximum Stafford eligibility, if he or she has not already done so.	Grad PLUS loans certified by the school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1011/147
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
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

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6.15.E Refusing to Certify a Loan or Reducing Borrower Eligibility	<p>Clarifies that a school may not establish any one of the following general policies:</p> <ul style="list-style-type: none"> <li>Limiting the number of times a student who is making satisfactory academic progress may have a full Stafford annual loan limit at any one grade level.</li> <li>Prorating the Stafford annual loan limit based on a student's enrollment status, such as when the student is enrolled less than full-time, or is enrolled for less than a full academic year that is not a final period of study.</li> <li>Certifying a Stafford loan only for the amount needed to cover school charges.</li> <li>Limiting unsubsidized Stafford borrowing by independent students.</li> </ul>	<p>Publication date of the 07-08 FSA Handbook for the prohibition against a general policy that limits the number of times a student may have a full annual loan limit at any grade level.</p> <p>Publication date of the 05-06 FSA Handbook for the prohibition against a general policy of prorating the annual loan limit based on a student's enrollment status.</p> <p>Publication date of the 03-04 FSA Handbook for the prohibition against a general policy that:</p> <ul style="list-style-type: none"> <li>Limits borrowing to the amount needed to cover school charges.</li> <li>Limits unsubsidized Stafford borrowing by independent students.</li> </ul>	1017/148
6.16 Applying for Federal Stafford and PLUS Loans	Clarifies that when an endorser is used, the PLUS MPN becomes a "single-loan" promissory note because the endorser is liable only for the specific loan that he or she agreed to endorse. The lender must obtain a new MPN and new endorser addendum if the PLUS borrower (parent or student) requests an increase in the loan amount or a subsequent new PLUS loan.	Effective for PLUS MPNs used for loan periods beginning on or after July 1, 2003.	1021/148
<b>Chapter 7: Loan Origination</b>			
7.2.A Lender Responsibilities under a Master Promissory Note	Outlines two standards for notifying the borrower of his or her right to cancel a loan at the time of disbursement, depending on whether the borrower provided affirmative confirmation of his or her desire to receive the loan. Also includes in the school record-keeping requirements the indefinite retention period for documentation of the confirmation process, which first appeared in the 04-05 FSA Handbook.	<p>Loans disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.</p> <p>For the retention of documentation of the confirmation process, the publication date of the 04-05 FSA Handbook.</p>	1029/149

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7.4.A Current Stafford Interest Rates 7.4.C Previous Stafford Interest Rates Figure 7-1 Stafford Loan Interest Rates	<p>States that the interest rate on all Stafford loans first disbursed on or after July 1, 2006, is a fixed rate of 6.8%, except for subsidized Stafford loans made to undergraduate borrowers and first disbursed as follows:</p> <ul style="list-style-type: none"> <li>On or after July 1, 2008, and before July 1, 2009, the fixed interest rate is 6%.</li> <li>On or after July 1, 2009, and before July 1, 2010, the fixed interest rate is 5.6%.</li> <li>On or after July 1, 2010, and before July 1, 2011, the fixed interest rate is 4.8%.</li> <li>On or after July 1, 2011, and before July 1, 2012, the fixed interest rate is 3.4%.</li> </ul>	<p>Subsidized Stafford loans at a fixed interest rate of 6% that are first disbursed to undergraduate borrowers on or after July 1, 2008, and before July 1, 2009.</p> <p>Subsidized Stafford loans at a fixed interest rate of 5.6% that are first disbursed to undergraduate borrowers on or after July 1, 2009, and before July 1, 2010.</p> <p>Subsidized Stafford loans at a fixed interest rate of 4.8% that are first disbursed to undergraduate borrowers on or after July 1, 2010, and before July 1, 2011.</p> <p>Subsidized Stafford loans at a fixed interest rate of 3.4% that are first disbursed to undergraduate borrowers on or after July 1, 2011, and before July 1, 2012.</p>	1032/149
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
7.8 Processing the Federal Default Fee (Formerly the Guarantee Fee)	States that if a federal default fee for a loan is not remitted within 45 calendar days after disbursement of the loan proceeds by the lender, the guarantor may cancel the guarantee on the loan.	Federal default fees remitted by lenders for loan disbursements on or after July 1, 2008.	1037/150
<b>Chapter 8: Loan Delivery</b>			
8.2.A Initial Notice of Funds 8.2.B Confirmation Requirements for the Multi-Year Feature of the MPN 8.2.C School Notice of Credit to Student Account 8.2.D Borrower Notice to Cancel Loan Figure 8-1 FFELP Written Notification/Authorization Requirements	<p>Outlines two standards for notifying the borrower of his or her right to cancel a loan at the time of disbursement, depending on whether the borrower provided affirmative confirmation of his or her desire to receive the loan. Also includes in the school record-keeping requirements the indefinite retention period for documentation of the confirmation process, which first appeared in the 04-05 FSA Handbook.</p>	<p>Loans disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.</p> <p>For the retention of documentation of the confirmation process, the publication date of the 04-05 FSA Handbook.</p>	1029/149
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
8.3 Required Authorizations	Removes the requirement for a school to obtain a borrower's authorization to deposit FFELP loan proceeds into a borrower's designated bank account. Revised policy also incorporates regulatory expansion in a school's establishment of stored-value and prepaid debit cards.	Funds deposited by EFT directly into a student's or parent borrower's bank account or stored-value card by a school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1045/150

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
8.3 Required Authorizations Figure 8-1 FFELP Written Notification/ Authorization Requirements	States that a school may credit a student's account with Title IV funds from the current year to satisfy prior-year charges of up to \$200. The school is not required to obtain the borrower's authorization for credits to prior-year charges for tuition, fees, room, and board, but <i>is</i> required to obtain the borrower's authorization for credit to prior-year charges for other educationally related expenses.	Educationally related charges paid by a school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1015/148
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
8.7.B Delivering Second and Subsequent Disbursements	States that the payment periods for a program measured in credit hours with standard terms or with non-standard terms that are substantially equal in length, for all Title IV programs, must correspond with the terms in the academic year. For all other types of academic programs, for FFELP funds, the loan period must be divided into two payment periods.  For the purpose of these payment period definitions, revised policy defines "substantially equal in length" and "successful completion," and describes the effect of excused absences when determining whether a student has successfully completed the payment period in a clock hour program.  Provides additional information about the payment period for a student who returns to the same program after 180 days or, at any time, either transfers into a different program at the same school or enrolls in another school.	Disbursements delivered by the school on or after July 1, 2008.	1044/150
8.7.E Late Delivery	Extends to 180 days the time frame for the delivery of a late disbursement of FFELP loan funds but eliminates the option for the school to obtain Department approval for a late delivery of loan funds after the 180-day period expires. Also extends the time frame for making a post-withdrawal disbursement of loan funds to 180 days after the school determines the student withdrew. A new Sub-subsection is added to the text to address the differences between the requirements for the post-withdrawal disbursement of Title IV grant funds and the post-withdrawal disbursement of Title IV loan funds.	Late disbursements delivered by the school on or after July 1, 2008. Post-withdrawal disbursements delivered by the school on or after July 1, 2008.	994/146
8.7.H Delivery Methods	Removes the requirement for a school to obtain a borrower's authorization to deposit FFELP loan proceeds into a borrower's designated bank account. Revised policy also incorporates regulatory expansion in a school's establishment of stored-value and prepaid debit cards.	Funds deposited by EFT directly into a student's or parent borrower's bank account or stored-value card by a school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1045/150

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
8.7.H Delivery Methods	States that a school may credit a student's account with Title IV funds from the current year to satisfy prior-year charges of up to \$200. The school is not required to obtain the borrower's authorization for credits to prior-year charges for tuition, fees, room, and board, but <i>is</i> required to obtain the borrower's authorization for credit to prior-year charges for other educationally related expenses.	Educationally related charges paid by a school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1015/148
8.9.A Return of Undelivered Loan Funds	Provides that the school must return unclaimed FFELP loan funds to the lender. Permits the school to make subsequent attempts to deliver the funds for a period of up to 240 days, but if the borrower or student has not received or negotiated the funds by the end of that period, the school is required to return the loan funds to the FFELP lender. If the school chooses not to make additional attempts to deliver the funds, the loan funds must be returned to the FFELP lender within 45 days of the date the funds were returned or rejected.	Loan funds delivered by the school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1046/150
Figure 8-3 School Requirements before Delivering a FFELP Loan	Incorporates entrance counseling requirements for graduate or professional student PLUS loan borrowers. In addition, redundant text has been removed and other language has been added to improve the clarity of the school counseling requirements. Also, Appendix G's definition of "Debt Management Counseling" is modified by removing reference to entrance counseling, and the definitions of "Entrance Counseling" and "Exit Counseling" have been expanded.	Entrance and exit counseling provided by the school on or after July 1, 2008, unless implemented earlier by the school on or after 11/1/07.	1028/149
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 9: School Reporting Responsibilities and the Return of Title IV Funds</b>			
9.5 Return of Title IV Funds	Clarifies that refund information must be provided <i>upon request</i> , and places the requirements into a bulleted format for clarity.	Retroactive to the implementation of the <i>Common Manual</i> .	1013/147

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
9.5.A Return Amounts for Title IV Grant and Loan Programs	<p>States that the payment periods for a program measured in credit hours with standard terms or with non-standard terms that are substantially equal in length, for all Title IV programs, must correspond with the terms in the academic year. For all other types of academic programs, for FFELP funds, the loan period must be divided into two payment periods.</p> <p>For the purpose of these payment period definitions, revised policy defines “substantially equal in length” and “successful completion,” and describes the effect of excused absences when determining whether a student has successfully completed the payment period in a clock hour program.</p> <p>Provides additional information about the payment period for a student who returns to the same program after 180 days or, at any time, either transfers into a different program at the same school or enrolls in another school.</p>	Disbursements delivered by the school on or after July 1, 2008.	1044/150
9.5.A Return Amounts for Title IV Grant and Loan Programs	<p>Extends to 180 days the time frame for the delivery of a late disbursement of FFELP loan funds but eliminates the option for the school to obtain Department approval for a late delivery of loan funds after the 180-day period expires. Also extends the time frame for making a post-withdrawal disbursement of loan funds to 180 days after the school determines the student withdrew. A new Sub-subsection is added to the text to address the differences between the requirements for the post-withdrawal disbursement of Title IV grant funds and the post-withdrawal disbursement of Title IV loan funds.</p>	Late disbursements delivered by the school on or after July 1, 2008. Post-withdrawal disbursements delivered by the school on or after July 1, 2008.	994/146
<b>Chapter 10: Loan Servicing</b>			
10.4.A Stafford Loan Repayment Start Date	Clarifies that, for purposes of converting Stafford loans to repayment, the lender must use the day-specific method.	Effective for Stafford loans converted to repayment on or after March 1, 1997, unless implemented earlier by the lender or guarantor.	1014/148
10.8.A Standard Repayment Schedule	Aligns Subsection 10.8.A with Section 10.8, which requires a lender to establish a standard repayment schedule for a borrower who does not select another repayment schedule within 45 days of being notified of his or her options.	Repayment schedules requested or established on or after October 7, 1998.	1012/147
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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
10.10.A Permitted Capitalization	Incorporates into the Manual loan discharge provisions applicable to the spouses and parents of September 11, 2001 victims contained in the Third Higher Education Extension Act of 2006 (P. L. 109-292), and regulations published in the <i>Federal Registers</i> dated December 28, 2006, and September 28, 2007.	Loan discharges granted to spouses and parents of September 11, 2001 victims on or after October 29, 2007.	1024/149
10.10.B Capitalization Frequency	Permits the lender to capitalize unsubsidized interest that accrues on a Consolidation loan during periods of in-school deferment only at the end of the deferment period, rather than on a quarterly basis, as previously allowed.	Unsubsidized interest capitalized on Consolidation loans for periods of in-school deferment on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007.	1006/147
<b>Chapter 11: Deferment and Forbearance</b>			
11.1.A General Deferment Eligibility Criteria	Expands existing guidance by adding to the <i>Common Manual</i> an explanation of how lenders may grant administrative forbearance to a loan during a time when a nondisabled comaker is solely responsible for the repayment of the loan.	Administrative forbearances processed by a lender on or after July 1, 2007, unless implemented earlier by the guarantor.	995/146
Figure 11-1 Deferment Eligibility Chart	<p>Modifies the previous title “military deferment” to “military service” and adds a new section regarding the military active duty student deferment. This deferment is available for a period of up to 13 months to a borrower who is a member of the National Guard or Armed Forces Reserve (including a member who is in a retired status) and is called or ordered to active duty service while enrolled in an eligible school at the time of, or within 6 months prior to, his or her activation.</p> <p>Eliminates the time limit on military deferment and states that a military service deferment is available to a borrower who has an outstanding balance on any loan for all periods of active duty service that include October 1, 2007, or begin on or after that date.</p> <p>States that the military service deferment period is extended for an additional 180 days after the date the borrower is demobilized from active duty service. Also states that a military service deferment may be granted to a borrower whose deferment eligibility expired due to the prior 3-year limitation, if that borrower was still serving on eligible active duty on or after October 1, 2007.</p>	Deferment requests granted or extended by the lender on or after October 1, 2007.	1048/150
11.3.A Eligibility Criteria—Armed Forces	States that a borrower or a borrower’s representative must request the armed forces and the military deferments.	Armed forces and military deferments granted on or after July 1, 2008, can be implemented early by the lender on or after November 1, 2007. <i>This trigger event aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i>	1008/147

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
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
11.4.A Eligibility Criteria—Economic Hardship	Amends the deferment eligibility requirement to reflect that the borrower's monthly income may not exceed an amount equal to 150% of the poverty line applicable to the borrower's family size and updates the glossary definition accordingly.	Economic Hardship deferment requests made on or after October 1, 2007.	1047/150
11.4 Economic Hardship Deferment 11.5 Graduate Fellowship Deferment 11.9 Military Service Deferment	Allows a lender to grant certain types of deferments to a new borrower (i.e., first borrowed on or after July 1, 1993) based on a deferment granted by another FFELP loan holder or the Department. A lender may grant the deferment using the simplified process if the borrower requests it verbally or in writing and based on information from the other FFELP loan holder, the Department, or an authoritative electronic database maintained or authorized by the Department.	Deferment requests granted by the lender on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i>	1033/149
11.8 Military Active Duty Student Deferment 11.8.A Eligibility Criteria—Military Active Duty Student 11.8.B Deferment Documentation—Military Active Duty Student 11.8.C Length of Deferment—Military Active Duty Student 11.8.D Simplified Deferment Processing 11.9 Military Service Deferment 11.9.A Eligibility Criteria—Military Service 11.9.B Deferment Documentation—Military Service 11.9.C Length of Deferment—Military Service	<p>Modifies the previous title “military deferment” to “military service” and adds a new section regarding the military active duty student deferment. This deferment is available for a period of up to 13 months to a borrower who is a member of the National Guard or Armed Forces Reserve (including a member who is in a retired status) and is called or ordered to active duty service while enrolled in an eligible school at the time of, or within 6 months prior to, his or her activation.</p> <p>Eliminates the time limit on military deferment and states that a military service deferment is available to a borrower who has an outstanding balance on any loan for all periods of active duty service that include October 1, 2007, or begin on or after that date.</p> <p>States that the military service deferment period is extended for an additional 180 days after the date the borrower is demobilized from active duty service. Also states that a military service deferment may be granted to a borrower whose deferment eligibility expired due to the prior 3-year limitation, if that borrower was still serving on eligible active duty on or after October 1, 2007.</p>	Deferment requests granted or extended by the lender on or after October 1, 2007.	1048/150

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
11.9.B Deferment Documentation— Military Service	States that a borrower or a borrower's representative must request the armed forces and the military deferments.	Armed forces and military deferments granted on or after July 1, 2008, can be implemented early by the lender on or after November 1, 2007. <i>This trigger event aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i>	1008/147
11.14 Rehabilitation Training Program Deferment 11.18 Unemployment Deferment	Allows a lender to grant certain types of deferments to a new borrower (i.e., first borrowed on or after July 1, 1993) based on a deferment granted by another FFELP loan holder or the Department. A lender may grant the deferment using the simplified process if the borrower requests it verbally or in writing and based on information from the other FFELP loan holder, the Department, or an authoritative electronic database maintained or authorized by the Department.	Deferment requests granted by the lender on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i>	1033/149
11.20.F Forbearance of a Loan for a Comaker during the TPD Conditional Period	Expands existing guidance by adding to the <i>Common Manual</i> an explanation of how lenders may grant administrative forbearance to a loan during a time when a nondisabled comaker is solely responsible for the repayment of the loan.	Administrative forbearances processed by a lender on or after July 1, 2007, unless implemented earlier by the guarantor.	995/146
11.21.D False Certification as a Result of the Crime of Identity Theft	Provides for the suspension of credit bureau reporting and administrative forbearance for 120 days on any loan for which the lender receives a valid identity theft report or notification from a credit bureau of an allegation of identity theft. The lender must determine the legal enforceability of the loan. If a lender determines that a loan does not qualify for a false certification loan discharge as a result of the crime of identity theft, but the loan is nonetheless legally unenforceable against that individual, the lender must notify the credit bureau of the determination.	Reports received on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i>	1026/149
Figure 11-2 Forbearance Eligibility Chart 11.21.P Spouses and Parents of September 11, 2001, Victims	Incorporates into the Manual loan discharge provisions applicable to the spouses and parents of September 11, 2001 victims contained in the Third Higher Education Extension Act of 2006 (P. L. 109-292), and regulations published in the <i>Federal Registers</i> dated December 28, 2006, and September 28, 2007.	Loan discharges granted to spouses and parents of September 11, 2001 victims on or after October 29, 2007.	1024/149

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Figure 11-2 Forbearance Eligibility Chart 11.21.Q Total and Permanent Disability	<p>States that a borrower is not eligible for a total and permanent disability loan discharge if the borrower receives a new Title IV loan after the date <i>the physician completes and certifies the loan discharge application</i>. Adds revisions that state that a borrower's 3-year conditional discharge period is prospective from the date that the physician completes and signs the loan discharge application. If the lender receives the discharge application after the borrower's 90-day return time frame, the borrower must have the physician complete a new application and the lender must receive the application within 90 days of the physician's certification of the new discharge application. Revised policy adds information regarding additional medical evidence that the borrower must provide to the Department, upon the Department's request, if the borrower's application does not conclusively prove that the borrower is disabled</p> <p>Also removes language that states that a lender may apply an "initial" administrative forbearance on the borrower's loan, not to exceed 60 days, from the date that a borrower initially advises the lender that he or she is totally and permanently disabled through the date that the lender receives the physician's certification of the disability or a letter from the physician stating that additional time is needed to make the disability determination.</p>	<p>Total and permanent disability applications received by the lender on or after July 1, 2008.</p> <p>July 1, 2008, for administrative forbearance related to total and permanent disability.</p>	1040/150

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 12: Due Diligence in Collecting Loans</b>			
Introduction	<p>States that if a loan is discharged due to closed school or false certification, a lender must request that the credit bureau remove any negative or inaccurate information regarding that loan from an individual's credit history.</p> <p>States that federal due diligence requirements in collecting any delinquent loan payments, as well as federal credit bureau reporting requirements, do not preempt the provisions of the Fair Credit Reporting Act (FCRA) that provide relief to an individual while a lender determines the legal enforceability of a loan when the lender receives a valid identity theft report or notification from a credit bureau of an alleged identity theft.</p> <p>States that for an individual to qualify for a loan discharge due to false certification as a result of the crime of identity theft, the individual must provide the lender with a copy of a local, state, or federal court verdict or judgment that conclusively determines that the individual who is named as the borrower or endorser of the loan was the victim of a crime of identity theft by a perpetrator named in the verdict or judgment.</p> <p>States that the Department also ends its obligation to pay federal interest benefits and special allowance to a lender on the date the lender determines a loan to be legally unenforceable based on the receipt of an identity theft report or notification from a credit bureau of an alleged identity theft.</p>	<p>Deletion of loans from credit bureau records, loans discharged on or after July 1, 2008. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i></p> <p>Reports received on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i></p> <p>False certification identity theft loan discharge claims processed by the lender on or after September 8, 2006.</p> <p>Interest benefits and special allowance billing discontinuance, loans deemed unenforceable on or after July 1, 2008. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i></p>	1027/149
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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
12.4.E Endorser Due Diligence	Incorporates into the Manual loan discharge provisions applicable to the spouses and parents of September 11, 2001 victims contained in the Third Higher Education Extension Act of 2006 (P. L. 109-292), and regulations published in the <i>Federal Registers</i> dated December 28, 2006, and September 28, 2007.	Loan discharges granted to spouses and parents of September 11, 2001 victims on or after October 29, 2007.	1024/149
<b>Chapter 13: Claim Filing, Discharge, and Forgiveness</b>			
13.1.A Claim Filing Requirements	Removes from the manual all language that relates to an exceptional performer designation for a lender or servicer, as well as all exceptional performer claim filing requirements.	Claims originally filed by a lender on or after October 1, 2007.	1005/147
13.1.D Claim File Documentation	Removes reference to the assignment of a proof of claim and replaces it with references to the Transfer of Claim Other Than For Security form that a guarantor must file and the Notice of Transfer of Claim Other Than For Security form that a lender/servicer will receive once the bankruptcy court processes the transfer.	Original assignment of a proof of claim filed by the lender on or after July 1, 2008, unless implemented earlier by the guarantor.	1010/147
13.1.D Claim File Documentation	<p>States that a borrower is not eligible for a total and permanent disability loan discharge if the borrower receives a new Title IV loan after the date <i>the physician completes and certifies the loan discharge application</i>. Adds revisions that state that a borrower's 3-year conditional discharge period is prospective from the date that the physician completes and signs the loan discharge application. If the lender receives the discharge application after the borrower's 90-day return time frame, the borrower must have the physician complete a new application and the lender must receive the application within 90 days of the physician's certification of the new discharge application. Revised policy adds information regarding additional medical evidence that the borrower must provide to the Department, upon the Department's request, if the borrower's application does not conclusively prove that the borrower is disabled</p> <p>Also removes language that states that a lender may apply an "initial" administrative forbearance on the borrower's loan, not to exceed 60 days, from the date that a borrower initially advises the lender that he or she is totally and permanently disabled through the date that the lender receives the physician's certification of the disability or a letter from the physician stating that additional time is needed to make the disability determination.</p>	<p>Total and permanent disability applications received by the lender on or after July 1, 2008.</p> <p>July 1, 2008, for administrative forbearance related to total and permanent disability.</p>	1040/150

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
13.1.D Claim File Documentation 13.1.E Missing Claim File Documentation	Specifies that a lender must submit an original or certified copy, or an accurate and complete photocopy of the original or certified copy, of the death certificate when filing a death claim.	Death discharge requests filed by the lender based on determinations or re-determinations of eligible photocopies on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i>	996/149
13.2 Claim Returns 13.2.A Refiling the Returned Claim 13.3.A Claim Payment Amount 13.3.B Amount of Interest Purchased on Eligible Claims 13.3.C Amount of Interest Purchased on Returned Claims 13.5 Claim Repurchase	Removes from the manual all language that relates to an exceptional performer designation for a lender or servicer, as well as all exceptional performer claim filing requirements.	Claims originally filed by a lender on or after October 1, 2007.	1005/147
13.7 Rehabilitation of Defaulted FFELP Loans	Clarifies that there are no federal restrictions that prohibit a loan from being rehabilitated more than once.	Retroactive to the implementation of the <i>Common Manual</i> .	1020/148
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
13.8.A Bankruptcy	Removes reference to the assignment of a proof of claim and replaces it with references to the Transfer of Claim Other Than For Security form that a guarantor must file and the Notice of Transfer of Claim Other Than For Security form that a lender/servicer will receive once the bankruptcy court processes the transfer.	Original assignment of a proof of claim filed by the lender on or after July 1, 2008, unless implemented earlier by the guarantor.	1010/147
13.8.C Death	Specifies that a lender must submit an original or certified copy, or an accurate and complete photocopy of the original or certified copy, of the death certificate when filing a death claim.	Death discharge requests filed by the lender based on determinations or re-determinations of eligible photocopies on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i>	996/149

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
13.8.E False Certification as a Result of the Crime of Identity Theft	<p>States that if a loan is discharged due to closed school or false certification, a lender must request that the credit bureau remove any negative or inaccurate information regarding that loan from an individual's credit history.</p> <p>States that federal due diligence requirements in collecting any delinquent loan payments, as well as federal credit bureau reporting requirements, do not preempt the provisions of the Fair Credit Reporting Act (FCRA) that provide relief to an individual while a lender determines the legal enforceability of a loan when the lender receives a valid identity theft report or notification from a credit bureau of an alleged identity theft.</p> <p>States that for an individual to qualify for a loan discharge due to false certification as a result of the crime of identity theft, the individual must provide the lender with a copy of a local, state, or federal court verdict or judgment that conclusively determines that the individual who is named as the borrower or endorser of the loan was the victim of a crime of identity theft by a perpetrator named in the verdict or judgment.</p> <p>States that the Department also ends its obligation to pay federal interest benefits and special allowance to a lender on the date the lender determines a loan to be legally unenforceable based on the receipt of an identity theft report or notification from a credit bureau of an alleged identity theft.</p>	<p>Deletion of loans from credit bureau records, loans discharged on or after July 1, 2008. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i></p> <p>Reports received on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i></p> <p>False certification identity theft loan discharge claims processed by the lender on or after September 8, 2006.</p> <p>Interest benefits and special allowance billing discontinuance, loans deemed unenforceable on or after July 1, 2008. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i></p>	1027/149
13.8.E False Certification as a Result of the Crime of Identity Theft	Provides for the suspension of credit bureau reporting and administrative forbearance for 120 days on any loan for which the lender receives a valid identity theft report or notification from a credit bureau of an allegation of identity theft. The lender must determine the legal enforceability of the loan. If a lender determines that a loan does not qualify for a false certification loan discharge as a result of the crime of identity theft, but the loan is nonetheless legally unenforceable against that individual, the lender must notify the credit bureau of the determination.	Reports received on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i>	1026/149
13.8.F Spouses and Parents of September 11, 2001, Victims	Incorporates into the Manual loan discharge provisions applicable to the spouses and parents of September 11, 2001 victims contained in the Third Higher Education Extension Act of 2006 (P. L. 109-292), and regulations published in the <i>Federal Registers</i> dated December 28, 2006, and September 28, 2007.	Loan discharges granted to spouses and parents of September 11, 2001 victims on or after October 29, 2007.	1024/149

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
13.8.G Total and Permanent Disability	Expands existing guidance by adding to the <i>Common Manual</i> an explanation of how lenders may grant administrative forbearance to a loan during a time when a nondisabled comaker is solely responsible for the repayment of the loan.	Administrative forbearances processed by a lender on or after July 1, 2007, unless implemented earlier by the guarantor.	995/146
13.8.G Total and Permanent Disability	<p>States that a borrower is not eligible for a total and permanent disability loan discharge if the borrower receives a new Title IV loan after the date <i>the physician completes and certifies the loan discharge application</i>. Adds revisions that state that a borrower's 3-year conditional discharge period is prospective from the date that the physician completes and signs the loan discharge application. If the lender receives the discharge application after the borrower's 90-day return time frame, the borrower must have the physician complete a new application and the lender must receive the application within 90 days of the physician's certification of the new discharge application. Revised policy adds information regarding additional medical evidence that the borrower must provide to the Department, upon the Department's request, if the borrower's application does not conclusively prove that the borrower is disabled</p> <p>Also removes language that states that a lender may apply an "initial" administrative forbearance on the borrower's loan, not to exceed 60 days, from the date that a borrower initially advises the lender that he or she is totally and permanently disabled through the date that the lender receives the physician's certification of the disability or a letter from the physician stating that additional time is needed to make the disability determination.</p>	<p>Total and permanent disability applications received by the lender on or after July 1, 2008.</p> <p>July 1, 2008, for administrative forbearance related to total and permanent disability.</p>	1040/150
Figure 13-4 Timely Filing Deadlines for Claims and Discharges*	Specifies that a lender must submit an original or certified copy, or an accurate and complete photocopy of the original or certified copy, of the death certificate when filing a death claim.	Death discharge requests filed by the lender based on determinations or re-determinations of eligible photocopies on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i>	996/149
Figure 13-4 Timely Filing Deadlines for Claims and Discharges*	Incorporates into the Manual loan discharge provisions applicable to the spouses and parents of September 11, 2001 victims contained in the Third Higher Education Extension Act of 2006 (P. L. 109-292), and regulations published in the <i>Federal Registers</i> dated December 28, 2006, and September 28, 2007.	Loan discharges granted to spouses and parents of September 11, 2001 victims on or after October 29, 2007.	1024/149

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 14: Violations, Penalties, and Cures</b>			
14.2 Timely Claim Filing Violations 14.3.B Non-Default Claims 14.4.B Refile Deadline	Incorporates into the Manual loan discharge provisions applicable to the spouses and parents of September 11, 2001 victims contained in the Third Higher Education Extension Act of 2006 (P. L. 109-292), and regulations published in the <i>Federal Registers</i> dated December 28, 2006, and September 28, 2007.	Loan discharges granted to spouses and parents of September 11, 2001 victims on or after October 29, 2007.	1024/149
14.3.B Non-Default Claims 14.4.A Original Filing Deadline 14.4.B Refile Deadline	Removes from the manual all language that relates to an exceptional performer designation for a lender or servicer, as well as all exceptional performer claim filing requirements.	Claims originally filed by a lender on or after October 1, 2007.	1005/147
<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
15.2 Borrower Eligibility and Underlying Loan Holder Requirements	Incorporates into the Manual loan discharge provisions applicable to the spouses and parents of September 11, 2001 victims contained in the Third Higher Education Extension Act of 2006 (P. L. 109-292), and regulations published in the <i>Federal Registers</i> dated December 28, 2006, and September 28, 2007.	Loan discharges granted to spouses and parents of September 11, 2001 victims on or after October 29, 2007.	1024/149
15.2 Borrower Eligibility and Underlying Loan Holder Requirements	Clarifies one of the conditions that permits a Consolidation loan borrower to obtain a subsequent Consolidation loan. A borrower with either a Federal or Direct Consolidation loan is eligible for a subsequent, separate Federal or Direct Consolidation loan if the borrower is consolidating at least one other eligible loan (except a Consolidation loan) made before or after the date that the existing Consolidation loan was made.	Consolidation loans made on or after July 1, 2000.	1022/148
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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
15.5.F Delinquency, Claim Filing, Loan Forgiveness, and Discharge	Incorporates into the Manual loan discharge provisions applicable to the spouses and parents of September 11, 2001 victims contained in the Third Higher Education Extension Act of 2006 (P. L. 109-292), and regulations published in the <i>Federal Registers</i> dated December 28, 2006, and September 28, 2007.	Loan discharges granted to spouses and parents of September 11, 2001 victims on or after October 29, 2007.	1024/149
15.5.G Paid-in-Full Loans	Adds that the holder of an electronically signed MPN must retain the original MPN for at least 3 years after all the loans made on the MPN have been satisfied. Also adds the documentation that the Department may require to resolve a factual dispute on a loan that has been assigned to the Department, and expands the disbursement record requirement.	Electronically signed notes in existence as of July 1, 2008, and all electronically signed notes created on or after July 1, 2008.  Assignments made on or after July 1, 2008. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the department publishes guidance with a different triggering event, the Common Manual will immediately notify schools and lenders of the change.</i>	1038/150
<b>Chapter 17: Program Reviews</b>			
17.3.B The On-Site Review	Outlines two standards for notifying the borrower of his or her right to cancel a loan at the time of disbursement, depending on whether the borrower provided affirmative confirmation of his or her desire to receive the loan. Also includes in the school record-keeping requirements the indefinite retention period for documentation of the confirmation process, which first appeared in the 04-05 FSA Handbook.	Loans disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.  For the retention of documentation of the confirmation process, the publication date of the 04-05 FSA Handbook.	1029/149
<b>Appendix A: Interest Benefits and Special Allowance</b>			
A.1.B When Federal Interest Benefits Will Be Paid	Incorporates into the Manual loan discharge provisions applicable to the spouses and parents of September 11, 2001 victims contained in the Third Higher Education Extension Act of 2006 (P. L. 109-292), and regulations published in the <i>Federal Registers</i> dated December 28, 2006, and September 28, 2007.	Loan discharges granted to spouses and parents of September 11, 2001 victims on or after October 29, 2007.	1024/149
A.1.B When Federal Interest Benefits Will Be Paid A.2.B Termination of Special Allowance	Provides for the suspension of credit bureau reporting and administrative forbearance for 120 days on any loan for which the lender receives a valid identity theft report or notification from a credit bureau of an allegation of identity theft. The lender must determine the legal enforceability of the loan. If a lender determines that a loan does not qualify for a false certification loan discharge as a result of the crime of identity theft, but the loan is nonetheless legally unenforceable against that individual, the lender must notify the credit bureau of the determination.	Reports received on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i>	1026/149

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<p>A.1.B When Federal Interest Benefits Will Be Paid</p> <p>A.2.B Termination of Special Allowance</p>	<p>States that if a loan is discharged due to closed school or false certification, a lender must request that the credit bureau remove any negative or inaccurate information regarding that loan from an individual's credit history.</p> <p>States that federal due diligence requirements in collecting any delinquent loan payments, as well as federal credit bureau reporting requirements, do not preempt the provisions of the Fair Credit Reporting Act (FCRA) that provide relief to an individual while a lender determines the legal enforceability of a loan when the lender receives a valid identity theft report or notification from a credit bureau of an alleged identity theft.</p> <p>States that for an individual to qualify for a loan discharge due to false certification as a result of the crime of identity theft, the individual must provide the lender with a copy of a local, state, or federal court verdict or judgment that conclusively determines that the individual who is named as the borrower or endorser of the loan was the victim of a crime of identity theft by a perpetrator named in the verdict or judgment.</p> <p>States that the Department also ends its obligation to pay federal interest benefits and special allowance to a lender on the date the lender determines a loan to be legally unenforceable based on the receipt of an identity theft report or notification from a credit bureau of an alleged identity theft.</p>	<p>Deletion of loans from credit bureau records, loans discharged on or after July 1, 2008. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i></p> <p>Reports received on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i></p> <p>False certification identity theft loan discharge claims processed by the lender on or after September 8, 2006.</p> <p>Interest benefits and special allowance billing discontinuance, loans deemed unenforceable on or after July 1, 2008. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i></p>	1027/149
<p>A.2.A Special Allowance and Excess Interest Rates</p> <p>Figure A-1 Special Allowance Formulas</p> <p>Figure A-2 Examples of Special Allowance Calculations</p> <p>Figure A-3 Excess Interest Formulas</p> <p>Figure A-4 Example of Excess Interest Calculations</p>	<p>States that the special allowance factors used to calculate special allowance payments on loans first disbursed on or after October 1, 2007, are based on whether or not the lender is an eligible not-for-profit holder. As prescribed in the CCRAA, an eligible not-for-profit holder is entitled to a higher special allowance payment.</p>	<p>Loans first disbursed on or after October 1, 2007.</p>	1034/149
<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

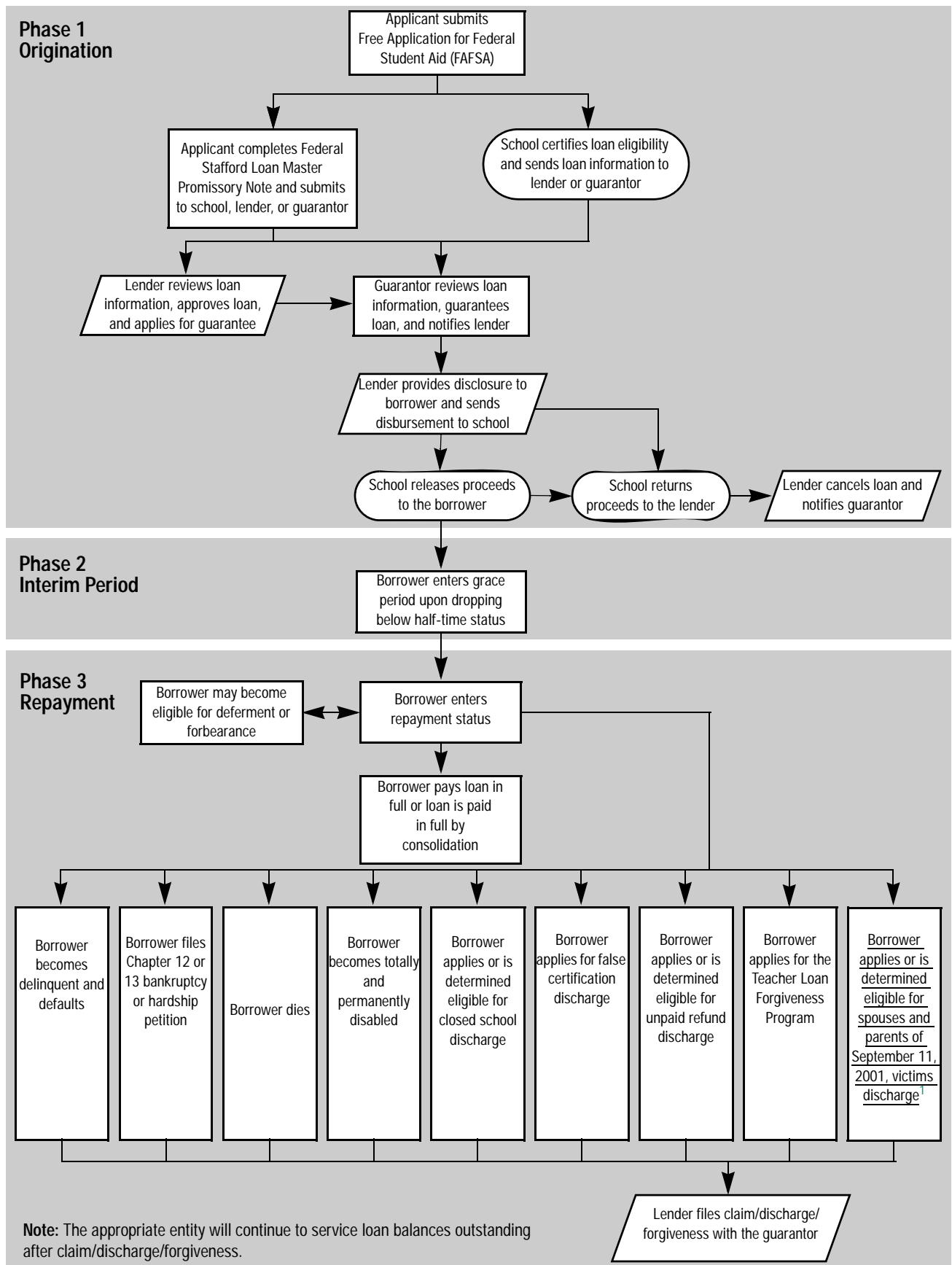
Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Appendix G: Glossary</b>			
Borrower-Based Academic Year	Clarifies that a school may use a SAY or BBAY to determine Stafford annual loan limit frequency and determine the parent or Grad PLUS loan period for a student who is enrolled in a standard term-based program that is offered in a traditional academic year calendar, including such a program that is comprised of modules. Revised policy also broadens the definition of a BBAY to acknowledge its use in all types of programs and provides new detail concerning the use of a BBAY in standard term-based programs that do, and do not, have a traditional academic year calendar.	Publication date of the 05-06 FSA Handbook.	1030/149
Change of Control	Adds that it is considered a change of control if a school changes from a for-profit entity to a nonprofit entity, or vice versa.	Retroactive to the implementation of the <i>Common Manual</i> .	1001/146
Confirmation (as it relates to the Stafford MPN)	Outlines two standards for notifying the borrower of his or her right to cancel a loan at the time of disbursement, depending on whether the borrower provided affirmative confirmation of his or her desire to receive the loan. Also includes in the school record-keeping requirements the indefinite retention period for documentation of the confirmation process, which first appeared in the 04-05 FSA Handbook.	Loans disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.  For the retention of documentation of the confirmation process, the publication date of the 04-05 FSA Handbook.	1029/149
Debt-Management Counseling	Incorporates entrance counseling requirements for graduate or professional student PLUS loan borrowers. In addition, redundant text has been removed and other language has been added to improve the clarity of the school counseling requirements. Also, Appendix G's definition of "Debt Management Counseling" is modified by removing reference to entrance counseling, and the definitions of "Entrance Counseling" and "Exit Counseling" have been expanded.	Entrance and exit counseling provided by the school on or after July 1, 2008, unless implemented earlier by the school on or after 11/1/07.	1028/149
Discharge	Incorporates into the Manual loan discharge provisions applicable to the spouses and parents of September 11, 2001 victims contained in the Third Higher Education Extension Act of 2006 (P. L. 109-292), and regulations published in the <i>Federal Registers</i> dated December 28, 2006, and September 28, 2007.	Loan discharges granted to spouses and parents of September 11, 2001 victims on or after October 29, 2007.	1024/149
Economic Hardship	Amends the deferment eligibility requirement to reflect that the borrower's monthly income may not exceed an amount equal to 150% of the poverty line applicable to the borrower's family size and updates the glossary definition accordingly.	Economic Hardship deferment requests made on or after October 1, 2007.	1047/150
Eligible Not-For-Profit Holder	States that the special allowance factors used to calculate special allowance payments on loans first disbursed on or after October 1, 2007, are based on whether or not the lender is an eligible not-for-profit holder. As prescribed in the CCRAA, an eligible not-for-profit holder is entitled to a higher special allowance payment.	Loans first disbursed on or after October 1, 2007.	1034/149

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Entrance Counseling (or Entrance Interview) Exit Counseling (or Exit Interview)	Incorporates entrance counseling requirements for graduate or professional student PLUS loan borrowers. In addition, redundant text has been removed and other language has been added to improve the clarity of the school counseling requirements. Also, Appendix G's definition of "Debt Management Counseling" is modified by removing reference to entrance counseling, and the definitions of "Entrance Counseling" and "Exit Counseling" have been expanded.	Entrance and exit counseling provided by the school on or after July 1, 2008, unless implemented earlier by the school on or after 11/1/07.	1028/149
Exceptional Performer	Removes from the manual all language that relates to an exceptional performer designation for a lender or servicer, as well as all exceptional performer claim filing requirements.	Claims originally filed by a lender on or after October 1, 2007.	1005/147
Full-Time Student Half-Time Student	For an undergraduate program, a school's definition of half-time enrollment must amount to at least half of the academic workload of the applicable minimum full-time enrollment definition for that program. More clearly states that a school must define full-time enrollment status for each of its undergraduate, graduate, or professional programs.  Aligns Section 6.9 with glossary information about the enrollment status for a student enrolled solely in a correspondence program, and further expands that section to include regulatory updates that address enrollment status for a student who is enrolled in a non-correspondence program and combines correspondence with regular coursework.	Enrollment periods that begin on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007. <i>This aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the Common Manual will immediately notify schools and lenders of the change.</i>  Retroactive to the implementation of the <i>Common Manual</i> for the following: <ul style="list-style-type: none"> <li>Determining enrollment status for a student enrolled solely in a correspondence program.</li> <li>Defining full-time enrollment for each of a school's undergraduate, graduate, and professional programs.</li> </ul>	1031/149
Graduate or Professional Student	Clarifies the definitions of "undergraduate student," and "graduate or professional student," and provides a new definition of a professional degree.	Enrollment periods that begin on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1035/149
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
Professional Degree Professional Student	Clarifies the definitions of "undergraduate student," and "graduate or professional student," and provides a new definition of a professional degree.	Enrollment periods that begin on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1035/149

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
School-Affiliated Organization	Adds a glossary definition that states that a school-affiliated organization is any organization that is directly or indirectly related to a school and includes, but is not limited to: alumni organizations, foundations, athletic organizations, or social, academic, or professional organizations.	July 1, 2008.	1049/150
Undergraduate Student	Clarifies the definitions of “undergraduate student,” and “graduate or professional student,” and provides a new definition of a professional degree.	Enrollment periods that begin on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1035/149
<b>Appendix H: History of the FFELP and the <i>Common Manual</i></b>			
H.2 History of Excess Interest Rebates and Variable Interest Rate Conversions Figure H-1 Summary of Variable-Rate Conversion Provisions	<p>States in Section H.2 that lenders, based on October 1994 guidance from the Department in DCL 94-L-171, were not permitted to adjust special allowance billings for loans for which the applicable interest rate was retroactively revised. However, the Department provided guidance to lenders in DCL 98-L-202 on March 1, 1998, to recalculate special allowance billings on loans subject to the variable rate conversion provisions for all or part of the period from July 23, 1992, to December 31, 1994.</p> <p>Also clarifies in Figure H-1 that the “Quarterly Variable Interest Rates” which have been moved from the third to the second column are to be used prior to conversion to a variable rate.</p> <p>For loans subject to conversion under the Higher Education Amendments of 1992 in Figure H-1, the annual variable interest rate for the period from July 1, 2006, through June 30, 2007, was corrected from 7.949% to 7.94%. For all loans subject to conversion under the Higher Education Amendments of 1986 and 1992, the annual variable interest rates for the period from July 1, 2007, through June 30, 2008, are added.</p>	The guidance for lenders to recalculate special allowance billings on loans, subject to the variable rate conversion provisions, for all or part of the period from July 23, 1992, to December 31, 1994, was effective on March 1, 1998. All revisions, except interest rate changes, to the chart are retroactive to the implementation of the <i>Common Manual</i> .	998/147
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
H.4.B HEROES Act Waivers	Extends current HEROES waivers through September 30, 2012.	Affected individuals eligible for waivers of statutory and regulatory provisions on or after October 1, 2007.	1036/149

## The Life of a Stafford Loan

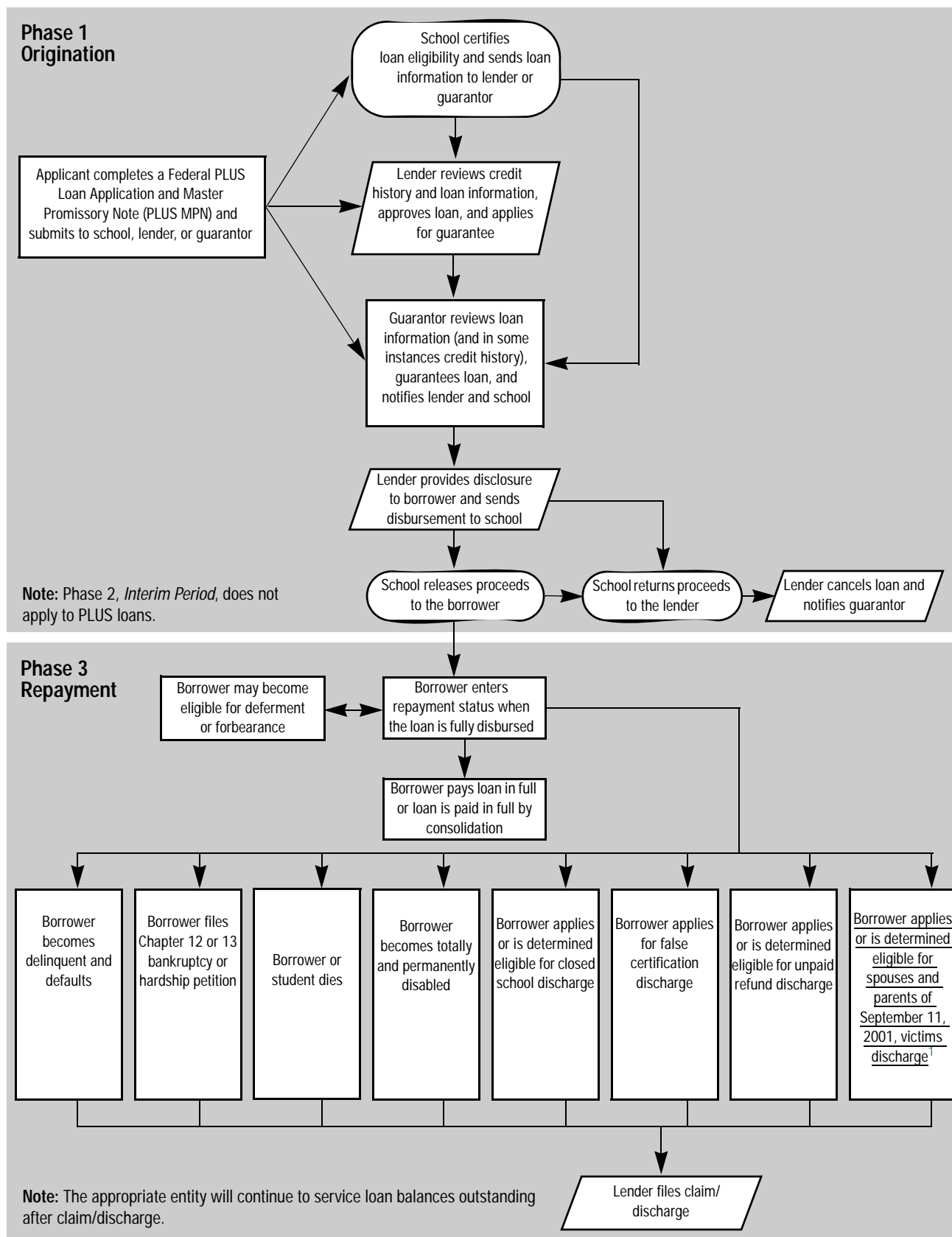
Figure 2-1



<sup>1</sup>. Policy 1024 (Batch 149), approved April 17, 2008

## The Life of a Parent PLUS Loan

Figure 2-2



<sup>1</sup>. Policy 1024 (Batch 149), approved April 17, 2008

## Deferment and Forbearance

A [borrower](#) in repayment is entitled to defer payments of principal if the borrower meets certain criteria. There are many different types of [deferments](#) available to borrowers, including deferments for periods of unemployment, [economic hardship](#), or further study.

A borrower in repayment may experience a period of temporary economic hardship but may not be eligible for a deferment. If this occurs, the borrower may request [forbearance](#) from the [lender](#). With a forbearance, the lender and borrower can reduce or postpone payments on the loan.

Subsidized Stafford loan borrowers are eligible to have the federal government pay the [interest](#) during a deferment period or [post-deferment grace period](#). Certain Consolidation loan borrowers are eligible to have the federal government pay all or a portion of the interest that accrues during a deferment period. A borrower with an unsubsidized Stafford, PLUS, or SLS loan, or any unsubsidized portion of a Consolidation loan, is responsible for paying the interest due during a deferment period. During a forbearance period, all borrowers are responsible for paying the interest that accrues on any loan. If a borrower fails to make required interest payments during a deferment or forbearance period, the lender may capitalize the unpaid accrued interest.

For more information on deferment and forbearance, see [chapter 11](#). For information on interest subsidies, see [appendix A](#).

### Borrower Pays the Loan in Full

Ideally, the borrower makes all loan payments as scheduled and repays the loan in full. To confirm a borrower's paid-in-full status when repayment is completed, the lender must provide certain documents and notices to the borrower, the [guarantor](#), and other parties.

For more information on how to handle loans that have been paid in full, see [chapter 10](#).

### Borrower Does Not Pay the Loan in Full

If a loan is not paid in full by the borrower, or if the borrower is eligible to have his or her loan [discharged](#) or forgiven, generally the guarantor will pay the lender for its loss—provided that the lender has complied with the requirements for making, servicing, and collecting the loan, as applicable. The lender requests a claim, forgiveness, or discharge payment from the guarantor on the eligible amount of the loan. Some forgiveness programs do not involve the guarantor, but rather involve direct

reimbursement from the Department to the lender. In the case of a claim payment due to [default](#), the guarantor will continue attempting to collect the loan from the borrower. Permanently discharged and forgiven loans are not subject to further collection activities.

A lender may be eligible for claim, forgiveness, or discharge payment or reimbursement, as applicable, on the eligible amount of a loan under any of the following circumstances:

- The borrower fails to repay the loan when it is due.
- The borrower or student dies before the loan is paid in full.
- The borrower becomes totally and permanently disabled.
- The borrower qualifies for spouses and parents of September 11, 2001, victims discharge.<sup>1</sup>
- The borrower files for debt collection protection under [bankruptcy](#) laws.
- The borrower or student does not receive the benefit of a refund to which he or she was entitled from either the school or a third party.
- The borrower qualifies for loan forgiveness.
- The [school](#) closes while the student is attending.
- The school falsely certifies the borrower's eligibility for the loan.

In each of the preceding cases, the lender must submit a claim, forgiveness, or discharge payment request within specified time frames to the guarantor or the Department, as applicable. The lender must provide all required [documentation](#) with the claim form or with the forgiveness or discharge application, as applicable. The required documentation must demonstrate that the lender or borrower is eligible for claim, forgiveness, or discharge payment or reimbursement of the loan obligation. See [sections 13.6, 13.8, and 13.9](#) for more information regarding submission time frames and requirements.

For more information on the lender's responsibilities when the borrower is unwilling or unable to make payments, see [chapters 12 and 13](#).

<sup>1</sup> Policy 1024 (Batch 149), approved April 17, 2008

**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 Loan<sup>1</sup>

**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: Spouses and Parents of September 11, 2001, Victims<sup>2</sup>
- 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

<sup>1</sup>. Policy 967 (Batch 142), approved September 20, 2007

<sup>2</sup>. Policy 1024 (Batch 149), approved April 17, 2008

### Eligible Lender Trustee (ELT) Relationships

Effective September 30, 2006, a school may not enter into a new relationship with an eligible lender to make and/or hold a FFELP loan as a trustee for the school or for an organization affiliated with the school, also known as an Eligible Lender Trustee relationship. ELT relationships established prior to September 30, 2006, may continue, and may be renewed, as long as the relationship remains in effect after September 30, 2006, and the ELT held at least one loan in trust on behalf of the school or organization as of that date.

#### [§682.602(a)]

Effective January 1, 2007, and for all loans first disbursed on or after that date under an ELT relationship, the all parties involved in the an ELT relationship must meet the following eligibility requirements:

- A school directly involved in, or affiliated with an organization directly involved in an ELT relationship:
  - Must employ at least one person whose full-time responsibilities are limited to the administration of the school's financial aid programs for students attending that school.
  - Must not be a home study school.
  - Must have a [cohort default rate](#) of 10% or less.
  - May lend only to its own students.
  - May make only Stafford loans to graduate and professional students.
  - Must offer an [origination fee](#) and/or interest rate that is lower than the statutory maximum for that fee or rate.
  - Must use the proceeds from interest payments from borrowers, interest subsidy and [special allowance](#) payments on the loans made and held in trust, and proceeds from the sale or other disposition of the loans, (exclusive of return of principal, any financing costs incurred by the school to acquire funds to make the loan, and the cost of charging an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate), for need-based grants if the school receives these proceeds directly or indirectly.
  - ~~Must ensure that ELT loans are included in the school's annual compliance audit.~~

#### [§682.602(b)(1)]

- ~~A~~<sup>1</sup> ~~An “organization affiliated with the school-affiliated organization”<sup>2</sup> is defined as any organization that is directly or indirectly connected-related to the school, and includes including, but is not limited to, an alumni organization-association, foundation, athletics organization, or-and social, academic, or-and professional organizations.<sup>3</sup> An organization affiliated with the school and involved in an ELT relationship:~~
  - ~~May lend only to students attending the school with which it is affiliated.~~
  - ~~May make only Stafford loans to graduate and professional students.~~
  - Must offer an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate.
  - Must use the proceeds from interest payments from borrowers, interest subsidy and special allowance payments on the loans made and held in trust, and proceeds from the sale or other disposition of the loans, (exclusive of return of principal, any financing costs incurred by the school to acquire funds to make the loan, and the cost of charging an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate), for need-based grants if the school receives these proceeds directly or indirectly.
  - ~~Must ensure that ELT loans are included in the annual lender compliance audit.~~

#### [§682.602(b)(2)]<sup>4</sup>

- An eligible lender acting as trustee:
  - May lend only to students attending the school for which it is a trustee.
  - May make only Stafford loans to graduate or professional students on behalf of that school.
  - Must offer an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate.

1. Policy 1049 (Batch 150), approved April 17, 2008

2. Policy 1016 (Batch 148), approved March 20, 2008

3. Policy 1049 (Batch 150), approved April 17, 2008

4. Policy 1016 (Batch 148), approved March 20, 2008

a loan is determined to be legally unenforceable based solely on the processes used for the electronic signature or related records. If a lender's processes for electronic signatures and related records do not satisfy these standards and a loan is held by a court to be unenforceable based solely on these processes, the Department will determine on a case-by-case basis whether federal benefits will be denied or paid.

Because students attending eligible foreign schools may receive FFELP loan proceeds directly, the safe harbor provisions do not apply to loans made to students attending foreign schools.

[P.L. 106-229, the [Electronic Signatures in Global and National Commerce Act](#)]

### 3.4.A Recordkeeping Requirements

A [lender](#) is required to keep current, complete, and accurate [records](#) for each [FFELP](#) loan it holds. Special recordkeeping requirements for applications and promissory notes are explained in "Required Records" in this section. All other [records](#) may be stored in hard copy or on microform (e.g., microfilm or microfiche), computer file, optical disk (e.g., electronic optical image), CD-ROM, or other media formats.

[§682.414(a)(4)(i)]

All records must be retrievable in a coherent hard copy format or in other media formats such as microform, computer file, optical disk, or CD-ROM. Any imaged media format used must be capable of reproducing an accurate, legible, and complete copy in approximately the same size as the original document, and must not permit additions, deletions, or changes without leaving a record of such additions, deletions, or changes. The media format must record and maintain the original document so that it can be certified as a true copy of the original in order to be admissible in a court of law, if such becomes necessary. If a document contains a signature, seal, [certification](#), or any other validating mark, it must be maintained in original hard copy or in another media format that can produce a copy of the document (e.g., microform, optical disk, CD-ROM).

[§668.24(d)(3)(i) through (iv)]

#### Required Records

The records that a lender must maintain include, but are not limited to:

- Documentation of any Federal Stafford Loan [Master Promissory Note](#) (Stafford MPN) [Confirmation](#) or [Notification](#) process or processes.  
[§682.414(a)(4)(ii)(K)]
- Documentation of the process under which either the school or lender obtains the borrower's requested loan amount for a loan made under a Federal PLUS Loan Application and Master Promissory Note (PLUS MPN).

In addition, the lender must maintain the following documentation for each loan:

- A record of the borrower's requested loan amount for a loan made under a PLUS MPN, if the lender is the party responsible for obtaining this information.
- A record of any adjustments that the lender receives to the PLUS loan borrower's requested loan amount.
- A copy of the loan application, if a separate application was provided to the lender.  
[§682.414(a)(4)(ii)(A)]
- A copy of the signed promissory note. The original or a true and exact copy of the promissory note must be retained until the loan is paid in full or assigned to the Department. If the promissory note was signed electronically, the ~~lender~~ holder must store the original promissory note or MPN electronically in a retrievable, coherent format and must retain the original promissory note or MPN for at least 3 years after the loan or all the loans that were made using the note have been satisfied (i.e. the loans have been paid in full, canceled, or discharged in full). More information on promissory note retention is found under the subheading "Record Retention Time Frames" in this subsection.  
[§682.414(a)(4)(ii)(B) and (4)(iii); §682.414(a)(5)(ii) and (iv)]
- The [guarantee disclosure](#) for each loan, with a record of any changes to the disclosure.
- ~~Evidence of disbursement.~~ A record of each disbursement of loan proceeds.  
[§682.414(a)(4)(ii)(D)]<sup>1</sup>

<sup>1</sup>. Policy 1038 (Batch 150), approved April 17, 2008

- Documentation of the lender's handling of any **refunds** issued by the student's **school**.
- Documentation supporting any **Social Security number** change.
- Documentation of the date on which the student was no longer **enrolled** at least half time and the schools the student attended.  
[§682.414(a)(4)(ii)(E)]
- Notice of address changes for the borrower or references.  
[§682.414(a)(4)(ii)(E)]
- Documentation of all repayment terms established with the borrower, including the **repayment start date** of the loan and the amount and number of installments.  
[§682.414(a)(4)(ii)(C)]
- A **record** of all payments received, including the dates, amounts, and way in which each payment was applied to the principal, **interest**, and other outstanding balances on the loan.  
[§682.414(a)(4)(ii)(I)]
- Evidence of any **deferment** eligibility, including the beginning and ending dates for each deferment.  
[§682.414(a)(4)(ii)(F)]
- Documentation of any **forbearance** granted, including the beginning and ending dates for each forbearance.  
[§682.414(a)(4)(ii)(G)]
- Documentation of all **due diligence** efforts.  
[§682.414(a)(4)(ii)(J)]
- A record of each communication on the loan—other than regular reports by the lender showing that an account is current—between the lender and a credit bureau.  
[§682.414(a)(4)(ii)(J)]
- Documentation of any **assignments**, sales, or purchases on the loan—including evidence that a notice of **loan assignment** was sent to the borrower, if applicable.  
[§682.414(a)(4)(ii)(H)]
- Audit trails sufficient to support the lender's payment of **origination fees** and billings of **interest benefits** and **special allowance** to the Department.  
[§682.414(a)(4)(iv)]

- Any additional records necessary to document the validity of a **claim** against the **guarantee** (see **subsection 13.1.D**).  
[§682.414(a)(4)(ii)(L)]

#### **Loans Made with an Electronically Signed Promissory Note and Assigned to the Department**

In order to resolve a factual dispute involving a loan that has been assigned to the Department, the Department may request a record, affidavit, certification, or evidence to resolve that dispute. The Department may also request this documentation for a loan that has been assigned and is included in a Title IV program audit sample or other similar purposes.

Upon the Department's request regarding a loan that has an electronically signed promissory note and has been assigned to the Department, the lender that created the original electronically signed promissory note must, within 10 business days, provide:

- An affidavit or certification regarding the creation and maintenance of the electronic records of the loan or loans in a form appropriate to ensure admissibility of the loan records in a legal proceeding. This affidavit or certification may be executed in a single record for multiple loans provided that this record is reliably associated with the specific loans to which it pertains.

If requested by the Department, the affidavit or certification must include each of the following:

- = A description (such as a flow chart) of the steps the borrower followed to execute the promissory note.
- = A copy of each screen as it would have appeared to the borrower when the borrower signed the promissory note electronically.
- = A description of the field edits and security measures used to ensure the integrity of the data that was submitted electronically to the originating lender.
- = A description of how the promissory note has been safe-guarded to ensure that it was not altered after it was executed.
- = Documentation supporting the lender's authentication and electronic signature process.<sup>1</sup>

<sup>1</sup>. Policy 1038 (Batch 150), approved April 17, 2008

- All other documentary and technical evidence requested by the Department to support the validity or the authenticity of the electronically signed promissory note.
- Testimony by an authorized official or employee of the lender, if necessary to ensure admission of the electronic records of the loan or loans in the litigation or legal proceeding to enforce the loan or loans.

The holder of the original electronically signed promissory note is responsible for ensuring that all parties entitled to access to the electronic loan record, including the guarantor and the Department, have full and complete access to that record until all the loans made on the note have been satisfied.

[\[§682.414\(a\)\(6\)\(i\)\]](#)

### Record Retention Time Frames

The preceding records for each loan must be retained for a period of not less than:

- 3 years after the date the loan is paid in full by the borrower.  
[\[§682.414\(a\)\(4\)\(iii\)\]](#)
- 5 years after the date the lender receives payment in full from any other source.  
[\[§682.414\(a\)\(4\)\(iii\)\]](#)

A lender that sells a loan to another lender remains subject to the 5-year minimum retention requirement for all documentation generated through the date it sells the loan. A lender that purchases a loan from another lender is subject to the 5-year minimum retention requirement for all documentation generated from the time of the loan's origination through the date the purchasing lender no longer holds the loan. The holder of the original promissory note must retain an electronically signed promissory note or MPN for at least 3 years after the loan or all the loans made using the note have been satisfied.

[\[§682.414\(a\)\(4\)\(iii\); §682.414\(a\)\(5\)\(iv\)\]](#)

When a loan is paid in full by the borrower, the lender must either return the original or a true and exact copy of the promissory note to the borrower, or notify the borrower that the loan is paid in full. A copy of the promissory note must be retained for a period of not less than 3 years after the date the loan is paid in full by the borrower, or not less than 5 years after the date the lender receives payment in full from any other source. In the case of an electronically signed promissory note, the holder must retain the original promissory note or MPN for at least 3 years after the loan

or all the loans made using the note have been satisfied. Documentation of any paid-in-full notice sent to the borrower also must be retained for a period of not less than 3 years after the date the loan is paid in full by the borrower. [\[§682.414\(a\)\(5\)\(iii\) and \(iv\)\]](#)<sup>1</sup>

## 3.4.B Loan Assignment, Sale, or Transfer

A **borrower** must be notified if his or her loan is assigned, sold, or transferred—if the loan is in a grace or repayment status—and the transaction causes a change in the party to whom the borrower must send future payments and communications. The loan holder also must report a **loan assignment, sale, or transfer** to the guarantor. See [subsection 3.5.E](#).

[\[§682.208\(e\)\(1\) and \(4\)\]](#)

### Loan Assignment and Sale

A loan assignment or sale may occur only between holders that are eligible to participate in the loan and guarantor programs applicable to the type of loan being assigned or sold. For example, a PLUS loan may be assigned only if the current holder and the new holder are both eligible to make or hold PLUS loans and both have participation agreements with the guarantor of the loan.

[\[§682.401\(b\)\(17\)\(i\)\]](#)

If the assignment or sale of the loan changes the identity of the party to whom payments must be made, the loan may be assigned or sold only if it is fully disbursed. If the loan assignment or sale does not change the identity of the party to whom payments are made, the lender may assign or sell the loan any time after making the first disbursement.

[\[§682.401\(b\)\(17\)\(iii\)\]](#)

When a loan made under a **Master Promissory Note (MPN)** is sold, the terms of the loan sale determine whether the origination rights (i.e., the right to make subsequent loans to the borrower under the same MPN) are assigned to the new **holder** of the loan or retained by the original holder. Origination rights may not be assigned without a loan sale. Each loan made under an MPN may be enforced separately based on the original MPN or a true and exact copy of the MPN. See [section 7.2](#) for additional information.

<sup>1</sup> Policy 1038 (Batch 150), approved April 17, 2008

Both the buying and selling holders must notify the borrower—either jointly or separately—of a loan’s assignment or sale. This notification must include the following information:

[§682.208(e)(1)(i)]

- The identity of the buying lender and/or the new servicer.  
[§682.208(e)(1)(ii)]
- The address to which the borrower’s subsequent payments and communications should be sent.  
[§682.208(e)(1)(iii)]
- The telephone numbers of both the buying and selling lenders—or, if either lender utilizes a loan servicer, the telephone number of each servicer.  
[§682.208(e)(1)(iv)]

Both holders must send the preceding information to the borrower within 45 days after the assignment or sale is legally completed. If each holder provides separate notification to a borrower, each must include in its notice a statement that the other holder will be sending a similar notice under separate cover.

[§682.208(e)(1) and (2)]

### Loan Transfer

In some cases—such as a servicer transfer or branch transfer—a FFELP loan that is in grace or in repayment is not assigned or sold, but there is a change in the identity of the party to whom the borrower must send subsequent payments or communications. If this occurs, the loan holder must notify the borrower that the loan has been transferred and must provide the following information:

- The name of the new servicer, if applicable.
- The telephone number and address of the servicer or branch to which the borrower’s subsequent payments or communications should be sent.

The lender must send the preceding information to the borrower within 45 days after the transfer is completed.

[§682.208(h)]

### Documentation Requirements

Although guarantors do not require that a copy of the notice of loan sale or transfer be included in a claim file, the lender must be able to provide evidence that the notice was provided to the borrower. For this reason, the lender must retain a record of the notice for at least 3 years after the date the loan is paid in full by the borrower or 5 years after the

date the lender receives payment in full from any other source. This record may be stored on microform, optical disk, or other machine-readable format, and must be available for program compliance reviews.

[§682.414(a)(4) and (5)]

## 3.4.C Permitted and Prohibited Activities

### Permitted Activities

A lender is permitted to engage in the following activities in carrying out its role in the FFELP and providing service to schools and FFELP borrowers. The lender may provide:

- Assistance to a school that is comparable to the kinds of assistance provided to a school by the Department under the Direct Lending program, as identified by the Department in public announcements, such as a notice in the *Federal Register*.
- Support of, and participation in, a school’s or guarantor’s student aid or financial literacy-related outreach activities, as long as the name of the entity that developed and paid for any materials is provided to the participants and the lender does not promote its student loan or other products.
- Meals, refreshments, and receptions that are reasonable in cost and scheduled in conjunction with training, meeting or conference events, if those meals, refreshments, or receptions are open to all training, meeting, or conference attendees.
- Toll-free numbers for use by a school or others to obtain information about FFELP loans.
- Free data transmission service for a school to use in electronically submitting applicant loan information or student status information or confirmation data.
- A reduced origination fee (when permitted by statute; see [Subsection 3.5.A](#)).
- A reduced interest rate.
- Payment of the federal default fee on behalf of the FFELP borrower.
- A premium payment to another lender for the purchase of a loan.<sup>1</sup>

<sup>1</sup>. Policy 1039 (Batch 150), approved April 17, 2008

- Other benefits to a borrower under a repayment incentive program that requires, at a minimum, one or more scheduled payments in order to receive or retain the benefit.
- Benefits under a loan forgiveness program for public service or other targeted purposes approved by the Department, provided these benefits are not marketed to secure loan applications or loan guarantees.
- Items of nominal value to schools, school-affiliated organizations, and to borrowers that are offered as a form of generalized marketing or advertising, or to create good will.
- Other services identified by the Department through a public announcement, such as a notice in the *Federal Register*.

[§682.200(b)]

The references to “applications” above includes the Free Application for Federal Student Aid (FAFSA), and FFELP Master Promissory Notes and application and promissory notes.

[§682.200(b) Lender (5)(iii)(B)]

### **Prohibited Activities**

The following activities are prohibited by federal regulations and may result in a loss of the lender’s FFELP eligibility:

- Receiving points, premiums, payments, additional **interest**, or any other form of compensation from another **entity** to obtain **funds** with which to make loans or to induce the lender to make loans either to a student or a parent borrower from a particular **school** or to any particular category of student or **parent**.  
Examples of such prohibited incentive payments include:  
[§682.212(a)]
  - Cash payments made to a lender by or on behalf of a school.  
[§682.212(b)(1)]
  - The maintenance of a compensating balance with a lender by or on behalf of a school.  
[§682.212(b)(2)]
  - Payments to a lender by or on behalf of a school for servicing costs on loans that the school does not own.  
[§682.212(b)(3)]

- Payments to a lender by or on behalf of a school for unreasonably high servicing costs on loans owned by the school.  
[§682.212(b)(4)]
- Purchase of a lender’s stock by or on behalf of a school.  
[§682.212(b)(5)]
- Payments ostensibly made for other purposes.  
[§682.212(b)(6)]
- Refusing to make, purchase, consolidate, or refinance a loan because of the borrower’s race, national origin, religion, sex, marital status, age, or **disability**.
- Offering—directly or indirectly—points, premiums, payments, or other inducements to any **school** or other party to secure ~~applicants applications~~ for FFELP loans or to secure FFELP loan volume, ~~except that a lender is not prohibited from providing assistance to schools comparable to the kinds of assistance provided by the Department to schools under, or in furtherance of, the FDLP. This includes but is not limited to:~~
  - Payments or offerings of other benefits, including prizes or additional financial aid funds, to a prospective borrower in exchange for applying for or accepting a FFELP loan from the lender.
  - Payments or other benefits to a school, any school-affiliated organization or to any individual in exchange for FFELP loan applications, application referrals, or a specified volume or dollar amount of loans made, or placement on the school’s list of recommended or suggested lenders.
  - Payments or other benefits provided to a student at a school who acts as the lender’s representative to secure FFELP loan applications from individual prospective borrowers.
  - Payments or other benefits to a loan solicitor or sales representative of a lender who visits schools to solicit individual prospective borrowers to apply for FFELP loans from the lender.<sup>1</sup>

<sup>1</sup>. Policy 1039 (Batch 150), approved April 17, 2008

- Payment to another lender or any other party of referral fees or processing fees, except those processing fees necessary to comply with federal or state law.
  - Solicitation of an employee of a school or school-affiliated organization to serve on the lender's advisory board or committee and/or payment of costs incurred on behalf of an employee of the school or a school-affiliated organization to serve on a lender's advisory board or committee.
  - Payment of conference or training registration, transportation, and lodging costs for an employee of a school or school-affiliated organization.
  - Payment of entertainment expenses, including expenses for private hospitality suites, tickets to shows or sporting events, meals, alcoholic beverages, and any lodging, rental, transportation, and other gratuities related to lender-sponsored activities for employees of a school or a school-affiliated organization.
  - Philanthropic activities, including providing scholarships, grants, restricted gifts, or financial contributions in exchange for FFELP loan applications or application referrals, or for a specified volume or dollar amount of FFELP loans made, or for placement on a school's list of recommended or suggested lenders.
  - Staffing services to a school, except for services provided to participating foreign schools at the direction of the Department, as a third-party servicer or otherwise on more than a short-term, emergency, non-recurring basis to assist a school with financial aid-related functions. The term "emergency basis" for the purpose of providing staffing support means only in the instance of a state- or federally-declared natural disaster, a federally-declared national disaster, and other localized disasters and emergencies identified by the Department.  
[HEA 435(d)(5)(A); §682.200(b)]
  - Participating in-person in a school's required entrance and exit counseling.  
[§682.200(b) Lender (5)(ii)(B)]
  - Conducting unsolicited mailings of student loan application forms to potential borrowers who had not previously borrowed student loans from that lender.  
[HEA 435(d)(5)(B); §682.200]
  - Offering loans—directly or indirectly—as an inducement to a prospective borrower to purchase an insurance policy or other product or service by the borrower or other person.  
[HEA 435(d)(5)(C); §682.200]
  - Engaging in fraudulent or misleading advertising with respect to its FFELP activities.  
[HEA 435(d)(5)(D); §682.200]
  - Discounting the sale or transfer of notes, or any interest in notes, if the underlying FFELP loans were made by a school or lender having common ownership with a school—except when purchased by the Student Loan Marketing Association, a state agency functioning as a secondary market, or in other circumstances approved by the Department.  
[§682.212(c)]
  - Using a FFELP loan as collateral for any loan bearing aggregate interest and other charges in excess of the sum of the applicable interest rate and the current special allowance rate—except to secure a loan from the Student Loan Marketing Association, a state agency functioning as a secondary market, or in other circumstances approved by the Department.  
[§682.212(d)]
- The references to "applications" above includes the Free Application for Federal Student Aid (FAFSA) and FFELP Master Promissory Notes, and application and promissory notes.  
[§682.200(b) Lender (5)(iii)(B)]
- For purposes of clarifying prohibited lender activities, "other benefits" includes but is not limited to preferential rates for, or access to the lender's other financial products, computer hardware or non-loan processing or non-financial aid-related software at below-market rental or purchase cost, or printing and distribution of college catalogs and other materials at reduced or no cost.  
[§682.200(b) Lender (5)(iii)(C)]<sup>1</sup>
- These prohibitions do not preclude a lender—when buying loans that were originally made by a school—from obtaining a warranty from the seller to cover future

<sup>1</sup> Policy 1039 (Batch 150), approved April 17, 2008

reductions by the Department or a [guarantor](#) in computing the amount of loss payable on [default claims](#) caused by a seller's or previous [holder's](#) act or failure to act.

If warranted, the [Department](#) or a guarantor will notify a lender that an action is pending to suspend or terminate its eligibility to participate in the FFELP. The lender will be given an opportunity to appeal such an action or to present evidence that the activities in which the lender was engaged were provided for a reason unrelated to securing applications for FFELP loans or securing loan volume. For more information on [termination](#) actions, see [Chapter 18](#). [[§682.705\(c\)](#); [§682.706\(a\) and \(d\)](#); [§682.707](#)]<sup>1</sup>

A lender is considered ineligible to participate in the FFELP if any principal employee or affiliate of the lender is debarred or suspended under [Executive Order 12549](#) or the [Federal Acquisitions Regulations](#).

### 3.4.D Borrower Defenses

In some cases, a loan held by a lender may be subject to borrower claims and defenses that the borrower might otherwise assert against the school (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 any of the following criteria:

- The loan was made by ~~a for-profit postsecondary the school or a school-affiliated organization.~~
- The loan was made by a lender that provided improper inducements to the school or to another party in the making of the loan. (See [Subsection 3.4.C](#) for more information regarding improper lender activities.)
- The loan was made for attendance at a school that referred the borrower to the lender.
- The loan was made for attendance at a school that was affiliated by common control, contract, or other business with the originating lender.
- ~~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.<sup>2</sup>~~

<sup>1</sup>. Policy 1039 (Batch 150), approved April 17, 2008

<sup>2</sup>. Policy 1025 (Batch 149), approved April 17, 2008

### 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.B

## Interest Benefits and Special Allowance Reporting

A lender requests payments of interest benefits and special allowance from the Department by submitting a Lender's Interest and Special Allowance Request and Report (LaRS report) each quarter. For more information on requirements related to interest benefits and special allowance and on the LaRS report, see [appendix A](#).

### 3.5.C

## Credit Bureau Reporting

A [lender](#) must report information on each [FFELP](#) loan it makes or holds to at least one [national credit bureau](#). Federal regulations require that the following information be reported within the specified time frames, as applicable: [\[§682.208\(b\)\(1\)\]](#)

- The total amount of loans made to the [borrower](#) (to be reported within 90 days of each [disbursement](#)). [\[§682.208\(b\)\(1\)\(i\)\]](#)
- The outstanding balance of the borrower's FFELP loans held by the lender. [\[§682.208\(b\)\(1\)\(ii\)\]](#)
- The repayment status of delinquent loans. The minimum frequency with which a lender must report status changes to at least one national credit bureau is quarterly. To avoid unnecessarily confusing the borrower and damaging the borrower's credit history, a lender is strongly encouraged to wait until a borrower is at least 60 days delinquent before reporting the [delinquency](#) to a credit bureau. [\[§682.208\(b\)\(1\)\(iii\); DCL 96-L-186/96-G-287, Q&A #16\]](#)
- The date the loan is paid in full by or on behalf of the borrower (to be reported within 90 days of the date the loan is paid in full). [\[§682.208\(b\)\(1\)\(iv\)\]](#)
- The date the loan is [discharged](#) due to the borrower's death, [disability](#), ~~or bankruptcy~~, or discharged under the spouses and parents of September 11, 2001, victims provisions (to be reported within 90 days of the date the loan is discharged). [\[§682.208\(b\)\(1\)\(iv\)\]](#)<sup>1</sup>

- The date the loan is discharged due to a closed [school](#) or false [certification](#) (to be reported within 30 days of the date the lender is notified that the loan is discharged). The lender also must request that the credit bureau remove any negative or inaccurate information regarding a loan discharged due to a closed school or false certification. For more information on closed school and false certification claims, see [Subsections 13.8.B, and 13.8.D, and 13.8.E](#). [\[§682.402\(d\)\(7\)\(iv\) and \(e\)\(2\)\(iv\)\]](#)<sup>2</sup>
- Other information required by federal or [state](#) law. [\[§682.208\(b\)\(1\)\(v\)\]](#)

A lender purchasing a FFELP loan must report the preceding information, as applicable, to a national credit bureau within 90 days of purchasing the loan. The lender must retain evidence of its credit bureau reporting. [\[§682.208\(b\)\(2\)\]](#)

If a borrower or [endorser](#) requests that the lender provide information on the repayment status of his or her loan to a credit bureau, the lender must do so within 30 days of the request. If a consumer dispute has been filed with a credit bureau, the lender must respond to a borrower's or endorser's request for information within 30 days. [\[§682.208\(c\)\(1\)\]](#)

A [guarantor](#) will report each loan it purchases as a [default claim](#) to all national credit bureaus. [\[§682.410\(b\)\(5\)\]](#)

If a lender receives a valid identity theft report or notification from a credit bureau of an alleged identity theft, the lender must suspend credit bureau reporting on a loan for a period not to exceed 120 days while the lender determines the legal enforceability of the loan. If a lender determines that a loan does not qualify for a false certification loan discharge as a result of the crime of identity theft, but the lender still determines the loan to be legally unenforceable, the lender must notify the credit bureau of the determination.<sup>3</sup> FFELP credit bureau reporting requirements do not preempt the provisions of the Fair Credit Reporting Act (FCRA) that provide relief to a borrower while a lender determines the legal enforceability of a loan after receiving a valid identity theft report or notification from a credit bureau of an alleged identity theft.<sup>4</sup> See [Subsection 13.8.E](#) for more information on loan discharge as a result of the crime of identity theft.<sup>5</sup> [\[§682.208\(b\)\(3\); 682.411\(o\)\(2\)\]](#)<sup>6</sup>

<sup>1</sup>. Policy 1024 (Batch 149), approved April 17, 2008

<sup>2</sup>. Policy 1027 (Batch 149), approved April 17, 2008

<sup>3</sup>. Policy 1026 (Batch 149), approved April 17, 2008

<sup>4</sup>. Policy 1027 (Batch 149), approved April 17, 2008

<sup>5</sup>. Policy 1026 (Batch 149), approved April 17, 2008

<sup>6</sup>. Policy 1027 (Batch 149), approved April 17, 2008

## 4.4 Providing Information to Students

Federal regulations outline specific information-requirements for student counseling that the school must provide to prospective students and their parents, to enrolled students, and in some cases, to school employees and prospective employees. Generally, this information is provided by a school's financial aid office. This information includes general consumer information such as graduation and transfer-out rates, campus crime statistics, and entrance and exit counseling for student borrowers.

~~A school must provide debt management counseling to each of its Stafford loan borrowers individually or in groups before the student's completion of study or at the time the student leaves the school. If the student withdraws without the school's knowledge, the school must attempt to provide information to the student in writing by sending it to the student's last known address.~~

~~{§682.604(g)(1)}~~

~~The following information must be included in debt counseling:~~

- ~~• Average anticipated monthly payment amounts.~~  
~~{§682.604(g)(2)(i)}~~
- ~~• A summary of available repayment options, including strategies for debt management designed to facilitate repayment.~~  
~~{§682.604(g)(2)(ii)}~~

For more information on the responsibilities of a financial aid office with respect to providing this information, the school may refer to 34 CFR §682.604 and 34 CFR §668.42, as well as the 08-09 FSA Handbook, Volume 2, Chapter 6, pp. 2-78 to 2-84 2006-2007 Federal Student Aid Handbook, Volume 2, Chapter 6, pp. 2-98 to 2-106.<sup>1</sup>

### 4.4.A Recommended Lender Lists

A school may provide to students and their parents a list of recommended FFELP lenders. If a school chooses to provide such a list, the list must:

- Not be used to deny or otherwise impede a borrower's choice of lender;

- Contain at least three unaffiliated lenders that will make loans to borrowers or students attending the school. The lender affiliation provision does not include entities that are involved in post-disbursement activities, which a school has no ability to monitor or control. For the purposes of this subsection, a lender is affiliated with another lender if any of the following criteria apply:
  - = The lenders are under the ownership or control of the same entity or individuals.
  - = The lenders are wholly or partly owned subsidiaries of the same parent company.
  - = The directors, trustees, or general partners (or individuals exercising similar functions) of one of the lenders constitute a majority of the persons holding similar positions with the other lender.
- Not include lenders that have offered, or have offered in response to a solicitation by the school, financial or other benefits to the school in exchange for inclusion on the list or any promise that a certain number of loan applications will be sent to the lender by the school or its students.

A school that provides a recommended lender list must do each of the following:

- Disclose, as part of the list, the method and criteria used by the school in selecting any lender that it recommends.
- Provide comparative information to prospective borrowers about interest rates and other benefits offered by the lenders.
- Include a prominent statement in any information related to its list of lenders, advising prospective borrowers that they are not required to use one of the school's recommended lenders.
- For first-time borrowers, not assign, through award packaging or other methods, a borrower's loan to a particular lender.
- Not cause unnecessary certification delays for borrowers who use a lender that has not been recommended by the school.<sup>2</sup>

<sup>1</sup>. Policy 1028 (Batch 149), approved April 17, 2008

<sup>2</sup>. Policy 1009 (Batch 147), approved February 21, 2008

consumer information for accuracy, completeness, and adherence to the requirements outlined in federal regulations.

#### 4.4.B Entrance Counseling

#### 4.4.C Entrance Counseling<sup>1</sup>

A school must ensure that **entrance counseling** is conducted with each student borrower who is obtaining his or her first Stafford loan for attendance at that school—unless the student previously received a Stafford, ~~SLS~~, or Federal Direct Stafford loan for attendance at another school. A school also must ensure that entrance counseling is conducted with each graduate or professional student borrower who is obtaining his or her first graduate or professional student PLUS loan, unless he or she has previously received a Federal PLUS loan, or a Direct PLUS loan. Entrance counseling must be provided before the first **disbursement** of a loan is released, and may be conducted by any of the following methods:

- In-person presentation.
- Audiovisual presentation.
- Interactive electronic means.

If entrance counseling is conducted through interactive electronic means, the school must take reasonable steps to ensure that each student borrower receives the counseling materials and participates in and completes the counseling. The school must ensure that an individual with expertise in **Title IV** programs is reasonably available shortly after the counseling has been conducted to answer questions regarding these programs. As an alternative, the school may provide the required counseling through written materials for students enrolled in a correspondence program or a study-abroad program that the home institution approves for credit.

[§682.604(f)(1) and (2)]

When counseling is conducted by another party or by interactive electronic means, the school remains responsible for ensuring that each student borrower receives the counseling materials and participates in and completes entrance counseling.

[§682.604(f)(3)]

A school must ensure that information on the following subjects is provided to ~~the a first-time Stafford student borrower or a first-time graduate or professional student PLUS borrower who has not received a prior Stafford or Federal Direct Stafford loan during entrance counseling:~~

- The use of the ~~Federal Stafford Loan Master Promissory Note (Stafford-MPN).~~<sup>2</sup> This may include the multi-year feature and borrower loan control points (e.g., ~~Notification affirmative or passive~~ Confirmation, cancellation or reduction of the loan amount, and revocation of the MPN.) See **Subsection 2.2.A** for more information on using an MPN.<sup>3</sup> [§682.604(f)(2)(i) and §682.604(f)(2)(iii)]
- The seriousness and importance of the repayment obligation that the student is assuming. [§682.604(f)(2)(ii) and §682.604(f)(2)(iii)]
- The likely consequences of **default**, including adverse credit reports, federal offset, and litigation. [§682.604(f)(2)(iii) and §682.604(f)(2)(iii)]
- The obligation to repay the full amount of the Stafford loan, even if the student borrower does not complete the program, is unable to obtain employment upon completion, or is otherwise dissatisfied with or does not receive the educational or other services that the student purchased from the school (the school or the school designee must provide this information to all of the school's student borrowers except those who receive a loan made or originated by the school). ~~The student borrower must be provided with sample monthly repayment amounts based on a range of student levels of indebtedness or on the average indebtedness of Stafford loan borrowers at the same school or in the same program of study at the same school.~~ [§682.604(f)(2)(iv) and §682.604(f)(2)(iii) and §682.604(f)(2)(i)]
- The student borrower must be provided with sample monthly repayment amounts based on a range of student levels of indebtedness or on the average indebtedness of Stafford loan borrowers or, depending on the type of loan the borrower has obtained, graduate or professional student PLUS loan borrowers, at the same school or in the same program of study at the same school. [§682.604(f)(1)(v)]<sup>4</sup>

<sup>1</sup>. Policy 1009 (Batch 147), approved February 21, 2008

<sup>2</sup>. Policy 1028 (Batch 149), approved April 17, 2008

<sup>3</sup>. Policy 1029 (Batch 149), approved April 17, 2008

<sup>4</sup>. Policy 1028 (Batch 149), approved April 17, 2008

For a graduate or professional student PLUS borrower who has received a prior Stafford or Federal Direct Stafford loan, a school must ensure that the following information is provided:

- Sample monthly repayment amounts based on a range of student levels of indebtedness or on the average indebtedness of borrowers with Stafford and graduate or professional student PLUS loans at the same school or in the same program of study at the same school.
- A notice that includes all of the following information:
  - = The maximum interest rate for a Stafford loan and the maximum interest rate for a graduate or professional student PLUS loan.
  - = Information regarding the periods when interest accrues on a Stafford loan and periods when interest accrues on a graduate or professional student PLUS loan.
  - = The point at which a Stafford loan enters repayment and the point at which a graduate or professional student PLUS loan enters repayment. [[§682.603\(d\)\(1\)\(i\)-\(iii\)](#) and [§682.604\(f\)\(2\)\(I\) and \(ii\)](#)]

A school may provide the information required in this notice in its financial aid award letter or by another means. However, a school must provide the notice to a graduate or professional student PLUS borrower who has not requested his/her maximum Stafford eligibility before the school certifies a graduate or professional student PLUS loan for the borrower. See [Subsection 6.15.C](#) for more information.

A school may provide comprehensive entrance counseling materials that meet the minimum entrance counseling requirements for graduate or professional student PLUS borrowers with prior Stafford loans and graduate or professional student PLUS loan borrowers without prior Stafford loans. [[08-09 FSA Handbook, Volume 2, Chapter 6, pp. 2-80 - 81 and 2-84](#)]<sup>1</sup>

To improve a student's understanding of his or her loan repayment obligation, the Department recommends that the school provide the following additional information as part of entrance counseling provided to a Stafford borrower:

- A thorough explanation of all sources of financial aid available to the student or to his or her parent(s).

- A description of the terms and conditions of each available type of aid, including loan limits, loan fees, and [interest](#) rates.
- A discussion of the school's policy on the frequency of [annual loan limits](#).
- A strong recommendation to the student to read carefully and retain all documentation related to each of his or her loans.
- A reminder to the student to keep the lender informed of any changes to his or her name, address, telephone number, [Social Security number](#), or enrollment status.
- A summary of the student's rights and responsibilities.
- An overview of repayment, [deferment](#), [forbearance](#), cancellation options and conditions, loan consolidation, and refinancing options that are available to the student.
- Information on the consequences of borrowing several education loans and of [delinquency](#) and default.
- An explanation of loan sales and the servicing of loans.
- An explanation of how the school will determine whether the student is making [satisfactory academic progress \(SAP\)](#).
- A detailed disclosure of the school's [refund](#) policy.
- General information on budgeting living expenses and other aspects of personal financial management.

A school must maintain a record to substantiate the school's compliance with the entrance counseling requirement for each borrower. For detailed information on entrance counseling, a school may consult [34 CFR 682.604\(f\)](#) and the [2006-2007 Federal Student Aid Handbook, Volume 2, Chapter 6, pp. 2-99 to 2-102](#). [[§682.604\(f\)](#); [DCL GEN-98-25/98-G-315/98-L-211](#); [DCL GEN-99-9](#)]

<sup>1</sup>. Policy 1028 (Batch 149), approved April 17, 2008

## 4.4.C Exit Counseling

### 4.4.D Exit Counseling<sup>1</sup>

A school must ensure that [exit counseling](#) is conducted shortly before any Stafford loan borrower ceases enrollment on at least a half-time basis. The exit counseling may be conducted in person, by audiovisual presentation, or by interactive electronic means. The school must ensure that an individual with expertise in [Title IV](#) programs is reasonably available shortly after the exit counseling has been conducted to answer the student borrower's questions.

If a student borrower withdraws without the school's prior knowledge, or fails to complete the required exit counseling, the school must ensure that exit counseling is provided through interactive electronic means or by mailing written materials to the student borrower at his or her last known address within 30 days after learning that the student borrower withdrew from school or failed to complete the exit counseling as required. For a student borrower enrolled in a study-abroad program that the home institution approves for credit, or in a correspondence program, the school may, as an alternative to in-person, audiovisual, or interactive electronic means, provide written exit counseling materials by mail within 30 days after the student completes the program.

[§682.604(g)(1)]

When counseling is conducted by another party or by interactive electronic means, the school remains responsible for ensuring that each student borrower receives the counseling materials and participates in and completes exit counseling.

The school must ensure that the student borrower provides the school with his or her current name, address, [Social Security number](#), references, and driver's license number and state of issuance (if any). The school also must ensure that the student borrower provides his or her expected permanent address, the name and address of his or her expected employer (if known), and the address of his or her next of kin. The school must ensure that this information is provided to each [guarantor](#) listed in the student's records within 60 days after the student borrower provides the information.

[§682.604(g)(2)(vi)]

The school must ensure the information on the following subjects is provided to the student borrower during exit counseling:

- The average anticipated monthly repayment amount based on the student's indebtedness or based on the average indebtedness of [Stafford or Stafford and graduate or professional student PLUS loans, depending on the types of loans the student borrower has obtained, loan borrowers](#) at the same school or in the same [program of study](#) at the same school. [§682.604(g)(2)(i)]<sup>2</sup>
- Available repayment options including [standard, graduated, extended, and income-sensitive repayment plans](#) and loan consolidation. [§682.604(g)(2)(ii)]
- Debt-management strategies that would facilitate repayment. [§682.604(g)(2)(iii)]
- The conditions under which the student borrower may defer or forbear repayment or obtain a full or partial [discharge](#) of the loan. [§682.604(g)(2)(v)]
- The seriousness and importance of the repayment obligation that the student has assumed. [§682.604(g)(2)(iv)]
- The likely consequences of [default](#), including adverse credit reports, federal offset, and litigation. [§682.604(g)(2)(iv)]
- The availability of the Student Loan Ombudsman's Office. [§682.604(g)(2)(vii)]
- The use of the Federal Stafford Loan [Master Promissory Note](#) (Stafford MPN). [§682.604(g)(2)(iv)]
- The obligation to repay the full amount of the loan—even if the student borrower has not completed the program, is unable to obtain employment upon completion, or is otherwise dissatisfied with or does not receive the educational or other services the student purchased from the school. (The school or the school designee must provide this information to all of the

<sup>1</sup>. Policy 1009 (Batch 147), approved February 21, 2008

<sup>2</sup>. Policy 1028 (Batch 149), approved April 17, 2008

school's student borrowers except those who receive a loan made or originated by the school).

[§682.604(g)(2)(iv)]

- The availability of [Title IV](#) loan information in the [National Student Loan Data System \(NSLDS\)](#).

To improve a student's understanding of his or her loan repayment obligation, the Department recommends that the school provide the following additional information as part of exit counseling provided to a borrower:

- The current name and address of the borrower's lender(s).
- An explanation of how to complete deferment forms and prepare correspondence to the lender.
- A strong recommendation to the borrower to keep copies of all correspondence from and to the lender about his or her loans.
- A reminder to the borrower that he/she must make payments on loans even if the borrower does not receive a payment booklet or a billing notice.
- An overview of the advantages and disadvantages of loan consolidation.  
[08-09 FSA Handbook, Volume 2, Chapter 6, pp. 2-82 - 84]<sup>1</sup>

A school that conducts exit counseling by interactive electronic means must take reasonable steps to ensure that each student receives the counseling materials, and participates in and completes the counseling. Schools are required to maintain a record to substantiate the school's compliance with exit counseling requirements for each student.

[§682.604(g)(3)]

Additional information that the Department recommends including in exit counseling can be found in the [2006-2007 Federal Student Aid Handbook, Volume 2, Chapter 6, pp. 2-103 to 2-105](#).

## 4.5 Recordkeeping Requirements

Federal regulations mandate that a school retain complete and accurate [records](#) in a systematically organized manner. Records must be readily available for review by the [Department](#) or the Department's authorized representative at an institutional location designated by the Department or the Department's authorized representative.

[§668.24(d)(1) and (2)]

A discussion of the key records a school is required to maintain for the [FFELP](#) follows. Additional information on school recordkeeping requirements for all [Title IV](#) programs—including a comprehensive listing of required records—can be found in the [2006-2007 Federal Student Aid Handbook, Volume 2, Chapter 9, pp. 2-147 to 2-166](#). Schools must maintain any program record that documents compliance with Title IV program requirements.

Schools should consult [state](#) recordkeeping requirements to determine whether state requirements supersede these federal requirements.

### Program Records

A school must maintain any [application](#) for FFELP [funds](#) and up-to-date records that document:

- The school's eligibility to participate in the FFELP.  
[§668.24(a)(1)]
- The eligibility of the school's educational programs for FFELP funds.  
[§668.24(a)(2)]
- The school's administration of the FFELP in accordance with all applicable requirements.  
[§668.24(a)(3)]
- The school's financial responsibility.  
[§668.24(a)(4)]
- Information included in any application for FFELP funds.  
[§668.24(a)(5)]
- The school's delivery of FFELP funds.  
[§668.24(a)(6)]

<sup>1</sup>. Policy 1028 (Batch 149), approved April 17, 2008

## Fiscal Records

Fiscal **records** must be maintained in accordance with generally accepted accounting principles. **Schools** must maintain on a current basis:

- All financial records relating to each **FFELP** transaction.  
[§668.24(b)(2)(i)]
- Separate general ledger control accounts and related subsidiary accounts that identify each FFELP transaction.  
[§668.24(b)(2)(ii)]

## Loan-Related Records

The records that a school must maintain include, but are not limited to:

- A record of any ~~Stafford loan~~ passive or affirmative confirmation or Notification processes the school used in support of the ~~Federal Stafford Loan~~ Master Promissory Note (Stafford MPN). The documentation may be kept in paper or electronic format. Because this may affect the enforceability of loans, the documentation must be retained indefinitely.  
[§682.610(b)(6); 08-09 FSA Handbook, Volume 2, Chapter 9, p. 2-106]<sup>1</sup>
- Documentation of the process under which either the school or lender obtains the borrower's requested loan amount for a loan made under a PLUS Application and Master Promissory Note (PLUS MPN).  
[§682.401(d)(4)(vi)]
- A record of the borrower's requested loan amount for a loan made under a PLUS MPN, if the school is the party responsible for obtaining this information.  
[§682.401(d)(4)(vi)]
- A record of any adjustments that the school receives to the PLUS loan borrower's requested loan amount.
- For **parent PLUS loans** made using the common PLUS application and promissory note, a copy of the loan **application**—or application data, if submitted electronically to a **lender** or a **guarantor**—including the name of the **borrower** and the name of the dependent student on whose behalf the loan was made.  
[§682.610(b)(6)]

- For loans made using either the Stafford MPN or the PLUS MPN, a copy of the loan certification—or certification data, if submitted electronically to a lender or a guarantor—including the name of the borrower, and for parent PLUS loans, the name of the **dependent student** on whose behalf the loan was made.  
[§682.610(b)(1)]
- The **cost of attendance** (COA), **estimated financial assistance** (EFA), and **expected family contribution** (EFC) used to calculate the loan amount.  
[§682.610(b)(2)]
- **Documentation** of each student or **parent** borrower's receipt of FFELP **funds**, including, but not limited to:
  - The loan amount, the **payment period**, and the **period of enrollment** for which the loan was intended.  
[§668.24(b)(2)(iv)(A)]
  - The date and amount of each delivery of **loan proceeds** by the school to the student or parent borrower.  
[§668.24(b)(2)(iv)(B)]
  - The date and amount of any **refund** paid to or on behalf of the student and the method by which the refund was calculated.  
[§668.24(b)(2)(iv)(C)]
  - The payment of any refund to a lender or the **Department**.  
[§668.24(b)(2)(iv)(D)]
- The **Student Aid Report (SAR)** or the **Institutional Student Information Record (ISIR)**.  
[§668.24(c)(1)(i)]
- Documentation of each student or parent borrower's eligibility for FFELP funds, such as documentation of need, COA, **verification**, enrollment status, financial aid history, satisfactory academic progress (SAP), etc.  
[§668.24(c)(1)(iv)(A)]
- The school's receipt date for each **disbursement** of the loan.  
[§668.24(c)(1)(iv)(B)]
- For loans disbursed to the school by copayable **check**, the date the school endorsed each check.  
[§682.610(b)(3)]

<sup>1</sup> Policy 1029 (Batch 149), approved April 17, 2008

## 5.4 Prior Loan Discharge Due to Total and Permanent Disability

In some cases, loans that have been discharged due to the borrower's total and permanent disability may affect the borrower's eligibility for new loans. Eligibility may be based on the disposition of the borrower's discharge request or the date on which that request was processed.

### 5.4.A Conditional Discharge of a Prior Loan Due to Total and Permanent Disability

A borrower who has received a conditional discharge of a prior loan due to an initial determination that the borrower is **totally and permanently disabled** must do *all of the following* to be eligible to receive a new Stafford or PLUS loan before the end of the conditional discharge period:

- Obtain a physician's statement certifying that the borrower may now engage in "substantial gainful activity." For these purposes, "substantial gainful activity" is defined as the ability to work and earn money.  
[§682.201(a)(6)(i)]
- Sign a statement acknowledging that any loan that has been conditionally discharged may not be discharged due to the same or any disability existing at the time the borrower applied for a total and permanent disability discharge or when the new loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met.  
[§682.201(a)(6)(ii); §682.201(a)(7)(ii)(A)]
- Sign a statement acknowledging that collection activity will resume on any loans in a conditional discharge period.  
[§682.201(a)(7)(ii)(B)]

The If the borrower's receipt of receives a new Stafford or PLUS loan under the Perkins, FFELP, or Direct Loan Program (with the exception of a Consolidation loan that does not include any loans that are in a conditional discharge status) within 3 years from the date the physician completes and certifies the discharge application, terminates the borrower's conditional discharge is terminated and the loan(s) is reinstated to the status it held prior to the initial determination. If a FFELP loan was certified prior to the date the physician certified the

discharge application, any proceeds of such loan that are disbursed after the date of the physician's certification must be returned to the holder within 120 days of the disbursement date(s) to preserve the borrower's discharge eligibility. and If the borrower's conditional discharge is terminated, the Department reinstates collection activities on any loan on which collection activity had been previously suspended based on an initial determination of total and permanent disability. (See Subsection 13.8.G for more information regarding the total and permanent disability discharge and the glossary for the definition of "totally and permanently disabled.")

[§682.402(c)(4)(ii)(B) and (C)]<sup>1</sup>

- ▲ Schools and lenders are strongly encouraged to contact the guarantor if assistance is needed to determine or establish a borrower's eligibility after a total and permanent disability discharge.

### 5.4.B Final Discharge of a Prior Loan Due to Total and Permanent Disability

A borrower who has received a **discharge** of a prior loan due to final determination that the borrower is totally and permanently disabled must do *all of the following* to be eligible to receive a new Stafford or PLUS loan:

- Obtain a physician's statement certifying that the borrower may now engage in "substantial gainful activity." For these purposes, "substantial gainful activity" is defined as the ability to work and earn money.  
[§682.201(a)(6)(i)]
- Sign a statement acknowledging that any new loan the borrower receives may not be discharged due to the same or any disability existing at the time the new loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met.  
[§682.201(a)(6)(ii); §682.402(c)(1)(iii)]
- Reaffirm any loan that had been discharged due to total and permanent disability on or after July 1, 2001, but before July 1, 2002, if the borrower applies for a new loan within 3 years from the date the borrower became totally and permanently disabled, as certified by a physician. The borrower must reaffirm the previously discharged loan before receiving a new loan.  
[§682.201(a)(6)(iii)]

<sup>1</sup>. Policy 1040 (Batch 150), approved April 17, 2008

The school plays a key role in determining the amount of funds for which the student or borrower is eligible, whether those funds should be subsidized, and how the funds should be disbursed. The school provides this information to the lender and guarantor via its certification of the loan, either in a paper or electronic format. Chapter 6 describes the data a school is required to obtain or calculate and the certifications it must make to fulfill its role in the origination of a student's FFELP loan.

## 6.1

### Defining an Academic Year

To determine and certify the appropriate loan amount, the school must first define the program's [academic year](#) for which the funds are intended.

For purposes of defining the academic year, a week of instructional time is any consecutive 7-day period in which the school provides at least one day of regularly scheduled classes or examination, or after the last scheduled day of classes for a term or payment period, at least one day of study for final examinations. Instructional time does not include periods of orientation, counseling, vacation, or homework.

[§668.3(b)]

#### 6.1.A

#### Minimum Length for an Academic Year

##### ~~Undergraduate Program of Study Measured in Clock Hours~~

The minimum length for an academic year varies, depending on the level of the program and the method of measuring progress:

- For an undergraduate program of study measured in [clock hours](#), an academic year is a period of at least 26 weeks of instructional time. During this period, a full-time student is expected to complete a minimum of 900 clock hours.

[HEA 481(a)(2); §668.3]

##### ~~Undergraduate Program of Study Measured in Credit Hours~~

- For an undergraduate program of study measured in credit hours, an academic year is a period of at least 30 weeks of instructional time. During this period, a full-time student is expected to complete a minimum of 24 semester or trimester hours, or 36 quarter hours.

[§668.3(a)]

The [Department](#) may allow a credit-hour program to have an academic year that is shorter than the 30-week minimum if all of the following criteria are met:

- = The program results in a two-year associate degree or four-year bachelor's degree.
  - = The school obtains the approval of its [accrediting agency](#) and state licensing agency for the reduced academic year.
  - = The school submits a written request to the Department for a reduced academic year that is not less than 26 weeks. The request must include information identifying the program to which the reduced year will be applied and the number of weeks that will be included in the proposed reduced year. The school must demonstrate good cause for the requested reduction and provide any other information requested by the Department.
- [§668.3(c)(1)]

If the Department approves the reduced academic year, that approval terminates when the school's Program Participation Agreement expires. The school may request an extension of the approval as part of the re-certification process.

[§668.3(c)(3)]

##### ~~Graduate or Professional Program of Study~~

- For a graduate or professional program of study, an academic year is a period of at least 30 weeks of instructional time. While the Department regulates the amount of coursework that an undergraduate student is expected to complete in an academic year, it does not regulate the amount of coursework that a graduate or professional student is expected to complete in an academic year. For graduate and professional programs, the school is expected to establish academic standards to determine the amount of work that a full-time graduate or professional student is expected to complete within an academic year.

[~~§668.3(a)(c)(1) and (2)~~; [07-08 FSA Handbook, Volume 3, Chapter 1, p. 3-2](#)]<sup>1</sup>

<sup>1</sup>. Policy 1042 (Batch 150), approved April 17, 2008

## 6.1.B Academic Year Categories<sup>1</sup>

Typically, there are two categories of academic year that determine the frequency of Stafford annual loan limits:

- A scheduled academic year (SAY) that corresponds to a traditional academic year calendar (e.g., fall and spring semesters; or fall, winter, and spring quarters). A SAY is a “fixed” academic period as published in a school’s printed materials that generally begins and ends at about the same time each calendar year according to an established schedule that is published in a school’s catalog or other materials.
- A borrower-based academic year (BBAY) that does not have a fixed beginning or ending date. A BBAY is an academic year that begins with a student’s start date when a student, or a group of students, begins attendance and tracks the student’s (or group’s) attendance and progress in a program of study until the required number of weeks and credit or clock hours have been completed.

Although there is no annual loan limit for a parent or Grad PLUS loan, a school must certify a parent or Grad PLUS loan for the same SAY or BBAY loan period that is used for the student’s Stafford loan.

[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-78]

Both the SAY and BBAY must meet the minimum statutory requirements of an academic year as defined by the Department. One exception to this rule is that a BBAY that is used as an alternative to a SAY in a standard term-based, credit-hour program and that includes a summer term may include fewer than 30 weeks of instructional time or fewer credit hours than the minimum number required for a SAY. For clock-hour programs and nonstandard term-based and non-term-based credit-hour programs, a school must use a BBAY. For standard term-based credit-hour programs that are offered in a traditional academic year calendar, a school may use either a SAY or a BBAY. For a standard term-based program that is not offered in a traditional academic year calendar, a school must use a BBAY.

[2006-2007 Federal Student Aid Handbook, Volume 3, Chapter 4, pp. 3-66 to 3-71]

There are significant differences between a BBAY for a standard term-based credit-hour program, and a BBAY for a clock-hour, a non-term-based credit-hour, or a nonstandard term-based credit-hour program. See the discussion that follows for additional information.

### Standard Term-Based, Credit-Hour Programs Offered in a Traditional Academic Year Calendar: Using a SAY

A school with a standard term-based credit-hour programs using a SAY that corresponds to a traditional academic year calendar must designate the summer term as either a “leader”-“header” (precedes the academic year) or a “trailer” (follows the academic year). (See the discussion in this section under the subheading *Academic Year Categories* for additional information.) The school has the following options:

- The school may consistently designate the summer term as either a leader-header or a trailer with no exceptions.
- The school may consistently designate the summer term as either a leader-header or a trailer with some exceptions that are determined by the school on a case-by-case basis.
- The school may make all decisions regarding the use of the summer term as a leader-header or a trailer on a case-by-case basis.

### Standard Term-Based, Credit-Hour Programs Offered in a Traditional Academic Year Calendar: Using a BBAY

If a BBAY is used, the school must include the same number of terms in the BBAY as it includes in its SAY, excluding a summer term designated as a “header” or “trailer” to the SAY. (See the discussion in this section under the subheading *Academic Year Categories* for additional information.) Mini-sessions (summer or otherwise) must be combined and treated as a single term. The borrower is not required to attend the entire BBAY but the loan period must coincide with the student’s attendance. The BBAY must begin with a term in which the student actually is enrolled but may include a term in which the student is not enrolled.

A school may use a BBAY for all students, for students enrolled in certain programs, or on a student-by-student basis. The school may also alternate between a BBAY and a SAY for the same student. However the school must ensure that it does not establish overlapping academic years for a student.

[2006-2007 Federal Student Aid Handbook, Volume 3, Chapter 4, p. 3-67]<sup>2</sup>

<sup>1</sup>. Policy 1042 (Batch 150), approved April 17, 2008

<sup>2</sup>. Policy 1030 (Batch 149), approved April 17, 2008

### **Standard Term-Based, Credit-Hour Programs Not Offered in a Traditional Academic Year Calendar**

If a school has a program that is not offered in a traditional academic year calendar (i.e., one that corresponds to a SAY), the school must use a BBAY. (See the discussion in this section under the subheading *Academic Year Categories* for additional information.) If the program uses semesters or trimesters, a BBAY consists of at least two consecutive terms. If the program uses quarters, a BBAY consists of at least three consecutive terms. Mini-sessions (summer or otherwise) must be combined and treated as a single standard term. A BBAY may include a term(s) that a student does not attend if the student could have enrolled at least half time during that term(s), but the BBAY must begin with a term in which the student is actually enrolled. The BBAY for programs that are not offered in a traditional academic calendar must always include enough terms to meet the minimum Title IV academic year requirements for weeks of instructional time.  
[\[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-81\]](#)<sup>1</sup>

A student enrolled in a standard term-based credit-hour program enters a new academic year for annual loan limit purposes when the calendar time for the SAY or BBAY has elapsed, regardless of whether the student attends all of the terms or completes all of the credits in the academic year.  
[\[§682.603\(g\)\(1\)\]](#)

### **Nonstandard Term-Based Programs with Substantially Equal Terms of At Least Nine Weeks of Instructional Time**

For a program with nonstandard terms that are substantially equal, and no term in the loan period is less than nine weeks of instructional time in length, the student enters a new academic year for annual loan limit purposes when the calendar time for the academic year has elapsed. Terms are considered substantially equal in length if no term in the loan period is more than two weeks of instructional time longer than any other term in that loan period.  
[\[§682.603\(g\)\(1\) and \(4\)\]](#)

### **Clock-Hour Programs, and Nonstandard Term-Based and Non-Term-Based Credit-Hour Programs, and Nonstandard Term-Based Credit-Hour Programs with Terms That Are Not Substantially Equal or Not At Least Nine Weeks of Instructional Time**

For clock-hour programs, and nonstandard term-based and non-term-based credit-hour programs, and nonstandard term-based programs with terms that are not substantially equal or are not at least nine weeks of instructional time in length, the BBAY begins when the student enrolls and does not end until the student completes both the required

number of weeks and the required number of clock or credit hours in the academic year. A student who does not attend on a full-time basis will take longer to complete the academic year than a full-time student.

These types of programs frequently allow a student to complete the program at his or her own pace. As a result, one student may complete 900 clock hours in 28 weeks while another may complete 900 clock hours in 32 weeks. If the average student completes the program in 30 weeks, the school is not required to prorate the loan amount for the occasional student who completes the program in less than 30 weeks.

[\[2006-2007 Federal Student Aid Handbook, Volume 3, Chapter 4, p. 3-69\]](#)

A student enrolled in one of these types of programs enters a new academic year for annual loan limit purposes only after the student successfully completes both the weeks and the clock or credit hours in the academic year.  
[\[§682.603\(g\)\(2\) and \(3\)\]](#)<sup>2</sup>

### **Transfer Students**

If a student borrows Stafford loan funds to attend one school and then transfers to a new school, the new school is not permitted to certify a Stafford loan until it determines whether the student's new academic year will overlap with the final academic year at the prior school. This requires the new school to determine the student's academic year at the prior school. The new school may use either of the following methods to make this determination:

- Obtain documentation from the prior school about its academic year.
- Make assumptions about the prior school's academic year based on information obtained from the [National Student Loan Data System \(NSLDS\)](#). Schools that use this method must determine that the academic year at the prior school ended on the *later* of the following:
  - 30 weeks after the first day of the most recent loan period listed.
  - The end date of the loan period for all loans made in the academic year.

If the final academic year of the prior school does not overlap with the academic year of the new school, the new school may certify a loan not to exceed the amount of the student's current annual loan limit.

[\[Dear Guaranty Agency Director Letter March 16, 1994\]](#)

<sup>1</sup> Policy 1030 (Batch 149), approved April 17, 2008

<sup>2</sup> Policy 1042 (Batch 150), approved April 17, 2008

If the final academic year of the prior school does overlap with the initial academic year of the new school, the new school must not certify a Stafford loan for more than the student's current annual loan limit *minus* the loan amount the student received at the prior school for the prior school's final academic year. If the student's grade level decreases as a result of the transfer, the new school must not certify a Stafford loan for more than the annual loan limit applicable to the student's current (i.e., decreased) grade level *minus* the outstanding loan amount the student received at the prior school during the prior school's final academic year. The exception to this rule is a transfer from a graduate program to an undergraduate program within an academic year. In this case, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher (graduate/professional) annual loan limit.

[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88]<sup>1</sup>

*Example: Transfer to a Standard Term-Based Program*

A student received a base Stafford loan in the amount of \$2,000 as a grade level 3 student at School A for the loan period August 21, 2006, to December 20, 2006. The student then enrolled in School B, where he was classified as grade level 1 in a standard term-based credit-hour program. School B wishes to certify a loan from his start date, January 5, 2007, through the end of that term, May 11, 2007.

School B opts to use the "assumption" method of determining the academic year at School A. The most recent loan period at School A began August 21, 2006; the end date of the minimum 30-week academic year, based on that date, would be March 18, 2007. When compared to the end date of School A's loan period, the later of these two dates is March 18, 2007; therefore, the assumed end date of School A's final academic year is March 18, 2007.

Because School B's academic year begins prior to the assumed end date of the final academic year at School A, School B may certify a base Stafford loan of no more than \$625 (the student's base Stafford annual loan limit as a grade level 1 student at School B, \$2,625, minus the \$2,000 received at School A).

For a subsequent term that begins after the end of School A's final academic year, but within School B's initial academic year, School B may certify a base

Stafford loan of no more than \$2,000 (the student's base Stafford annual loan limit as a grade level 1 student at School B, \$2,625, minus the \$625 already received at School B for its initial academic year).

*Example: Transfer to a Clock-Hour-, Non-Term-Based, or Nonstandard Term-Based Program*

A student received a base Stafford loan in the amount of \$2,000 as a grade level 3 student at School A for the loan period August 21, ~~2008~~2006, to December 20, ~~2008~~2006. The student then enrolled in School B, where he was classified as grade level 1 in a clock-hour, non-term-based credit-hour, or nonstandard term-based credit-hour program. School B wishes to certify a loan from his start date, January 5, ~~2009~~2007, through the end of the academic year at school A ~~his initial academic year in the new program of study, August 20, 2007.~~

School B contacts School A and determines that the final academic year at School A ends May 11, ~~2009~~2007. Because School B's initial academic year begins prior to the end date of the final academic year at School A, School B may certify a base Stafford loan of no more than \$625 (the student's base Stafford annual loan limit as a grade level 1 student at School B, \$2,625, minus the \$2,000 received at School A) until the completion of the ~~initial~~ academic year at ~~the new~~ School A, May 11, 2009. After that date, the student enters a new academic year for annual loan limit purposes, and School B may certify loans for the next full academic year or for the remainder of the program, if less than a full academic year.<sup>2</sup>

These same principles apply when a student transfers from one program of study to another program of study within the same school.

[*Dear Guaranty Agency Director Letter* March 16, 1994; *2006-2007 Federal Student Aid Handbook, Volume 3, Chapter 4, pp. 3-75 to 3-77*]

<sup>1</sup> Policy 1018 (Batch 148), approved March 20, 2008

<sup>2</sup> Policy 1042 (Batch 150), approved April 17, 2008

## Frequency of Stafford Annual Loan Limits

Figure 6-2

	Scheduled Academic Year (SAY)	Borrower-Based Academic Year (BBAY)
<b>Standard Term-Based Credit-Hour Programs (including such programs offered in modules)</b>	<p><u>Consists of a traditional Academic year calendar that begins and ends at approximately the same time each calendar year and includes at least two semesters or trimesters, or at least three quarters</u></p> <p>School must use a SAY that meets the minimum statutory requirements of an academic year</p> <p><u>All loans borrowed during a SAY (including summer header/trailer) must not exceed the annual loan limit for student's grade level</u></p> <p><u>Loan period may not always include all terms in SAY</u></p> <p><u>Borrower always regains eligibility at beginning of for new annual loan limit after SAY calendar period elapses</u></p> <p><u>All loans borrowed during SAY must be within annual limit for student's grade level</u></p> <p>After original loan, additional loans during the same SAY are permissible if <u>any of the following occur</u>:</p> <ul style="list-style-type: none"> <li>• Student has remaining eligibility, <del>or</del></li> <li>• Student progresses to the <del>next</del> a grade level with a higher annual loan limit</li> <li>• <u>Student changes from dependent to independent</u></li> </ul> <p><u>Loan period may not always include all terms in SAY</u></p> <p>Summer term may be "header" or "trailer" to the SAY, per</p> <ul style="list-style-type: none"> <li>• Strict policy</li> <li>• By program</li> <li>• Case by case</li> </ul> <p><u>Summer Mini-sessions may be combined and treated as a single term-header/trailer or individual terms-mini-sessions may be assigned to different SAYs</u></p>	<p><b><u>All standard term-based, credit-hour programs:</u></b></p> <p>Academic year floats with student's, <u>or a group of students', enrollment</u></p> <p><u>School may use if SAY is at least 30 weeks</u></p> <p>All loans borrowed during BBAY must <del>be within</del> <u>not exceed the annual loan limit for the student's grade level</u></p> <p><u>Borrower regains eligibility for new annual loan limit after BBAY calendar period elapses</u></p> <p>After original loan, additional loans <u>during the same BBAY are permissible if any of the following occur</u>:</p> <ul style="list-style-type: none"> <li>• Student has remaining eligibility, <del>or</del></li> <li>• Student progresses to a grade level with a higher annual loan limit</li> <li>• <u>Student changes from dependent to independent</u></li> </ul> <p><u>Length of BBAY must equal number of terms in SAY, not including summer trailer or leader</u></p> <ul style="list-style-type: none"> <li>• <del>Number of hours/weeks in BBAY need not meet 30-week minimum if BBAY includes a summer term</del></li> <li>• BBAY begins with term in which student actually enrolls</li> <li>• BBAY may include terms student does not attend, if student could have enrolled at least half time</li> </ul> <p><u>Mini-sessions (summer or otherwise) must be combined with each other or with other terms and treated as a single standard term. Student need not enroll in each mini-session but must have been able to enroll at least half-time in the combined term</u></p> <p><b><u>Programs offered in a traditional academic year calendar (i.e., one that corresponds to a SAY):</u></b></p> <p><u>Length of BBAY must equal number of terms in SAY, excluding summer header or trailer</u></p> <p><u>Number of hours/instructional weeks in BBAY need not meet minimum statutory requirements of an academic year if BBAY includes a shorter summer term</u></p> <p>School may use BBAY for</p> <ul style="list-style-type: none"> <li>• All students</li> <li>• Certain programs</li> <li>• Certain students</li> </ul> <p><del>Mini-sessions must be treated as a single term and student need not enroll in all mini-sessions, but must have been given the opportunity by the school to enroll in all at least half time</del></p> <p>May alternate SAY and BBAY for a student if no overlap of academic years</p> <p><b><u>Programs not offered in a traditional academic year calendar:</u></b></p> <p><u>Must use BBAY that consists of at least two semesters or trimesters, or at least three quarters</u></p> <p><u>BBAY must meet minimum statutory requirements of an academic year in instructional weeks<sup>1</sup></u></p>

<sup>1</sup> Policy 1030 (Batch 149), approved April 17, 2008

	Scheduled Academic Year (SAY)	Borrower-Based Academic Year (BBAY)
<u>Nonstandard Term-Based Programs with Substantially Equal Terms of At Least Nine Weeks of Instructional Time</u>	* -	<u>BBAY must meet the minimum statutory requirements or equivalent</u>  <u>Student enters a new academic year for annual loan limit purposes when the calendar time of the BBAY has elapsed</u>
<u>Nonstandard Term-Based and Non-Term-Based Credit-Hour Programs, and Clock-Hour Programs, Non-Term-Based Credit-Hour Programs, and Nonstandard Term-Based Credit-Hour Programs with Terms that Are Not Substantially Equal or Not At Least Nine Weeks of Instructional Time</u>	Not applicable	BBAY must meet the minimum statutory requirements or equivalent  Student may not borrow additional loan for progress to next grade level until the student completes both the minimum number of weeks and credit/clock hours in an academic year

\*The use of the SAY in a nonstandard term-based program with substantially equal terms not less than nine weeks long has not been defined. This figure will be updated when further guidance is received.<sup>1</sup>

Adapted from: *Trainee Guide: 1997-98 Title IV Training Workshop*, U.S. Department of Education, January 21, 1997, pages TG 8-42. [\[07-08 FSA Handbook, Volume 3, Chapter 5, pp. 3-79-3-84 and 3-86\]](#)<sup>2</sup>

<sup>1</sup> Policy 1042 (Batch 150), approved April 17, 2008

<sup>2</sup> Policy 1030 (Batch 149), approved April 17, 2008

## 6.2

### Determining the Loan Period

The loan period is the period of enrollment for which a Stafford or PLUS loan is intended. The loan period must coincide with a bona fide academic term established by the school for which school charges are generally assessed (i.e., semester, trimester, quarter, length of the student's program, or the school's [academic year](#)).

[\[§682.200\(b\)\]](#)

The maximum period for which a school may certify a loan is an academic year. See [Section 6.1](#) for more information about how the academic year is defined and used to determine and certify the appropriate loan amount for a student enrolled in a standard term-, nonstandard term-, or non-term-based credit-hour program, and for a clock-hour program.

The maximum period for which a school may certify a Stafford or PLUS loan is the calendar period of time in which the student is expected to successfully complete the credit or clock hours and the instructional weeks in the Title IV academic year definition for any of the following programs:

- A non-term credit-hour program.
- A clock-hour program.
- A nonstandard term, credit-hour program that does not have substantially equal terms.
- A nonstandard term, credit-hour program that has substantially equal terms that are not all at least nine weeks in length.

For a student who attends such a program on at least a half-time but less than full-time basis, otherwise progresses in the program at a slower rate, or takes an approved leave of absence, the loan period may be longer than the loan period for a student attending the same program who progresses at a normal pace.

Example: A school offers a non-term, credit-hour program of one academic year in length. The Title IV academic year definition for the program, and the program's length, is 24 semester credit hours and 40 instructional weeks, which requires the normal, full-time student 10 months to complete. For such a student, the loan period is 10 months in length (i.e., the calendar period required for the student to successfully complete the number of credit hours and instructional

weeks in the program/academic year). However, for a student who enrolls in the program on a less than full-time basis (but at least half-time) the loan period may be 15 months, (i.e., the calendar period necessary for the student to successfully complete the number of credit hours and instructional weeks in the program/academic year at a slower pace).

[\[§682.603\(g\)\(2\)\(i\)\]](#)<sup>1</sup>

The minimum loan period that a school may certify is:

- A ~~single~~ academic term (e.g., a semester or quarter) for ~~schools~~
  - = A program that measures academic progress in credit hours and uses a semester, trimester, or quarter system.
  - = A program that has terms that are substantially equal in length and for which no term in the loan period is less than nine weeks in length.  
[\[§682.603\(f\)\(1\)\(i\)\(A\)\]](#)
- The lesser of the length of the student's program at the school, the school's academic year, or the student's remaining period of enrollment for the program of study at the school, ~~whichever is less, for schools~~
  - = A program that measures academic progress in [clock hours](#) (or in credit hours, but that does not use a semester, trimester, or quarter system).
  - = A program that does not have terms that are substantially equal in length with no term less than nine weeks in length.  
[\[§682.603\(f\)\(1\)\(ii\)\(B\)\]](#)
- The shorter of the remaining portion of the program of study or the remaining portion of the original school's academic year if a student transfers to a school from another school, and the prior school certified or originated a loan for an academic year that overlaps the academic year at the new school. In this case, the new school may certify a loan for no more than the remaining balance of the student's annual loan limit (see [Section 6.1](#)).  
[\[§682.603\(g\)\(1\)\(ii\)\]](#)<sup>2</sup>

<sup>1</sup>. Policy 1019 (Batch 150), approved April 17, 2008

<sup>2</sup>. Policy 1043 (Batch 150), approved April 17, 2008

- The remainder of the current academic year for a student who completes one program and begins another program within an academic year at the same school. The school may certify an additional loan for an amount that does not exceed the remaining balance of the student's annual loan limit at the loan level associated with the new program (see [Section 6.1](#)) if each of the following criteria are met:

- = The student's last loan to complete that program was for a period of less than an academic year.
- = The student then begins a new program at the same school within the same academic year.  
[§682.603(g)(1)(iii)]

The exception to this rule is the completion of a graduate program and beginning of an undergraduate program within an academic year. In this case, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher (graduate/professional) annual loan limit.  
[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88]<sup>1</sup>

The maximum loan period that a school may certify is:

- An academic year.  
[§682.603(f)(2)(ii)]
- A period longer than an academic year—not to exceed 12 months—that corresponds to the period to which annual loan limits are applied.  
[§682.603(f)(2)(i)]<sup>2</sup>

### Defaulted Borrowers

The maximum loan period that the school may certify for a defaulted borrower whose Title IV eligibility is reinstated (see [Subsection 5.2.E](#)) is the academic year during which the borrower regains eligibility.  
[§682.603(f)(2)(ii)]

### Including a Retroactive Period in a Loan Period

Generally, a school may certify a borrower's eligibility for a Stafford or PLUS loan retroactive to the beginning of the current period of enrollment for a student or parent borrower, as applicable, who meets conditions that include, but are not limited to, the following:

- The student or parent borrower, as applicable, regains eligibility during the period of enrollment after an earlier loss of eligibility due to, for example:
  - = Failure to<sup>3</sup> meet make satisfactory academic progress (see [Section 8.4](#)).<sup>4, 5</sup> If the school's written satisfactory academic progress policy provides for reinstatement of eligibility at a later point, the school must comply with its written policy.  
[07-08 FSA Handbook, Volume 1, Chapter 1, p. 1-10]<sup>6</sup>
  - = Failure to meet citizenship requirements (see [Subsection 5.2.A](#)).
  - = A prior default or overpayment in a Title IV program (see [Subsections 5.2.D](#) and [5.2.E](#)).  
[§682.603(f)(2)(ii)]
  - = Inadvertent borrowing in excess of the Stafford annual or aggregate loan limit (see [Subsection 6.11.E](#)).
- The student or parent borrower, as applicable, requests a loan in the second or subsequent payment period in the period of enrollment.
- The student regains eligibility after a loss of eligibility due to a conviction for drug possession or sale (see [Section 5.8](#)).

However, a school may include a retroactive portion of the current enrollment period in a Stafford or PLUS loan period only if the student attended and completed that retroactive period on at least a half-time basis. For example, a school may certify a loan in the spring term for a fall/spring period of enrollment and include the costs for the fall term in the student's cost of attendance for the loan period, provided that the student completed the fall term on at least a half-time basis. The school must ensure that a loan period including a retroactive period does not exceed the<sup>7</sup>

<sup>1</sup>. Policy 1043 (Batch 150), approved April 17, 2008

<sup>2</sup>. Policy 1019 (Batch 150), approved April 17, 2008

<sup>3</sup>. Policy 976 (Batch 143), approved October 18, 2007

<sup>4</sup>. Policy 976 (Batch 143), approved October 18, 2007

<sup>5</sup>. Policy 999 (Batch 146), approved January 17, 2008

<sup>6</sup>. Policy 999 (Batch 146), approved January 17, 2008

<sup>7</sup>. Policy 976 (Batch 143), approved October 18, 2007

maximum allowable loan period as described above, and meets applicable criteria for determining the frequency of Stafford annual loan limits (see [Section 6.1](#) and [Figure 6-2](#)). If a student attended during a retroactive period on a less-than-half-time basis, a school must not include the retroactive period in the loan period or that retroactive period's costs in the cost of attendance for the loan period. [\[07-08 FSA Handbook, Volume 1, Chapter 1, pp. 1-10, 1-13, and 1-14, and Volume 4, Chapter 2, p. 4-44\]](#)<sup>1</sup>

## 6.3 Determining Payment Periods

The [payment period](#) is 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 by 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.~~ [\[§668.4\]](#)

For the purpose of determining payment periods, the following definitions apply:

- Substantially equal in length – terms are substantially equal in length if no term in the program is more than two weeks of instructional time longer than any other term in that program.
- Successful completion – a student successfully completes credit hours or clock hours if the school considers the student to have passed the coursework associated with those hours.

### 6.3.A Number of Payment Periods

~~A school may choose to have more than two payment periods in the academic year. In that case, the number of payment periods must correspond to portions of the academic year. For example, if a school chooses to have three payment periods, each payment period must correspond to one third of the academic year. If three payment periods are used and the program or its remaining portion is greater than one third but less than two thirds of the academic year, two payments are required, with each payment period covering one half of the remaining portion. If the remaining portion is greater than two thirds of the~~

~~academic year but less than one academic year, three payments are required, each covering one third of the remaining portion. (See section 8.7 for information on loan delivery requirements during payment periods.)~~ [\[§668.4\(d\)\]](#)

## 6.3.B Term-Based Credit-Hour Programs

### 6.3.A Credit-Hour Programs With Standard Terms or With Nonstandard Terms That Are Substantially Equal in Length

For an eligible program that measures progress in credit hours and has standard academic terms, or has nonstandard terms that are substantially equal in length, the payment period is the academic term (semester, trimester, quarter, or nonstandard term). [\[§668.4\(a\)\]](#)

### 6.3.C Standard Term-Based Programs Offered in Modules

### 6.3.B Standard Term-Based Programs Offered in Modules<sup>2</sup>

For an eligible program that combines a series of modules into a semester, trimester, or quarter and measures progress in credit hours, the payment period includes all of the modules the student was scheduled to attend in the semester, trimester, or quarter beginning with the module that included the student's first day of attendance. The following criteria apply to programs offered in modules:

- Some or all of the courses in the program are offered in modules that are scheduled sequentially rather than concurrently. (The modules may overlap.)
- Two or more modules make up a standard term at the institution (e.g., a 12-week term is offered in three 4-week modules).
- A student may begin his or her program of study at the beginning of any module in the term.

<sup>1</sup> Policy 976 (Batch 143), approved October 18, 2007

<sup>2</sup> Policy 1044 (Batch 150), approved April 17, 2008

- A student may skip one or more modules in the term.
- A student must enroll up front in all modules he or she plans to attend within the term, although he or she may subsequently add or drop a course.  
[DCL GEN-00-24]

A school may use a scheduled academic year (SAY) or a borrower-based academic year (BBAY) for a standard term-based program comprised of modules that is offered in a traditional academic year calendar. See [Section 6.1](#) for more information about the use of a SAY and a BBAY in a standard term-based, credit-hour program that is offered in a traditional academic year calendar.<sup>1</sup>

### 6.3.C Credit-Hour Programs with Nonstandard Terms That Are Not Substantially Equal in Length

For an eligible program that measures progress in credit hours and has nonstandard terms that are not substantially equal in length, the payment period varies, depending on the length of the program, or the remaining portion of the program.

For an eligible program that is one academic year or less in length, the following applies:

- The first payment period is the period of time in which the student successfully completes half of the credit hours in the program and half of the number of weeks of instructional time in the program.
- The second payment period is the period of time in which the student successfully completes the remainder of the program.

For an eligible program that is more than one academic year in length, the following applies for the first academic year and for any subsequent full academic year:

- The first payment period is the period of time in which the student successfully completes half of the credit hours and half the number of weeks of instructional time in the academic year.
- The second payment period is the period of time in which the student successfully completes the remainder of the academic year.

For any remaining portion of an eligible program that is more than one-half of an academic year in length, but less than a complete academic year, the following applies:

- The first payment period is the period of time in which the student successfully completes half of the credit hours and half the number of weeks of instructional time in the remaining portion of the program.
- The second payment period is the period of time in which the student successfully completes the remainder of the program.

For any remaining portion of an eligible program that is less than one-half of an academic year in length, the payment period is the remainder of the program; however, loan funds must be delivered in at least two disbursements, unless the school is exempt from the multiple disbursement requirement as a result of a low cohort default rate (see [Subsection 7.7.B](#)).  
[§668.4(b)]

### 6.3.D Clock-Hour Programs or Non-Term-Based Credit-Hour Programs

For an eligible program that measures progress in clock hours, or a program that measures progress in credit hours and does not have academic terms, the payment period varies, depending on the length of the program or the remaining portion of the program.

For an eligible program that is one academic year or less in length, the following applies:

- The first payment period is the period of time in which the student successfully completes half the ~~number of~~ clock hours or credit hours and half the number of weeks of instructional time in the ~~academic year or~~ program.  
[§668.4(c)(1)(i)]
- The second payment period is the period of time in which the student successfully completes the remainder of the ~~academic year or~~ program.  
[§668.4(c)(1)(ii)]<sup>2</sup>

<sup>1</sup> Policy 1030 (Batch 149), approved April 17, 2008

<sup>2</sup> Policy 1044 (Batch 150), approved April 17, 2008

For an eligible program that is more than one academic year in length, the following applies for the first academic year and any subsequent full academic year:

- The first payment period is the period of time in which the student successfully completes half the ~~number of clock hours or credit hours~~ and half the number of weeks of instructional time in the academic year.

[§668.4(c)(2)(i)(A)]

- The second payment period is the period of time in which the student successfully completes the remainder of the academic year.

[§668.4(c)(2)(i)(B)]

For any remaining portion of an eligible program that is more than one half of an academic year in length, but less than a complete academic year, the following applies:

- The first payment period is the period of time in which a student successfully completes half the ~~number of clock hours or credit hours~~ and half the number of weeks of instructional time remaining in the program.

[§668.4(c)(2)(ii)(A)]

- The second payment period is the period of time in which the student completes the remainder of the program.

[§668.4(c)(2)(ii)(B)]

For any remaining portion of an eligible program that is not more than one half an academic year, the payment period is the remainder of that program; however, loan funds must be delivered in at least two disbursements, unless the school is exempt from the multiple disbursement requirement as a result of a low cohort default rate (see Subsection 7.7.B).

[§668.4(c)(2)(iii)]

If an ~~institution~~ school is unable to determine when a student has completed half the clock hours or credit hours in a program, academic year, or the remainder of a program, the student is considered to begin the second payment period of the program, academic year, or the remainder of a program at the later of:

- The date, as determined by the school, that the student has successfully completed one-half of the academic coursework in the program, academic year, or the remainder of the program.

[§668.4(c)(3)(i)]

- ~~The calendar midpoint between the first and last scheduled days of class of~~ The date when the student successfully completed half of the number of weeks of

instruction in the program, academic year, or the remainder of the program.

[§668.4(c)(3)(ii)]

## 6.3.E Clock-Hour Programs

For an eligible program that is one academic year or less in length, the following applies:

- The first payment period is the period of time in which the student completes half the number of clock hours in the academic year or program.

[§668.4(c)(1)(i)]

- The second payment period is the period of time in which the student completes the remaining number of clock hours in the academic year or program.

[§668.4(c)(1)(ii)]

For an eligible program that is more than one academic year in length, for the first academic year and any subsequent full academic year, the following applies:

- The first payment period is the period of time in which the student completes half the number of clock hours in the academic year.

[§668.4(c)(2)(i)(A)]

- The second payment period is the period of time in which the student completes the remaining number of clock hours in the academic year.

[§668.4(c)(2)(i)(B)]

For any remaining portion of an eligible program that is more than one half an academic year, but less than a full academic year in length, the following applies:

- The first payment period is the period of time in which the student completes half the number of clock hours in the program.

[§668.4(c)(2)(ii)(A)]

- The second payment period is the period of time in which the student completes the remaining number of clock hours in the program.

[§668.4(c)(2)(ii)(B)]

For any remaining portion of an eligible program that is not more than one half of an academic year, the payment period is the remainder of the program.

[§668.4(c)(2)(iii)]<sup>1</sup>

<sup>1</sup> Policy 1044 (Batch 150), approved April 17, 2008

### 6.3.E Excused Absences in Clock-Hour Programs

For the purposes of determining whether a student has successfully completed the clock hours in a payment period, a school may count an excused absence (an absence the student does not have to make up) if:

- The school has a written policy that permits excused absences.
- The number of excused absences under the written policy for purposes of determining payment periods does not exceed the lesser of:
  - = The school's accrediting agency's excused absence policy.
  - = The excused absence policy of any state agency that licenses or legally authorizes the school to operate in the state.
  - = Ten percent of the clock hours in the payment period.

[\[§668.4\(e\)\]](#)

### 6.3.F Students Returning to a Non-Term Credit-Hour or Clock-Hour Program after a Withdrawal

If a student withdraws from a program but re-enters that same program within 180 days, the school is required to place the student in the same payment period in which the student was originally enrolled when the withdrawal occurred. The student is again eligible to receive any loan funds for which he or she was eligible prior to the withdrawal, including any funds that may have been returned by the school or student as part of the [return of Title IV funds](#) process.

[\[§668.4\(f\)\]](#)

If, however, a student returns to the same program after 180 days or, at any time, either transfers into a different program at the same school or enrolls in another school, the applicable school must calculate a new payment period for the remainder of the student's program based on how program progress is measured. For purposes of calculating payment periods only, the length of the program is the number of credit hours or clock hours and the number of weeks of instructional time, ~~or the number of clock hours~~, that the student has remaining in the program he or she

entered or re-entered. If the remaining hours ~~(and weeks, if applicable)~~ constitute one half of an academic year or less, the remaining hours constitute one payment period.

[\[§668.4\(g\)\(1\) and \(2\)\]](#)

There is one exception to this rule: a school may consider a student who transfers to a different program at the same school to remain in the same payment period if all of the following conditions are met:

- The student is continuously enrolled at the school.
- The coursework in the payment period the student is transferring out of is substantially similar to the coursework the student will be taking when he or she first transfers into the new program.
- The payment periods are substantially equal in length in weeks of instructional time and credit or clock hours.
- There are little or no changes in institutional charges associated with the payment period
- The credits from the payment period the student is transferring out of are accepted toward the new program.

[\[§668.4\(g\)\(3\)\]<sup>1</sup>](#)

## 6.4 Determining the Disbursement Schedule

Federal regulations require a school to specify a disbursement schedule that provides for disbursements to be made on a payment-period basis for each Stafford and PLUS loan it certifies. The school, or a guarantor acting on behalf of the school, may subsequently modify that schedule. The school may delegate its responsibility for assigning disbursement dates to a guarantor with whom it participates.

A school should attempt to assign disbursement dates with which the lender may reasonably comply. The school should not specify a disbursement date that will likely pass before the loan is guaranteed. An expired disbursement date may result in delayed processing of the loan.

In establishing the disbursement schedule, a school must allow for necessary mail and processing time. The school should provide the dates on which it would expect the lender to issue the [check](#) or [master check](#) or generate the

<sup>1</sup> Policy 1044 (Batch 150), approved April 17, 2008

EFT transaction—not the date on which the school anticipates receiving the funds. In addition, the school must schedule disbursement dates that comply with applicable delivery requirements. For more information on delivery requirements, see [section 8.7](#).

The requirement that disbursements be made on a payment-period basis (see [section 6.3](#) for information regarding payment periods) does not eliminate any applicable multiple disbursement requirement (see [subsection 6.4.A](#)) for a school to deliver [loan proceeds](#) in substantially equal installments, with no installment exceeding one half of the loan amount. See [subsection 6.4.A](#) for information about multiple disbursement and [section 8.7](#) for information about proportional disbursement and special delivery requirements for programs with nonstandard terms. [\[§682.604\(c\)\(6\) and \(9\)\]](#)

### 6.4.A Multiple Disbursements and Exceptions

The school must establish a [disbursement](#) schedule that ensures that a Stafford or PLUS loan is disbursed in two or more installments, regardless of the loan amount. A Stafford or PLUS loan may be disbursed by a single disbursement only in the following cases:

- The loan is made for a [period of enrollment](#) that is not more than one semester, trimester, or quarter, or, for a school without standard terms, not more than 4 months, if the school's cohort default rate for each of the three most recent fiscal years for which information is available is less than 10%. [\[HEA 428G\(a\)\(3\)\]](#)
- The loan is made to a student enrolled in a study-abroad program, if the eligible school at which the student will receive course credit for the study-abroad program has a [cohort default rate](#) of less than 5% for the most recent fiscal year for which information is available. [\[HEA 428G\(e\); §682.604\(c\)\(10\)\(ii\)\]](#)

A school must cease to certify loans based upon these exceptions no later than 30 days after the date it receives notice from the Department of a cohort default rate that causes the school to no longer meet the necessary qualifications. [\[§682.603\(g\)\(2\)\]](#)

### 6.4.B When Disbursements May Be Scheduled-Made<sup>1</sup>

For a Stafford loan disbursed by [EFT](#) or [master check](#), the earliest date for which a first disbursement may be scheduled is:

- The 28th day of the first [payment period](#) if the student is a first-year undergraduate, first-time [borrower](#) and the school is subject to [delayed delivery](#) provisions for such students. [\[§668.167\(a\)\(1\)\(i\)\]](#)
- 13 days before the first day of the first payment period for all other borrowers, including first-year undergraduate first-time borrowers at schools not subject to delayed delivery. [\[§668.167\(a\)\(1\)\(ii\)\]](#)

For a Stafford loan disbursed by individual [check](#), the earliest date for which a first disbursement may be scheduled is:

- The first day of the first payment period if the student is a first-year undergraduate, first-time borrower and the school is subject to delayed delivery provisions for such students. [\[§668.167\(a\)\(2\)\(i\)\]](#)
- 30 days before the first day of the first payment period for all other borrowers, including first-year undergraduate first-time borrowers at schools not subject to delayed delivery. [\[§668.167\(a\)\(2\)\(ii\)\]](#)

For a PLUS loan, the earliest date for which a first disbursement may be scheduled is:

- 13 days before the first day of the first payment period for a loan disbursed by EFT or master check. [\[§668.167\(a\)\(3\)\(i\)\]](#)
- 30 days before the first day of the first payment period for a loan disbursed by individual check. [\[§668.167\(a\)\(3\)\(ii\)\]](#)

<sup>1</sup>. Policy 1044 (Batch 150), approved April 17, 2008

If the loan period for a Stafford or PLUS loan consists of one payment period, the school must schedule the second or ~~subsequent~~ disbursement so that the disbursement is delivered no earlier than:

- The calendar midpoint between the first and last scheduled days of class of the loan period in the following types of programs:
  - = A standard term, credit-hour program.
  - = A nonstandard term, credit-hour program in which all of the terms are at least nine weeks and substantially equal in length.
- The date the student successfully completes half of the credit or clock hours (or half of the academic coursework) and half of the weeks of instructional time in the loan period in the following types of programs:
  - = A nonstandard term, credit-hour program that does not have substantially equal terms.
  - = A nonstandard term, credit-hour program that has terms substantially equal in length, but are not all at least nine weeks in length.
  - = A non-term, credit-hour program.
  - = A clock-hour program.

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

[§682.604(c)(6)(i) and (ii)]<sup>1</sup>

- 13 days before the first day of any subsequent payment period for a loan disbursed by EFT or master check.  
[§668.167(a)(3)(i)]
- 30 days before the first day of any subsequent payment period for a loan disbursed by individual check.  
[§668.167(a)(3)(ii)]

If the first disbursement would occur on or after the date on which the second or subsequent disbursement could be made, the first and second disbursements, or the first and subsequent disbursements, may be combined (see [subsection 7.7.A.](#)).

[§682.207(d)]

<sup>1</sup>. Policy 1044 (Batch 150), approved April 17, 2008

if the student is independent in the current award year solely because he or she is married, the student is dependent in the next award year if he or she cannot answer “yes” to any of the dependency questions on the FAFSA.

[2006-2007 *Federal Student Aid Handbook, Application and Verification Guide*, Chapter 3, p. AVG-23 and Chapter 5, p. AVG-97]

If the student’s last remaining parent dies after the student submits the FAFSA, the student must update his or her dependency status on the [Student Aid Report \(SAR\)](#) and report income and assets as an independent student.

[2006-2007 *Federal Student Aid Handbook, Application and Verification Guide*, Chapter 5, p. AVG-29]

After the school has certified a Stafford loan, the loan certification cannot be changed to reflect a change in dependency status. However, the school may use the updated status to recalculate the [expected family contribution \(EFC\)](#) and certify additional loans if the student qualifies. The school is liable for any overpayment of Stafford loan funds due to recalculation errors.

[2006-2007 *Federal Student Aid Handbook, Application and Verification Guide*, Chapter 5, p. AVG-97]

## 6.9 Defining Enrollment Status

A [school](#) must define full-time enrollment status for each of its [undergraduate, graduate, or professional](#) programs of study. A student’s enrollment may include any combination of [coursework courses](#), work, research, or special studies (see [Section 6.1](#) for information regarding the definition of an [academic year](#) and the frequency of annual loan limits). A student’s enrollment status may affect the student’s cost of attendance (COA), and, therefore, the amount of loan funds the school may certify.

[§668.2(b); 07-08 FSA Handbook, Volume 1, Chapter 1, p. 1-11]

### Undergraduate Students

For an [undergraduate student](#), the school’s definition of full-time enrollment for a program must meet, at a minimum, one of the following standards:

- 12 semester or quarter hours per academic term, for a program in which academic progress is measured in semester, trimester, or quarter hours.
- 24 semester or 36 quarter hours per 30-week academic year, for a program in which academic progress is measured in credit hours without using a semester,

trimester, or quarter system. In this case, a week is any period of 7 consecutive days in which the school provides for at least one day of regularly scheduled instruction, examinations, or preparation for final examinations. Any time frame allotted to such preparation for final examinations must be after the last scheduled day of classes for the term or payment period.

- 24 [clock hours](#) per week, for a program in which academic progress is measured in clock hours.
- A series of courses or seminars that equals 12 semester hours or 12 quarter hours in a maximum of 18 weeks.
- The work portion of a cooperative education program in which the amount of work performed is equal to the academic workload of a full-time student.
- In an educational program using both credit and clock hours, any combination of credit and clock hours in which the sum of the following fractions is equal to or greater than one:

*For a program using a semester, trimester, or quarter system:*

$$\frac{\text{number of credit hours per term}}{12} + \frac{\text{number of clock hours per week}}{24}$$

*For a program not using a semester, trimester, or quarter system:*

$$\frac{\text{number of semester or trimester hours per academic year}}{24} + \frac{\text{number of quarter hours per academic year}}{36} + \frac{\text{number of clock hours per week}}{24}$$

The school’s definition of half-time enrollment is considered for an undergraduate program must include at least half of the academic workload of the applicable regulatory minimum full-time status defined by the school for its students enrollment standard for that program, as outlined above.

[§668.2(b); §682.200]<sup>1</sup>

<sup>1</sup>. Policy 1031 (Batch 149), approved April 17, 2008

**Graduate and Professional Students**

For graduate ~~and or~~ professional students, a school must define full-time enrollment for each of its programs of study is determined based on academic standards developed by the school. The school's definition of half-time enrollment for a graduate or professional program must include at least is considered half of the full-time academic workload defined by the school for its graduate and or professional students enrolled in that program. [~~§682.200(b)~~§668.2(b)]

**Students Enrolled in a Correspondence Program or Coursework**

An undergraduate or graduate student who is enrolled solely in correspondence study is never considered more than a half-time student, even if the student is enrolled in enough correspondence coursework to be considered full time. A school's definition of half-time enrollment for a student enrolled solely in a program of study by correspondence must be at least 12 hours of work per week, or at least six credit hours per semester, trimester, or quarter. [§668.2(b); 07-08 FSA Handbook, Volume 3, Chapter 3, p. 3-50]

A student who is enrolled in a non-correspondence study program and combines correspondence coursework with regular coursework may be considered full-time. For a graduate or professional student, a school must define full-time enrollment for each of its programs. For an undergraduate student, a school's definition of full-time enrollment must equal or exceed the applicable minimum full-time enrollment standard (see the subheading in this section entitled *Undergraduate Students* for further information). In addition, an undergraduate student enrolled in a non-correspondence program who combines correspondence coursework with regular coursework is considered full-time only if at least half of the student's full-time academic workload is comprised of regular (i.e., non-correspondence) coursework that meets half of the school's definition of a full-time academic workload for students enrolled in that program. [§668.2(b)]<sup>1</sup>

**6.10****Determining the Student's Grade Level**

A school is required to publish the academic standards and grade level advancement requirements for each of its programs of study. Because maximum FFELP loan amounts have been established for each grade level, a student's grade level is an intrinsic part of determining the loan amount for which the student is eligible, and, thus, the amount of the loan the school may certify.

**Undergraduate Students**

The school may advance an undergraduate student's grade level once the student completes the number of credit or clock hours specified by the school as the amount necessary for the student to advance in academic standing within the student's program of study (for example, from freshman to sophomore). At a minimum, the school's standards must require the student to complete at least 24 semester or trimester hours, 36 quarter hours, or 900 clock hours to advance the student to the next grade level. [§668.3(a)(2)]

Note: If a school's published academic standing requirements exceed the school-defined **academic year**, the school is required to use the published academic standing requirements to certify a student's grade level for loan purposes. For example, a school defines its academic year as the completion of 24 credits in 30 weeks, but requires the successful completion of 30 credits for a student to advance from freshman to sophomore standing. In this case, if a student completes less than 30 credits during his or her first academic year, the student remains eligible for first-year undergraduate loan limits at the beginning of his or her second academic year. The school may not certify a second-year undergraduate loan until the student successfully completes 30 credits, as required by the school to advance from freshman to sophomore standing.

**Graduate and Professional Students**

A graduate or professional student's grade level is advanced according to the school's academic standards for the program of study in which the student is enrolled. [§682.401(b)(2)(ii)(B)]

<sup>1</sup>. Policy 1031 (Batch 149), approved April 17, 2008

- Determining the school's authorization to certify Stafford or PLUS loans using the multi-year feature of the MPN for each subsequent loan made under an existing MPN, based on information provided by the [Department](#).
- Ensuring that either an affirmative or passive ~~C~~confirmation or Notification process is in place for Stafford or Grad PLUS loans made using the multi-year feature of the MPN. See ~~subsection 8.2.D~~ Subsection 8.2.B for ~~C~~confirmation and Notification requirements.
- Ensuring that a process is in place to obtain the parent borrower's requested loan amount before each Parent PLUS loan is disbursed under a Federal PLUS Loan Application and Master Promissory Note (PLUS MPN).<sup>1</sup>
- Determining that the [lender](#) retains the right to originate loans using the MPN, if a previous loan made using the MPN has been sold to another [holder](#).
  - If the original lender sells a loan to a new lender but does not assign the origination rights (i.e., the right to make subsequent loans to the borrower under the same MPN), then each lender may own separate loans under the same MPN. In this scenario, these lenders must determine which one of them will possess the original MPN document. Each lender may use the original MPN or a true and exact copy of the MPN to enforce any loans made using that MPN.
  - If the original lender assigns the origination rights, then the original lender may not make new loans under the MPN. The new lender may use the original or a true and exact copy of the MPN to enforce any loans it acquires and any future loans it makes using that MPN.
- Verifying that the loan is supported by a signed MPN and that the ability to make subsequent loans using that MPN has not expired.
- Providing the borrower with a Plain Language Disclosure for each subsequent loan made under the multi-year feature of the MPN.

Under the terms of the MPN, a lender's ability to make subsequent loans to a borrower expires upon the earliest of:

- 12 months after the date the original MPN is signed if no [disbursements](#) are made using that MPN.
- 10 years from the date the borrower signs the MPN, or the date the lender receives the MPN if the MPN is not dated. However, if a portion of the loan is disbursed on or before the date that is 10 years from the signature or receipt date, all remaining disbursements for that loan can be made.
- The date the lender receives written notification from the borrower that the MPN may no longer be used as the basis for making additional loans. [[§682.401\(d\)\(4\)\(v\)](#); [DCL GEN-98-25](#); [DCL GEN-99-9](#); [DCL GEN-03-03](#)]

A lender may elect not to make subsequent loans under an existing MPN. The lender's decision may be based on any number of circumstances—for instance, if there is a change in the borrower's circumstances (such as [bankruptcy](#) or [delinquency](#)), or because the loan is being requested under a [Lender of Last Resort](#) Program. [[DCL GEN-98-25](#)]

The lender must ensure that a separate, valid PLUS MPN is in place in the following circumstances:

- The parent borrower is requesting PLUS loan funds for a different [dependent student](#).
- The PLUS loan borrower is required to obtain a credit-worthy [endorser](#). If the lender determines that the borrower has an adverse credit history and permits the use of an endorser, a separate Endorser Addendum must be completed for each PLUS loan. When an endorser is required, a new PLUS MPN is required for each loan. Any increase in the requested loan amount by the borrower must be approved by the endorser and requires a new PLUS MPN and Endorser Addendum.
- The school is located outside of the United States. However, in some circumstances, the Department may notify a school located outside the United States that it is eligible to make loans using the multi-year feature of the MPN. [[DCL GEN-03-03](#)]

The lender may delegate some or all of the preceding responsibilities to another party. However, the lender remains responsible for ensuring the activities are completed.

<sup>1</sup> Policy 1029 (Batch 149), approved April 17, 2008

## 7.4.A Current Stafford Interest Rates

The interest rate on all Stafford loans first disbursed on or after July 1, 2006, is a fixed rate of 6.8% for the life of the loan, except for subsidized Stafford loans made to undergraduate borrowers and first disbursed as follows:-

- On or after July 1, 2008, and before July 1, 2009, the interest rate is 6%.
- On or after July 1, 2009, and before July 1, 2010, the interest rate is 5.6%.
- On or after July 1, 2010, and before July 1, 2011, the interest rate is 4.5%.
- On or after July 1, 2011, and before July 1, 2012, the interest rate is 3.4%.

[\[§682.202\(a\)\(1\)\(ix\) and \(x\)\]](#)

Interest rates applicable to Stafford loans first disbursed on or after July 1, 2006, are listed in [Figure 7-1](#).

~~The interest rate on all Stafford loans first disbursed on or after July 1, 1994, through June 30, 2006, is a variable rate not to exceed 8.25%. The variable interest rate is adjusted annually on July 1, and remains in effect through June 30 of the following year. During periods when the loan is in an in-school, grace, or authorized deferment status, the interest rate is calculated by adding 1.7% to the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1. During periods when the loan is in a repayment or forbearance status, the variable interest rate is calculated by adding 2.3% to the 91-day Treasury bill rate.~~

~~[HEA 427A(j); HEA 427A(k)(1) and (2); HEA 427A(l)]~~

~~The interest rate on any Stafford loan first disbursed before July 1, 1994, was based on whether the borrower was a “new borrower.” For purposes of FFELP loans, a “new borrower” was any borrower who had no outstanding balance on a FFELP loan on the date he or she signed the promissory note for a FFELP loan. For loans disbursed before July 1, 1994, if the borrower had an outstanding balance on a Stafford loan on the date the borrower signed the application and promissory note, the borrower’s new loan carried the same interest rate as the outstanding loans.~~

## 7.4.B Reduced Stafford Interest Rates

A lender may choose to charge a borrower an interest rate that is lower than the maximum rate permitted by statute (the statutory rate). If a lower rate is charged, the lender must ensure that reports issued to the [Department](#) (such as the Lender’s Interest and Special Allowance Request and Report [LaRS report]) are adjusted. See [appendix A](#) for more information on LaRS reporting.

A lender must notify the borrower, at the time a lower interest rate is offered, that the lower interest rate ends on the date a [default](#) or [ineligible borrower](#) claim is purchased by the [guarantor](#). The lender may provide this information in any format. [Documentation](#) of the notice must be maintained in the borrower’s file. A lender is encouraged to include this documentation (showing that the borrower was informed that the lower interest rate expires upon claim purchase) with default and ineligible borrower claim files. The lender will be required to provide this documentation if a borrower challenges the guarantor or the Department for charging the applicable statutory maximum interest rate during postclaim interest accrual. If the issue goes to court and the decision is in favor of the borrower such that the loan is unenforceable at the statutory maximum interest rate, the lender will be required to [repurchase](#) the loan and the [guarantee](#) will be withdrawn permanently. The lender may be required to reimburse the guarantor for any court costs or court-imposed fines or penalties.

## 7.4.C Previous Stafford Interest Rates

Interest rates applicable to Stafford loans first disbursed before July 1, ~~1998~~ 2006, are listed in [Figure 7-1](#).

The interest rate on all Stafford loans first disbursed on or after July 1, 1994, through June 30, 2006, is a variable rate not to exceed 8.25%. The variable interest rate is adjusted annually on July 1, and remains in effect through June 30 of the following year. (Refer to [Figure 7-1](#) for information on the calculation of the applicable interest rates.)

[\[HEA 427A\(f\); HEA 427A\(g\); HEA 427A\(j\)\(1\) and \(2\); HEA 427A \(k\)\(1\) and \(2\)\]](#)<sup>1</sup>

<sup>1</sup>. Policy 1032 (Batch 149), approved April 17, 2008

The interest rate on any Stafford loan first disbursed before July 1, 1994, was based on whether the borrower was a “new borrower.” For purposes of FFELP loans, a “new borrower” was any borrower who had no outstanding balance on a FFELP loan on the date he or she signed the promissory note for a FFELP loan. For loans disbursed before July 1, 1994, if the borrower had an outstanding balance on a Stafford loan on the date the borrower signed the application and promissory note, the borrower’s new loan carried the same interest rate as the outstanding loans.

Some fixed-rate Stafford loans have been converted to variable interest rates in accordance with [excess interest rebate](#) provisions of the [Higher Education Amendments of 1986](#) and the [Higher Education Amendments of 1992](#). For more information on these provisions, see [Section H.2](#).<sup>1</sup>

## 7.4.D Resolving Interest Rate Discrepancies on Stafford Loans

If a [lender](#) learns that a Stafford loan has been made at an incorrect [interest](#) rate, the lender must notify the [borrower](#), [guarantor](#), and the [Department](#), as appropriate, of the correct

rate. The borrower must be notified of a change resulting in an increased rate. The lender may note the change by marking and initialing the [guarantee disclosure](#) or by sending a separate notice to the borrower. The guarantor may provide the corrected notice to the borrower on the lender’s behalf. In some [states](#), the law requires that the borrower sign a new [promissory note](#) reflecting the corrected rate.

- ▲ Lenders may contact individual guarantors for more information on resolving interest rate discrepancies. See [section 1.5](#) for contact information.

Regardless of whether the borrower agrees to the change, the lender is required to report the correct interest rate to the guarantor, in a format acceptable to the guarantor. Also, the lender must review its servicing [records](#) and ensure that reports issued to the Department (such as the Lender’s Interest and Special Allowance Request and Report [LaRS report]) are adjusted to reflect accruals at the corrected rate.

The lender must adjust a borrower’s principal and interest amount owed if the borrower is entitled to a lower rate.

<sup>1</sup> Policy 1032 (Batch 149), approved April 17, 2008

## Stafford Loan Interest Rates

Figure 7-1

Disbursement/Loan Period/Borrower Characteristics	Interest Rate
First disbursement on/after 7/1/06	Fixed interest rate of 6.8%
<u>Subsidized Stafford loans made to undergraduate borrowers and first disbursed as follows:</u>	
• On or after July 1, 2008, and before July 1, 2009	• Fixed interest rate of 6%
• On or after July 1, 2009, and before July 1, 2010	• Fixed interest rate of 5.6%
• On or after July 1, 2010, and before July 1, 2011	• Fixed interest rate of 4.5%
• On or after July 1, 2011, and before July 1, 2012	• Fixed interest rate of 3.4% <sup>1</sup>
First disbursement on/after 7/1/98, but before 7/1/06	<p><i>In-school, grace, and deferment periods:</i> Variable interest rate—equal to the 91-day Treasury bill* rate plus 1.7%, not to exceed 8.25%</p> <p><i>Repayment and forbearance periods:</i> Variable interest rate—equal to the 91-day Treasury bill* rate plus 2.3%, not to exceed 8.25%</p>
First disbursement on/after 7/1/95 but before 7/1/98	<p><i>In-school, grace, and deferment periods:</i> Variable interest rate—equal to the 91-day Treasury bill* rate plus 2.5%, not to exceed 8.25%</p> <p><i>Repayment and forbearance periods:</i> Variable interest rate—equal to the 91-day Treasury bill* rate plus 3.1%, not to exceed 8.25%</p>

Disbursement/Loan Period/Borrower Characteristics	Interest Rate
First disbursement on/after 7/1/94 but before 7/1/95 for periods of enrollment that include or begin on/after 7/1/94	Variable interest rate—equal to the 91-day Treasury bill* rate plus 3.1%, not to exceed 8.25%
First disbursement on/after 12/20/93 but before 7/1/94 to a borrower with an outstanding PLUS, SLS, or Consolidation loan, but not a Stafford loan	Variable interest rate—equal to the 91-day Treasury bill* rate plus 3.1%, not to exceed 9%
First disbursement on/after 10/1/92 but before 7/1/94 to a “new borrower” with no outstanding FFELP loans	Variable interest rate—equal to the 91-day Treasury bill* rate plus 3.1%, not to exceed 9%
First disbursement on/after 10/1/92 but before 12/20/93 to a borrower with an outstanding PLUS, SLS, or Consolidation loan, but not a Stafford loan	Original fixed interest rate of 8%. These loans were subject to excess interest rebates and converted to a variable interest rate—equal to the 91-day Treasury bill* rate plus 3.1%, not to exceed 8%.
First disbursement on/after 7/23/92 but prior 7/1/94 to a borrower with an outstanding 7%, 8%, 9%, or 8%/10% Stafford loan	Original interest rate was the same as on the borrower’s previous Stafford loans (i.e., a fixed rate of 7%, 8%, 9%, or 8%/10%). These loans were subject to excess interest rebates and converted to a variable interest rate—equal to the 91-day Treasury bill* rate plus 3.1%, with a cap equal to the loan’s previous fixed rate (i.e., 7%, 8%, 9%, or 10%).
First disbursement before 10/1/92 for a period of enrollment beginning on/after 7/1/88 to a “new borrower” or a borrower who has an outstanding balance on a PLUS, SLS, or Consolidation loan, but not a Stafford loan	Original interest rate of 8% until 48 months of the repayment period have elapsed and 10% thereafter. These loans were subject to excess interest rebates and must be or have been converted to a variable interest rate—equal to the 91-day Treasury bill* rate plus 3.25%, not to exceed 10%.
First disbursement to a borrower with an outstanding balance on a PLUS, SLS, or Consolidation loan, but not a Stafford loan, for a period of enrollment before 7/1/88	Fixed interest rate of 8%.
First disbursement to a “new borrower” for a period of enrollment on/after 9/13/83 but before 7/1/88	Fixed interest rate of 8%
First disbursement to a “new borrower” for a period of enrollment on/after 1/1/81 but before 9/13/83	Fixed interest rate of 9%
First disbursement to a “new borrower” for a period of enrollment before 1/1/81	Fixed interest rate of 7%

\*Based on the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1. All variable interest rates are adjusted annually on July 1.<sup>1</sup>

<sup>1</sup>. Policy 1032 (Batch 149), approved April 17, 2008

## 7.8

### Processing the Federal Default Fee (Formerly the Guarantee Fee)

A loan guaranteed on or after July 1, 2006, is subject to a [federal default fee](#) equal to 1% of the loan's principal. A loan disbursed on or after July 1, 1994, for a [period of enrollment](#) that either includes or begins after that date, and for which the date of guarantee of principal is before July 1, 2006, is subject to a maximum 1% [guarantee fee](#).

[[HEA 428\(b\)\(1\)\(H\)\(i\) and \(ii\)](#); ~~HEA 428H(b); §682.401(b)(10)(iv)(B)~~]

If the federal default fee (~~formerly guarantee fee~~) for a loan is not remitted ~~in the time frame established by the guarantor~~ by the lender within 45 calendar days after any disbursement of the loan proceeds, the guarantor may cancel the guarantee on the loan. If a guarantee is canceled, the loan loses eligibility for [interest benefits](#) and [special allowance](#), and no [claim](#) will be paid if the borrower later [defaults](#) on the loan, dies, or becomes totally and permanently disabled. Once the guarantee is canceled for nonpayment of fees, the guarantor may choose not to reinstate it.

Generally, the lender will receive notification from the guarantor if fees are not paid ~~in a timely manner~~ within the 45-day period and if any loan guarantees are going to be canceled.

▲ Lenders may contact individual guarantors for more information on fee payment and reporting requirements. See [Section 1.5](#) for contact information.<sup>1</sup>

#### 7.8.A

### Paying the Federal Default Fee (Formerly the Guarantee Fee)

The federal default fee may be assessed to the lender by the guarantor, and the lender may pass the fee on to the borrower. If the lender is deducting the federal default fee from the [loan proceeds](#), the fee must be deducted proportionately from the loan disbursements for multiply disbursed loans. The lender is not permitted to deduct the full amount of the fee for a multiply disbursed loan from a single disbursement of the loan.

[[§682.401\(b\)\(10\)\(iii\)](#)]

A lender will receive an invoice for the fees owed, if applicable, on all loans scheduled for disbursement. The lender must reconcile the invoice for loans actually disbursed and remit payment of the fees to the guarantor.

#### 7.8.B

### Recalculating the Federal Default Fee (or Guarantee Fee)

In most cases, a lender will not be required to calculate federal default fees (or guarantee fees) and will simply pay the fee amount that appears on the [guarantee disclosure](#).

If required by the guarantor, a lender must recalculate the federal default fee (or guarantee fee) when the amount of a disbursement is increased or decreased—regardless of whether the loan is fully disbursed. If a disbursement amount has been decreased, the lender need not obtain a new guarantee disclosure. Instead, the lender should amend the original notice to reflect the decreased amount, initial the change, and provide the borrower with a copy of the amended notice. The lender must notify the guarantor of the reduced loan amount.

If a disbursement amount has been increased, the lender must notify the guarantor of the increase and obtain a new guarantee disclosure. The lender must notify the borrower of the revised guarantee.

If the change to the amount originally [guaranteed](#) occurs before the first [disbursement](#) of a multiply disbursed loan, the [lender](#) must recalculate the federal default fee (or [guarantee fee](#)) for all disbursements based on the new loan amount. If the change occurs after the first disbursement, the lender must recalculate only the fee for the subsequent disbursement(s).

▲ Lenders may contact individual [guarantors](#) for more information on fee recalculation requirements. See [section 1.5](#) for contact information.

<sup>1</sup> Policy 1037 (Batch 150), approved April 17, 2008

reasonably demonstrates that the individual is able to access the information to be provided in an electronic form. The consent must be voluntary and based on accurate information about the transactions to be completed. These electronic processes must be made in accordance with the [Electronic Signatures in Global and National Commerce Act \(P. L. 106-229\)](#).

[DCLs GEN-01-06 and GEN-05-16]

## 8.2.A Initial Notice of Funds

Prior to delivering any [Title IV funds](#) to the student or [parent borrower](#), the [school](#) is required to ~~send~~ provide a notice to the student providing information about the amount of funds that the student or his or her parent can expect to receive under each Title IV program. Regulations require this notice (i.e., award letter) to be ~~sent~~ provided only to the student. The notice must include:

- The amount of proceeds the student or his or her parent can expect to receive for each loan type. For ~~Stafford~~ loans made using a [Master Promissory Note \(MPN\)](#), the school's award letter may include proposed loan amounts and loan types. It may also include instructions to the borrower either to accept the ~~aid~~ [loan\(s\) offered by responding to the school in writing or electronically](#), or to take action only if requesting a cancellation or reduction of the loan amount offered (see [Subsection 8.2.B](#) ~~subsection 8.2.D for Notification and Confirmation~~ requirements).
- When the proceeds will be delivered and by what method.
- Which proceeds are from subsidized and unsubsidized Stafford loans, PLUS loans, and other Title IV programs.  
[§668.165(a)(1); DCL GEN-98-25; DCL GEN-99-9]

### 8.2.B Confirmation Requirements for the Multi-Year Feature of the MPN

The school must ensure and document that a process is in place for confirming that the borrower accepts the loan amounts offered under the multi-year feature of the MPN. The confirmation process may be part of, or may supplement existing required notices and disclosures described in this section and may be either passive or affirmative.

Passive confirmation is a process by which the school, lender, or guarantor (on behalf of the school or lender) notifies the borrower of the proposed loan types and amounts. The borrower is required to take action only to reject or adjust the type or amount of the loan. The school does not deliver loan funds until the time given to the borrower to respond has elapsed.

Affirmative confirmation is a process by which the school, lender, or guarantor (on behalf of the school or lender) advises the borrower of the proposed loan types and amounts. The borrower must provide written or electronic confirmation of the types and amounts of Title IV loans wanted for an award year before the school delivers those loan funds.

[§668.165(a); §682.401(d)(4)(vi); 07-08 FSA Handbook, Volume 4, Chapter 1, pp. 4-9 to 4-10]

## 8.2.B School Notice of Credit to Student Account

### 8.2.C School Notice of Credit to Student Account

Except in the case of a post-withdrawal disbursement made as a result of the return of Title IV funds calculation, (see [Subsection 9.5.A](#)), the school must notify the student or parent borrower if the school credits Stafford, Grad PLUS or Parent PLUS loan proceeds to ~~outstanding school charges~~ the student's school account. If the school obtained affirmative confirmation of the borrower's acceptance of the loan amount offered (see [Subsection 8.2.B](#)), the ~~This~~ notice must be issued no earlier than 30 days before and no later than 30 days after the school credits the student's account. If the school did not obtain affirmative confirmation of the borrower's acceptance of the loan amount offered, the notice must be issued no earlier than 30 days before and no later than seven days after the school credits the student's account. The notice may be written or electronically transmitted and must include:

[§668.165(a)(2) and (3)]<sup>1</sup>

- The date and amount of the [disbursement](#).  
[§668.165(a)(2)(i)]
- For proceeds disbursed by [EFT](#) or [master check](#), a statement explaining the student or parent borrower's right to cancel all or a portion of the loan or loan disbursement and have the proceeds returned to the [lender](#).  
[§668.165(a)(2)(ii)]

<sup>1</sup> Policy 1029 (Batch 149), approved April 17, 2008

- The method and date by which the student or parent borrower must notify the school that he or she wishes to cancel all or a portion of the loan or loan disbursement.  
[§668.165(a)(2)(iii)]

## 8.2.C

### Borrower Notice to Cancel Loan

## 8.2.D

### Borrower Notice to Cancel Loan

A student or parent borrower must inform the school if he or she wishes to cancel all or a portion of a loan or loan disbursement. The school must return the loan proceeds, cancel all or a portion of the loan or loan disbursement as applicable, or do both if the school receives a [cancellation](#) request in either of the following time frames:  
[§668.165(a)(4)]

- If the school obtained affirmative confirmation of the borrower's acceptance of the loan amount offered (see Subsection 8.2.B), by the later of the first day of the payment period for which the funds are intended or  
~~Within 14 days after the date the school sends the notification advising the student or parent borrower the school has credited the student's account at the school.~~  
[§668.165(a)(4)(ii)(A)]
- If the school did not obtain affirmative confirmation of the borrower's acceptance of the loan amount offered, within 30 days after the date the school sends the notification advising the student or parent borrower the school has credited the student's account at the school.  
~~By the first day of the payment period, if the school sends the notification more than 14 days prior to the first day of the payment period.~~  
[§668.165(a)(4)(ii)(B)]

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

#### Late Requests

If a student or parent borrower requests cancellation of the loan after the 14-day period or the first day of the payment period, as applicable, the school may, but is not required to, return the loan proceeds, cancel all or a portion of the loan or loan disbursement, or do both.  
[§668.165(a)(4)(iii)]

#### Funds Delivered prior to Request

If, prior to the receipt of the borrower's cancellation request, the school delivered all or a portion of the loan proceeds directly to the borrower or the student, the school is responsible only for canceling and returning that portion of the loan proceeds that the school credited to the student's school account to pay authorized charges. The borrower is responsible for returning to the lender any additional amount.

#### School Notice of Outcome

A school is required to inform a student or parent borrower, either in writing or through electronic transmission, of the outcome of any cancellation request.  
[§668.165(a)(5)]

## 8.2.D

### Notification and Confirmation Requirements for the Multi-Year Feature of the MPN

~~The school and lender, or guarantor on behalf of the school and lender, must ensure and document that a process is in place for providing either Confirmation or Notification for subsequent loans made using the multi-year feature of the Federal Stafford Loan Master Promissory Note (Stafford MPN). A Notification or Confirmation process informs the student of the proposed loan types and amounts being awarded for the loan period and should increase the borrower's understanding of his or her loan obligations.~~  
~~[§682.401(d)(4)(vi)]~~

~~The Notification or Confirmation process may be part of or may supplement the existing required notices and disclosures described in this subsection. Although the initial disclosure constitutes a notification, it must be supplemented by another Notification or Confirmation process by the parties described below.~~

~~Notification is a process by which the school, lender, or guarantor (on behalf of the school or lender) notifies the borrower of the proposed loan types and amounts. The borrower is required to take action only to reject or adjust the type or amount of the loan.<sup>1</sup>~~

<sup>1</sup>. Policy 1029 (Batch 149), approved April 17, 2008

~~Confirmation is a process by which the school, lender, or guarantor (on behalf of the school or lender) advises the borrower of the proposed loan types and amounts. The borrower must take action to confirm the loan type or request a specific loan amount. A school, lender, or guarantor (on behalf of the school or lender) may establish Confirmation for the entire loan or may request that the borrower confirm each disbursement of the loan.~~

~~[DCL GEN 98-25, Attachment C; DCL GEN 99-9]~~<sup>1</sup>

## 8.2.E Notification of Late Disbursement or Post- Withdrawal Disbursement of Loan Funds

After determining the eligibility of the student for a [late disbursement](#) or [post-withdrawal disbursement](#) of loan funds, and prior to delivering the disbursement, the school must contact the borrower and obtain confirmation that the borrower still requires such funds. In making this contact, the school must explain the borrower's obligation to repay any funds that the school delivers. The school must document in the student's file the result of the contact and the final determination made concerning the late or post-withdrawal disbursement.

[HEA 484B(a)(4)(A); DCL GEN-06-05]

## 8.3 Required Authorizations

A school must have written authorization from a student or parent borrower, as applicable, to perform the following activities:

- Deliver Stafford or PLUS loan proceeds received by EFT or master check to the student or parent borrower. This authorization is obtained when the borrower signs the Stafford or PLUS MPN.<sup>2</sup>  
[§682.604(c)(3)]
- Use the Stafford or PLUS loan proceeds to pay for current-year charges other than tuition, fees, and contracted room and/or board (see [subsection 8.7.H](#)).  
[§668.164(d)(2)(i); §668.165(b)(1)(i)]
- ~~Deliver Stafford or PLUS loan proceeds to the borrower's personal bank account.~~  
~~[§668.165(b)(1)(i)]~~<sup>3</sup>

- Deliver Stafford or PLUS loan proceeds via a stored-value card.  
[DCL GEN-05-16]
- Hold a credit balance on behalf of the student or parent borrower, unless prohibited by the [Department](#).  
[§668.165(b)(1)(iii)]
- ~~Use Stafford or PLUS loan proceeds~~ Title IV funds for the current year to pay for minor, prior-year charges incurred for educationally related activities other than tuition, fees, room, and board. A school is not required to obtain a student's or parent borrower's authorization to use Title IV funds from the current year to pay minor, prior-year charges for tuition, fees, room, and board. The sum of all minor, prior-year charges for tuition, fees, room, board, and other educationally related activities that are paid with Title IV funds from the current year must not exceed \$200. (See  
Subsection 8.7.H).  
[§668.164(d)(2)(i) and (ii); §668.165(b)(1)(i)]<sup>4</sup>

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).<sup>5</sup>

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

When obtaining an authorization for any of these activities, a [school](#) may not require or coerce the student or [parent borrower](#) to provide the authorization. In addition, the school must allow the student or parent borrower to cancel or modify the authorization at any time. The school also must clearly explain to the borrower how the school will carry out the activity.

[§668.165(b)(2)(i) through (iii)]

The authorization is valid for the entire period during which the student is [enrolled](#) at the school, unless the authorization is canceled or modified by the student or parent borrower.

[§668.165(b)(3) and (4)]

<sup>1</sup>. Policy 1029 (Batch 149), approved April 17, 2008

<sup>2</sup>. Policy 982 (Batch 144), approved November 15, 2007

<sup>3</sup>. Policy 1045 (Batch 150), approved April 17, 2008

<sup>4</sup>. Policy 1015 (Batch 148), approved March 20, 2008

<sup>5</sup>. Policy 982 (Batch 144), approved November 15, 2007

**FFELP Written Notification/Authorization Requirements****Figure 8-1**

Before a school delivers any Stafford or PLUS loan proceeds, the school must notify the student of the amount of proceeds that the student or his or her parent can expect to receive, when and by what method the proceeds will be delivered, and which proceeds are from subsidized Stafford, unsubsidized Stafford, or PLUS loans.

[§668.165(a)(1)]

Activity	Additional Notification Required	Authorization Required
Deliver loan proceeds received by EFT or master check [§682.604(c)(3)]	No	Yes <sup>1</sup>
Credit loan proceeds to student's account for tuition, fees, and room and board [§668.164(d)(1)(i) through (iii); §668.165(a)(2)]	Yes <sup>3</sup>	No
Credit student's account for other educationally related costs (current year only) [§668.164(d)(2)(i)]	Yes <sup>2,3</sup>	Yes <sup>2</sup>
Deliver loan proceeds to borrower's personal bank account [§668.165(b)(1)(ii)]	No	<del>No</del> Yes <sup>2</sup>
Open a bank account on the borrower's behalf [§668.164(c)(1)(ii)]	Yes	Yes
Deliver loan proceeds to a borrower's stored-value card [§668.164(d)(2)(ii)]	Yes	Yes*
Hold credit balance on behalf of the student or parent borrower for budgetary purposes [§668.165(b)(1)(iii)]	No	Yes <sup>2</sup>
Pay minor, prior-year charges for tuition, fees, room, and board [§668.164(d)(2)(i)]	No	No
Pay minor, prior-year charges for educationally related activities other than tuition, fees, room, and board† [§668.164(d)(2)(ii)]	No	Yes

\* Policy 1045 (Batch 150), approved April 17, 2008

† Policy 1015 (Batch 148), approved March 20, 2008

- 1 The required authorization 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.
- 2 School must allow student (or parent, if applicable) to cancel or modify his/her written authorization.
- 3 If the school credits the student's account at the school, the school is also required to notify the student or parent borrower of the credit ~~no earlier than 30 days before and no later than 30 days after~~ within a specific timeframe after the date the school credits the student's account with loan proceeds (see Subsection 8.2.C). The notification must advise the student or parent borrower that he or she may cancel all or a portion of the loan or loan disbursement.<sup>1</sup>

<sup>1</sup> Policy 1029 (Batch 149), approved April 17, 2008

## 8.7.B Delivering Second and Subsequent Disbursements

Time frames for issuing second or subsequent disbursements are dictated by the loan period and the school's methods for measuring the student's academic progress.

[§682.604(c)(6) and (7)]

### One Payment Period

If the **loan period** consists of only one **payment period**, the **school** may not deliver a second or subsequent **disbursement** earlier than:

- The calendar midpoint between the first and last scheduled days of class for the loan period in the following types of programs:
  - = A standard term, credit-hour program.
  - = A nonstandard term, credit-hour program in which all of the terms are at least nine weeks and substantially equal in length.
- The date the student successfully completes half of the credit or clock hours (or half of the academic coursework) and half of the weeks of instructional time in the loan period in the following types of programs:
  - = A nonstandard term, credit-hour program that does not have substantially equal terms.
  - = A nonstandard term, credit-hour program that has terms substantially equal in length, but are not all at least nine weeks in length.
  - = A non-term, credit-hour program.
  - = A clock-hour program.

[§682.604(c)(6)(ii)]

### Credit Hours—Standard or Substantially Equal Terms

The school may not deliver a second or subsequent disbursement earlier than 10 days before the first day of any **payment period** for an eligible program that measures academic progress in credit hours and that uses a standard semester, trimester, or quarter system, or for programs that

do not use a standard semester, trimester, or quarter system but that use terms that are substantially equal in length for a loan period.

Terms are substantially equal in length if no term within the loan period is more than two weeks longer than any other term in that loan period.

[~~§668.164(f)(1)~~ §682.604(c)(6)(i)]

### Clock-Hour Programs or Credit-Hours Programs With —No Terms or Unequal Terms

The school may not deliver a second or subsequent disbursement for an eligible program that measures academic progress in **clock hours**, or measures academic **progress in credit hours** and either does not use terms, or does not use terms that are substantially equal in length for a loan period, until the later of:

- The date the student successfully completes half of the credit or clock hours in ~~The calendar midpoint between the first and last scheduled days of class of the loan period.~~  
[§682.604(c)(7)(6)(ii)(A)(B)]
- The date the student successfully completes one half of the number of weeks of instructional time ~~academic coursework in the loan period, as determined by the school.~~  
[~~§682.604(c)(7)(i)(B)~~ §682.604(c)(6)(i) and (ii)]<sup>1</sup>

### Clock Hours

The school may not deliver a second or subsequent disbursement for an eligible program that measures academic progress in **clock hours**, until the later of:

- The calendar midpoint between the first and last scheduled days of class for the loan period.  
[§682.604(c)(8)(i)]
- The date the student completes one half of the clock hours in the loan period.  
[§668.164(f); §682.604(c)(8)(ii)]

In determining whether the student has completed clock hours in a payment period, a school may include clock hours for which the student has an excused absence if the

<sup>1</sup>. Policy 1044 (Batch 150), approved April 17, 2008

## 8.7.H Delivery Methods

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

- Crediting the proceeds to the student's account at the school.  
[§668.164(d)]
- Issuing a [check](#) or other instrument to the [borrower](#) that requires endorsement or [certification](#). The school may issue a check by releasing or mailing it to the borrower or by notifying the borrower that it is available for immediate pickup.  
[§668.164(c)(2)]
- Releasing or mailing to the borrower a check that has been provided by a lender.  
[§668.164(c)(2)(i)]
- Initiating an [electronic funds transfer \(EFT\)](#) to a bank account designated by the student or [parent borrower](#), ~~in which case the school must obtain authorization from the borrower, as applicable.~~ The bank account must be insured by the FDIC or the NCUSIF and may be a checking, savings, or similar account that underlies a stored-value card or other transaction device.
  - = A school may establish a policy that requires its students to provide bank account information or open an account at a bank of their choosing as long as this does not delay the disbursement of Title IV, HEA program funds. If the student does not comply with the policy, the school must disburse the funds to the student using another method.
  - = If a school opens a bank account on behalf of a student or parent, establishes a process that the student or parent follows to open a bank account, or similarly assists the student or parent in opening a bank account, a school must establish a process for the student or parent to follow to open the account or to similarly assist the student or parent in opening the account. A school must obtain affirmative consent from the student or parent and must follow the same guidelines as those established for a stored-value card.  
[§668.164(c)(3)]
- Issuing a stored-value card to the student, in which case the school must obtain authorization from the student or parent borrower, as applicable, and the following conditions must be met:  
[§668.164(c)(3)]
  - The value of the card must be convertible to cash and may not be limited to specific vendors.
  - ~~The student must not incur any fees for using the card to withdraw the disbursement at that bank branch or at the ATMs of other banks, over a reasonable period of time. It would be reasonable to allow automated teller machine (ATM) withdrawals to be free, or to provide several free withdrawals per month. It would also be reasonable to charge a fee for use of an ATM that is not affiliated with the issuing bank, as long as ATMs from the issuing bank are conveniently located for the student.~~
  - = The student must have convenient access to a branch office of the bank, or an ATM of the bank or another bank. This branch must be located on the school's campus, school-owned or operated facilities, or, immediately adjacent to and accessible from the campus.
  - The student must not be charged by either the school or the affiliated bank for the issuing of a stored-value card. The student may be charged for a replacement card.
  - The bank must have an individual account for each student that is insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF).<sup>1</sup>
  - The school must not make any claims against the funds on the card without the written permission of the student, except to correct an error in transferring the funds to the bank under existing banking rules.
  - The account must not be marketed or portrayed as a credit card account, nor be structured to be converted into a credit card at any time after it is issued. The issuing bank may not link the stored-value card account to any other banking services it may offer, such as checking, savings, or credit card accounts.

<sup>1</sup>. Policy 1045 (Batch 150), approved April 17, 2008

## 8.9 Return of Loan Funds

Loan proceeds must be returned to the **lender** if the school is unable to deliver them or if the school is unable to document that the student attended classes during the payment period for which the loan is intended.  
[§682.604(d)(4)]

If the student fails to register, enroll, maintain at least half-time enrollment, or maintain **satisfactory academic progress (SAP)**, or if the student is on an unapproved **leave of absence** or fails to return from an approved leave of absence, the school must meet the deadlines required for returning the **loan proceeds** to the **lender**.  
[§668.32(a)(1)(iii); §682.604(d)(3)]

If a school delivers the loan proceeds on behalf of a student who fails to complete the **loan period**, the school must determine if funds must be returned to the lender. See **section 9.5** for more information on requirements regarding the return of Title IV aid.  
[§668.22(a)(1)]

If either the school or the borrower returns the proceeds of a loan disbursement, the school may request that the lender make subsequent disbursements of the loan, unless the school or the lender has information that the student is no longer enrolled.  
[§682.207(b)(1)(vii)]

**Figure 8-6** provides situations in which loan funds may be delivered or must be returned, and applicable time frames.

### 8.9.A Return of Undelivered Loan Funds

If the **school** is unable to deliver loan proceeds to the borrower within the time frames specified in **subsection 8.7.A**, the school must return the loan proceeds to the **lender** promptly, but no later than 10 business days after the last day of the initial or conditional period, as applicable. This period is referred to as the return period. For more information on the initial and conditional periods for delivery of proceeds, see **subsection 8.7.A**.  
[§668.167(b)(2)]

If a student does not register for the **payment period** for which a loan is made, or a registered student withdraws, is expelled prior to the first day of classes, or fails to maintain at least half-time enrollment, the school must return the

undelivered loan proceeds to the lender promptly, but no later than:  
[§682.604(d)(3) and (4)]

- 13 business days after the school's receipt of proceeds disbursed by **EFT** or **master check**.  
[§668.167(b)(2)]
- 30 days (initial period) plus 10 business days (return period) after the school's receipt of proceeds disbursed by individual **check**.  
[§668.167(b)(2)]

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.  
[Department of Education Policy Bulletin dated June 2, 1997]

If the school tries to deliver FFELP loan funds to a student or parent borrower who does not receive or fails to negotiate those funds, and the funds are unclaimed, the school must return the funds to the lender. Even if state laws or regulations would otherwise require the return of unclaimed funds to the state, loans disbursed under the FFELP and not claimed by the intended recipient must be returned to the FFELP lender.  
[§668.164(h)(1)]

If the funds are delivered by individual check and the check is returned, or if the funds are delivered by EFT and the EFT transaction is rejected, the school may make additional attempts to deliver the funds. The school's subsequent attempts to deliver the funds must begin no later than 45 days after the funds were returned or rejected, as applicable. The school may continue to attempt to deliver the funds for a period of up to 240 days after the date of the initial delivery attempt. However, if efforts to deliver the funds are unsuccessful, the school must return the undelivered funds to the lender no later than the end of that 240-day period.  
[§668.164(h)(2) and (3)]

If the school chooses not to make subsequent attempts to deliver the loan funds, the school must return the funds to the lender no later than 45 days after the loan funds were rejected or returned.  
[§668.164(h)(3)(i)]<sup>1</sup>

<sup>1</sup>. Policy 1046 (Batch 150), approved April 17, 2008

## School Requirements before Delivering a FFELP Loan

**Figure 8-3**

Requirements	Comments
Confirm student is enrolled at least half time.	A temporary cessation of half-time enrollment is permitted if the school performs the following activities: <ul style="list-style-type: none"> <li>Recalculates the student's cost of attendance (COA) (and the borrower still qualifies for full amount of the loan).</li> <li>Documents the student's enrollment status, revised COA, and continued eligibility. [§682.604(b)(1)(iv)]</li> </ul>
Confirm student has returned from an approved leave of absence.	See <a href="#">section 9.3</a> for more information on leave of absence. [§682.604(c)(4)]
Confirm student is maintaining satisfactory academic progress (SAP).	Assessment of SAP is not required at the time the loan is received or delivered, unless required by the school's policy. [§668.16(e)]
Verify student data, if required.	See <a href="#">subsection 6.6.A</a> for more information on verification. [§668, Subpart E]
Obtain all required financial aid information.	See <a href="#">subsection 5.14.A.</a> for more information on FATs. [§668.19]
Perform entrance counseling, if required.	Entrance counseling is required <u>only for first-time student-Stafford borrowers and for first-time graduate or professional student PLUS loan borrowers.*</u> <ul style="list-style-type: none"> <li>For loans first disbursed before 07/01/95, "first-time" means first-time attendance at the school regardless of whether student borrowed a Direct loan or a FFELP loan at another school.</li> <li>For loans first disbursed on or after 07/01/95, a "first-time" borrower is a student who has not previously borrowed a Direct loan or a FFELP loan. [§682.604(f)]</li> </ul>
Confirm that no overaward exists.	The sum of an installment and the student's EFA may not exceed the student's need. <ul style="list-style-type: none"> <li>All or a portion of any unsubsidized Stafford or PLUS loan (made under the FFELP or FDLP) may be used to replace EFC.</li> <li>The determination of whether an overaward exists excludes a \$300 FWS tolerance for students with FWS awards.</li> <li>To eliminate the amount in excess of need, the school must return excess amount and/or adjust the amount of a subsequent disbursement. [§682.604(h)]</li> </ul>
Adhere to delayed delivery requirement, if applicable.	The delayed delivery requirement applies only to the first disbursement of a Stafford loan made to a first-time borrower in the first year of an undergraduate program. <ul style="list-style-type: none"> <li>The disbursement may not be delivered until the student completes the first 30 days of his or her program of study.</li> <li>Not applicable if student borrowed a FFELP or FDLP loan at another school.</li> <li>The school may not request an EFT or master check disbursement earlier than the 28th day of the student's first payment period.</li> <li>The school may not request an individual check disbursement earlier than the 1st day of the student's first payment period. [§668.167(b)(1)(iii); §682.604(c)(2)(i)]</li> </ul>

\* Policy 1028 (Batch 149), approved April 17, 2008

Adapted from: *Trainee Guide: 1995-96 Delivery System Training Workshop*, U.S. Department of Education, December 22, 1994, page 5-36.

In the event of a school's closing, [termination](#), suspension of operations, or change in ownership, the school or the school's new owners must continue to comply with the requirements for the [return of Title IV funds](#) for any Title IV recipient who withdraws.  
[§668.26(b)(7)]

## 9.5.A

### Return Amounts for Title IV Grant and Loan Programs

If a student has completed more than 60% of the [payment period](#), he or she is considered to have earned 100% of the [Title IV](#) grant and loan aid received for the payment period. In this case, no funds need to be returned to the Title IV aid programs.  
[§668.22(e)(2)(ii)]

However, if a student withdraws before completing more than 60% of the payment period or [period of enrollment](#), the amount of any Title IV loan and grant aid the student received for the payment period (or period of enrollment) must be recalculated to reflect the portion of the payment period that he or she completed prior to withdrawal. The unearned Title IV loan and grant aid for the percentage of the payment period not completed must be returned to the applicable Title IV aid programs.  
[§668.22(e)(2)(i)]

#### Determining the Percentage of Payment Period/Period of Enrollment Completed

##### *Term-Based Programs with Semesters, Trimesters, or Quarters*

Calculations for the return of Title IV funds must be based upon the payment period.  
[§668.22(e)(5)(i)]

##### *Non-Term-Based Programs and Nonstandard Term-Based Programs*

Calculations for the [return of Title IV funds](#) may be based upon the period of enrollment, rather than the payment period. Schools must consistently use either the payment period or the period of enrollment as the basis for all calculations for the return of Title IV funds for the following categories of students:  
[§668.22(e)(5)(ii)(A) and (B)]

- Students who attend an educational program from the beginning of the period of enrollment or payment period.  
[§668.22(e)(5)(ii)(B)(1)]

- Students who reenter the school during a period of enrollment or payment period.  
[§668.22(e)(5)(ii)(B)(2)]
- Students who transfer into the school during a period of enrollment or a payment period.  
[§668.22(e)(5)(ii)(B)(3)]

There are differences in the payment period definition for a nonstandard term, credit-hour program that has substantially equal terms and a nonstandard term, credit-hour program that does not have substantially equal terms. See [Section 6.3](#) for more information about defining the payment period in these programs.<sup>1</sup>

#### *Credit-Hour Programs*

For term-based or non-term-based programs measured in credit hours, the total number of calendar days the student completes is divided by the total number of calendar days in the payment period or period of enrollment:

$$\frac{\text{Total number of calendar days completed}}{\text{Total number of calendar days in the payment period/period of enrollment}}$$

[§668.22(f)(1)(i)]

For purposes of this calculation, “calendar days” refers to all days within the period, excluding scheduled breaks of 5 or more consecutive days. Scheduled breaks measure the time between the last day of scheduled classes and the next day that classes are held, and include weekends and any periods during which the student is on an approved [leave of absence](#).  
[§668.22(f)(2)(i) and (ii)]

If a student withdraws after a scheduled break, the following are examples of periods that must be excluded from the calculations:

- If a break begins on a Wednesday, no classes are held the following weekend, and classes resume on Monday, the weekend days are included in the break. By including the weekend, the break is 5 days long, and 5 days must be excluded from both the numerator and the denominator of the calculation.
- If a break begins after classes end on Friday and classes resume on Monday following a one-week break, both weekends are included in the break. This break is 9 days long, and 9 days must be excluded from both the numerator and the denominator of the calculation.

<sup>1</sup> Policy 1044 (Batch 150), approved April 17, 2008

**deferment.** The loan file or servicing history must include **documentation** of the **agreement** (between the lender and borrower) for the borrower to satisfy the interest by one of the following methods:

- Monthly or quarterly interest payments, in which the borrower pays the interest as it accrues.
- **Capitalization** as permitted by federal regulations and the terms of the borrower's **promissory note**. The borrower repays the accrued interest as part of his or her regular **repayment period**.
- A single lump sum payment at the end of a deferment period or when repayment of principal begins or resumes.

The borrower's signature on a **Master Promissory Note (MPN)** authorizes the lender to capitalize unpaid accrued **interest** on all of the borrower's FFELP loans as permitted under the Higher Education Act and federal regulations (see **section 10.10** for information about capitalizing accrued interest).

## 10.10 Capitalizing Accrued Interest

**Capitalization** of **interest** on all **FFELP** loans is permitted under the terms of the **promissory note** and federal regulations. A **lender** capitalizes **interest** by adding accrued interest to the loan's **principal balance**.

### 10.10.A Permitted Capitalization

A lender may capitalize unsubsidized interest that accrues during:

- An **in-school period** or **grace period**, if capitalization is expressly authorized by the promissory note (or with the written consent of the **borrower**).
- A period of authorized **deferment** or authorized **forbearance**, except a period of **administrative forbearance** granted to collect documentation of a deferment, forbearance, change in repayment plan, or loan consolidation (see **section 11.21**).

A lender also is permitted to capitalize the outstanding accrued interest without the written consent of the borrower during the following periods of administrative forbearance:

- Between the original **repayment start date** and the revised start date, including a situation when the lender, after converting the loan to repayment, learns of a new **out-of-school date** that is earlier than was previously reported.
- The period during which payments were made but subsequently returned due to a borrower's death or **total and permanent disability**.
- When collection activities on a loan were suspended pending (a) the outcome of a **bankruptcy** action, closed school, false certification, ~~or unpaid refund, or spouses and parents of September 11, 2001, victims~~ discharge determination or (b) the receipt of documentation of a death, disability, closed school, false certification, ~~or unpaid refund, or spouses and parents of September 11, 2001, victims~~ claim or discharge request.<sup>1</sup>
- The period during which the loan was held by the guarantor due to a claim purchase. The capitalization may include interest accrued from date of claim payment through the repurchase date. The lender must document that the capitalization was a result of a repurchase. If the repurchase is due to the loan's loss of guarantee, see **subsection 13.3.D**.

### 10.10.B Capitalization Frequency

To determine when the lender may capitalize interest, the lender should refer to the following instructions.

#### Subsidized and Unsubsidized Stafford Loans First Disbursed on or after July 1, 2000

The lender may capitalize unpaid interest only as follows:

- When the loan enters repayment.
- When a deferment ends.
- When a forbearance ends.
- When the loan defaults.  
[§682.202(b)(4)(ii)]

<sup>1</sup>. Policy 1024 (Batch 149), approved April 17, 2008

## Deferment Eligibility Chart

Figure 11-1

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

Form	Deferment Type	Time Limit	Stafford and SLS Loans			PLUS Loans				Consolidation Loans	
			Pre 7/1/87 Borrower	New <sup>1</sup> Borrower 7/1/87 to 6/30/93	New <sup>2</sup> Borrower 7/1/93	Loans Before 8/15/83	Pre 7/1/87 Borrower	New <sup>1</sup> Borrower 7/1/87 to 6/30/93	New <sup>2</sup> Borrower 7/1/93	Pre 7/1/93 Borrower <sup>8</sup>	New Borrower 7/1/93 <sup>9</sup>
Borrower-Based Deferments											
SCH	In-School: Full Time	None	•	•	•	•	•	•	•	•	•
	In-School: Half Time <sup>7</sup>	None		•	•			•	•	•	•
EDU	Graduate Fellowship	None	•	•	•	•	•	•	•	•	•
	Rehabilitation Training	None	•	•	•	•	•	•	•	•	•
	Teacher Shortage	3 Years		•							
	Internship/ Residency Training	2 years	•	•		•					
TDIS	Temporary Total Disability <sup>3</sup>	3 Years	•	•		•	•	•		•	
PUB	Armed Forces or Public Health Services <sup>4</sup>	3 Years	•	•		•					
	National Oceanic and Atmospheric Administration Corps <sup>4</sup>	3 Years		•							
	Peace Corps, ACTION Program and Tax-Exempt Organization Volunteer	3 Years	•	•		•					
UNEM	Unemployment	2 years	•	•		•	•	•		•	
	Unemployment	3 Years			•				•		•
PLWM	Parental Leave <sup>5</sup>	6 Months	•	•							
	Mother Entering/Reentering Work Force	1 Year		•							
HRD	Economic Hardship	3 Years			•				•		•
PLUS <sup>6</sup>	In-School: Full Time	None						•			
	In-School: Half Time	None						•			
	Rehabilitation Training	None				•	•	•			
MIL	Military Service <sup>10</sup>	None	•	•	•	•	•	•	•	•	•
	Military Active Duty Student <sup>11</sup>	None	•	•	•	•	•	•	•	•	•
Loan-Based Deferments			Stafford Loans			PLUS Loans				Consolidation Loans	
MIL	Military	3 years	Loans first disbursed on or after 7/1/2001			Loans first disbursed on or after 7/1/2001				All underlying Title IV loans must have been first disbursed on or after 7/1/2001	

<sup>1</sup> "New Borrower" 7/1/87 to 6/30/93: A borrower whose first FFELP loan was made on or after July 1, 1987, and before July 1, 1993, or who had an outstanding balance on a loan obtained on or after July 1, 1987, and before July 1, 1993, when he or she obtained a loan on or after July 1, 1993, or who had no outstanding balance on a Federal Consolidation loan made before July 1, 1993, that repaid a loan first disbursed before July 1, 1987.

<sup>2</sup> "New Borrower" 7/1/93: A borrower whose outstanding FFELP loans were all made on or after July 1, 1993, and when his or her first FFELP loan was made on or after July 1, 1993, had no outstanding FFELP loans that were made before July 1, 1993.

<sup>3</sup> A deferment may be granted during periods when the borrower is temporarily totally disabled or during which the borrower is unable to secure employment because the borrower is caring for a dependent (including the borrower's spouse) who is temporarily totally disabled.

<sup>4</sup> Borrowers are eligible for a combined maximum of 3 years of deferment for service in NOAA, PHS, and Armed Forces.

<sup>5</sup> A parental leave deferment may be granted to a borrower in periods of no more than 6 months each time the borrower qualifies.

<sup>6</sup> Deferment for parent borrower during which the dependent student for whom the parent obtained a PLUS loan meets the deferment eligibility requirements.

<sup>7</sup> A borrower who received a Federal Consolidation loan before July 1, 1993, that repaid a loan made before July 1, 1987, or who had an outstanding balance on a FFELP loan obtained prior to July 1, 1987, when the Federal Consolidation loan was obtained, is eligible for in-school deferment only if the borrower attends school full time.

<sup>8</sup> A borrower with a Federal Consolidation loan made before July 1, 1993, or a borrower who receives a Consolidation loan on or after July 1, 1993, who has any outstanding FFELP loan(s) at the time of consolidation that was first disbursed before July 1, 1993.

<sup>9</sup> A borrower who receives a Federal Consolidation loan made on or after July 1, 1993, who has no outstanding FFELP loans at the time of consolidation that were made on or before July 1, 1993.

<sup>10</sup> A deferment may be granted to a borrower who is serving on active duty during a war or other military operation or national emergency (including qualifying National Guard duty).

<sup>11</sup> A deferment may be granted to a borrower called to active National or State duty who is a member of the National Guard or Reserves (including retired members) and who was enrolled at least half time at an eligible school at the time of, or within 6 months prior to, being activated.<sup>1</sup>

<sup>1</sup> Policy 1048 (Batch 150), approved April 17, 2008

Security Income, Food Stamps, or state general public assistance.

[*Federal Register* dated June 29, 1994]<sup>1</sup>

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%–150%~~ of the poverty line ~~for a family of two~~ applicable to the borrower's family size, as determined in accordance with section 673(2) of the Community Service Block Grant Act (*see Note 1 below*).<sup>2</sup>
4. The borrower is working full time and has a federal education debt burden that equals or exceeds 20% of the borrower's monthly income. The borrower's income minus such burden must be less than 220% of the amount described under item 3 above (*see Notes 1 and 2 below*).
5. The borrower is not working full time and has a monthly income that does not exceed twice the amount described under item 3 above and, after deducting an amount equal to the borrower's federal education debt burden, the remaining amount of that income does not exceed the amount specified in item 3 above (*see Notes 1 and 2 below*).
6. The borrower is or will be serving as a Peace Corps volunteer.

A borrower who is or will be serving as a Peace Corps volunteer may be eligible for either a Peace Corps deferment or an economic hardship deferment. A Peace Corps deferment is available to a borrower who had an outstanding balance on a FFELP loan that was made before July 1, 1993, or who had an outstanding balance on a loan made before July 1, 1993, when he or she obtained a loan disbursed on or after July 1, 1993. An economic hardship deferment is available to a "new borrower" who had no outstanding balance on a FFELP loan as of the date he or she obtained a loan on or after July 1, 1993. Lenders are encouraged to offer [forbearance](#) to any borrower who has exceeded the deferment limit in completing his or her Peace Corps service.

[DCL GEN-98-16]

*Note 1:*

A borrower is considered to be working full time if he or she is expected to be employed for at least three consecutive

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

*Note 2:*

To determine a borrower's federal education debt burden for purposes of an [economic hardship](#) deferment under items 4 and 5 above, the lender must count:

- The actual monthly payment amounts that are owed on federal postsecondary education loans, if the loans are scheduled to be repaid in 10 years or less.
- The monthly payment amounts that would have been owed on federal postsecondary education loans based on a 10-year repayment schedule, if the loans are scheduled to be repaid in more than 10 years.

Lenders must count a proportional share of any payments due—or that would have been due—less frequently than monthly. Lenders also must include payments due on a defaulted loan if the borrower has made repayment arrangements satisfactory to the holder of the defaulted loan. The lender must document the amount of the monthly payments that would have been owed on all federal postsecondary education loans during the deferment period based on repayment agreements in place at the time the deferment is being granted.

[§682.210(s)(6)]

<sup>1</sup>. Policy 944 (Batch 143), approved October 18, 2007

<sup>2</sup>. Policy 1047 (Batch 150), approved April 17, 2008

## 11.4.B Deferment Documentation—Economic Hardship

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

### HRD

#### Economic Hardship Deferment Request

Documentation should include pay stubs, a copy of the borrower's most recently filed federal tax return, or other official documents noting the borrower's income and, if applicable, copies of repayment schedules or notices on educational loans. A borrower who qualifies for deferment based on his or her Peace Corps service is not required to submit income documentation, but must submit documentation from the Peace Corps showing that he or she is or will be serving as a volunteer.

[DCL GEN-98-16]

A borrower who is newly self employed may not be able to provide traditional documentation of income. In order for a newly self-employed borrower to qualify for an economic hardship deferment, the borrower must provide the lender with a self-certifying statement of projected monthly income from all sources. In addition, the borrower must provide documentation of the newly formed business and documentation of the borrower's involvement in that business. Documentation that may be used for newly self-employed borrowers includes, but is not limited to:

- A statement from the borrower's accountant.
- A copy of the Articles of Incorporation for the business venture.
- A copy of the Business Charter showing the borrower's involvement.
- An application for a tax identification number.

## 11.4.C Length of Deferment—Economic Hardship

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends on the date the condition establishing the borrower's eligibility for the deferment ends. This deferment may be granted for periods of up to 1 year at a time and may be renewed for a total that, collectively, do not exceed 3 years. For a borrower who is

serving as a volunteer in the Peace Corps, the deferment may be granted for the lesser of the borrower's full term of service or the borrower's remaining period of economic hardship deferment eligibility under the 3-year maximum. [HEA 428(b)(1)(M)(iii); §682.210(s)(6); DCL GEN-98-16]

## 11.4.D Simplified Deferment Processing

A lender may grant an eligible borrower an economic hardship deferment based on information that the borrower has been granted an economic hardship deferment by another FFELP loan holder or the Department (for a Direct loan) for the same time period. The borrower must request the deferment either verbally or in writing but does not have to provide a completed economic hardship deferment form or the other required documentation listed in Subsection 11.4.B.

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

If the lender grants the economic hardship deferment using this simplified process, it must notify the borrower that the deferment has been granted and that the borrower has the option to pay the interest that accrues on an unsubsidized FFELP loan or to cancel the deferment and continue to make payments on the loan.

[§682.210(s)(1)(iii) - (v)]<sup>1</sup>

## 11.5 Graduate Fellowship Deferment

A graduate fellowship deferment covers study under an eligible graduate fellowship program.

[§682.210(b)(1)(ii) and (d)]

<sup>1</sup> Policy 1033 (Batch 149), approved April 17, 2008

## 11.5.A Eligibility Criteria—Graduate Fellowship

To qualify for this deferment, a borrower must request it and provide the lender with a written statement from an authorized official of the fellowship program. This statement must indicate the [anticipated completion date](#) of the program and must certify the following information with respect to the borrower:

- The individual holds at least a bachelor's degree conferred by an [institution of higher education](#).
- The individual will be engaged in full-time study (which may be independent of an educational or cultural institution) in an academic or professional subject for which he or she has demonstrated an interest and ability and for which he or she has been recommended by an institution of higher education.

The fellowship program must:

- Provide sufficient financial support to the student to allow for full-time study for at least 6 months.
- Require a written statement from each applicant explaining the applicant's objectives before award of that financial support.
- Require the graduate fellow to submit periodic reports, projects, or other evidence of his or her progress.
- Accept any applicable course of study at a [foreign school](#) for completion of the fellowship program.

## 11.5.B Deferment Documentation—Graduate Fellowship

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

**EDU**  
Education Related Deferment Request

## 11.5.C Length of Deferment—Graduate Fellowship

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends on the date the borrower withdraws or completes the fellowship program, whichever is earlier.

[§682.210(d)]

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

## 11.5.D Simplified Deferment Processing

A lender may grant an eligible borrower a graduate fellowship deferment based on information that the borrower has been granted a graduate fellowship deferment by another FFELP loan holder or the Department (for a Direct loan) for the same time period. The borrower must request the deferment either verbally or in writing but does not have to provide a completed graduate fellowship deferment form.

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

If the lender grants the graduate fellowship deferment using this simplified process, it must notify the borrower that the deferment has been granted and that the borrower has the option to pay the interest that accrues on an unsubsidized FFELP loan or to cancel the deferment and continue to make payments on the loan.

[§682.210(s)(1)(iii) - (v)]<sup>1</sup>

<sup>1</sup>. Policy 1033 (Batch 149), approved April 17, 2008

## 11.7.A Eligibility Criteria—Internship/Residency

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

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

- That the internship or residency program is a supervised training program that requires the completion of at least a bachelor's degree before acceptance into the program.
- That the borrower has been accepted into the program.
- The anticipated dates on which the borrower will begin and complete the program, or begin and complete the minimum period of participation in the program that the [state](#) requires before an individual may be certified for professional practice or service, whichever is less.

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

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

## 11.7.B Deferment Documentation—Internship/Residency

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

**EDU**

Education Related Deferment Request

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

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

[\[§682.210\(n\)\]](#)

A lender is required to grant [forbearance](#) to a borrower who has already received the maximum 2-year deferment but who has not yet completed his or her internship or residency program (see [subsection 11.24.B](#)). The 2-year deferment limit does not include periods of in-school deferment that were previously granted (before enactment of the [Omnibus Budget Reconciliation Act of 1989](#)).

## 11.8 Military Active Duty Student Deferment

A military active duty student deferment is available to a borrower who is a member of the National Guard or Armed Forces Reserve (including a member in a retired status), and is called or ordered to active duty service (eligible national or state duty) while enrolled at least half-time in an eligible school at the time of, or within 6 months prior to, his or her activation.

[\[§682.210\(u\)\(1\); DCL FP-08-01\]](#)<sup>1</sup>

<sup>1</sup>. Policy 1048 (Batch 150), approved April 17, 2008

## 11.8.A Eligibility Criteria—Military Active Duty Student

This deferment is available to a borrower who is called or ordered to active duty and:

- Is a member of the National Guard or Armed Forces Reserve, including a member who was in a retired status when activated.
- Was enrolled on at least a half-time basis in a program of study at an eligible school at the time of, or within 6 months prior to, being called or ordered to active duty.

[\[§682.210\(u\)\(1\); DCL FP-08-01\]](#)

### Definitions Applicable to Military Active Duty Student Deferment

In the context of the military active duty student deferment, the following definitions apply:

- Active duty means serving in full-time duty in the active military service of the U.S. for at least 30 consecutive days, including active state duty for members of the National Guard, for either of the following:
  - = Activities authorized by the governor, and approved by the President or Secretary of Defense, that are supported by federal funds.
  - = Activities authorized by the governor based on state statute or policy that are supported by state funds.

Active duty does not include:

- = Training or attendance at a service school.
- = Employment in a full-time, permanent position in the National Guard unless that position is reassigned as part of a Title 32 call to state active duty service.

[\[§682.210\(u\)\(2\); DCL FP-08-01\]](#)

## 11.8.B Deferment Documentation—Military Active Duty Student

A borrower must request the deferment and provide the lender with documentation of his or her duty status. The documentation must show that the borrower was a member of the National Guard or Reserves (including a member in a retired status), and establish an end-of-military service date and the borrower's enrollment status at an eligible school at the time of, or within six months prior to, military activation.

[\[§682.210\(u\)\(1\)\(ii\)\]](#)

If the borrower has already received a military service deferment (see [Section 11.9](#)), a lender may grant a military active duty student deferment without an additional request from the borrower if the lender has all the required documentation of eligibility. If a deferment is granted in this manner, the lender must notify the borrower of the deferment and provide the borrower the opportunity to decline the deferment.

[\[§682.210\(u\)\(4\); DCL FP-08-01\]](#)

The lender may also grant a borrower a deferment using the simplified deferment processing outlined in [Subsection 11.8.D](#).

## 11.8.C Length of Deferment—Military Active Duty Student

A borrower who meets the eligibility criteria outlined in [11.8.A](#) may receive a deferment for up to 13 months following the completion of active duty military service. The deferment ends on the earlier of the date of the borrower's re-enrollment in school on at least a half-time basis, or the date the 13-month period ends.

A borrower who is eligible for both the military active duty student deferment and the military service deferment outlined in [11.9](#) that provides for a 180-day extended deferment period, can only receive these benefits concurrently and not consecutively (i.e., the maximum benefit is limited to 13 months).

[\[§682.210\(u\)\(1\); DCL FP-08-01\]](#)<sup>1</sup>

<sup>1</sup> Policy 1048 (Batch 150), approved April 17, 2008

## 11.8.D Simplified Deferment Processing

A lender may grant an eligible borrower a military active duty student deferment based on information that the borrower has been granted a military active duty student deferment by another FFELP loan holder or the Department (for a Direct loan) for the same time period. The borrower, or the borrower's representative, must request the deferment either verbally or in writing, but does not have to provide a completed military deferment request form.

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

If the lender grants the military active duty student deferment using this simplified process, the lender must notify the borrower that the deferment has been granted and that the borrower has the option to pay the interest that accrues on an unsubsidized FFELP loan or to cancel the deferment and continue to make payments on the loan. [§682.210(s)(iii) - (v); §682.210(t)(7)]

## 11.9 Military Service Deferment

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

[§682.210(t)(1); HEA 428(b)(1)(M); DCL GEN-06-02; DCL FP-08-01]

Payments made by or on behalf of a borrower during a period for which the borrower qualified for a military service deferment are not refunded.

[§682.210(t)(5)]

## 11.9.A Eligibility Criteria—Military Service

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

This deferment is available to Stafford, PLUS and Consolidation loan borrowers only for all periods that include October 1, 2007, or begin on or after that date, during which a borrower is serving in one of the following capacities:

- On active duty during a war or other military operation, or a national emergency.
- On qualifying National Guard duty during a war or other military operation, or a national emergency. [HEA 428(b)(1)(M); §682.210(t)(1) - (4); DCL GEN-06-02; DCL GEN-08-01]

### Definitions Applicable to Military Service Deferment

In the context of the military service deferment, the following definitions apply:<sup>1</sup>

- *Active duty* means serving in full-time duty in the active military service of the U.S., not including training or attendance at a service school.
- *Military operation* means a contingency operation in which a member of the Armed Forces is, or may become, involved in military actions, operations, or hostilities against an enemy of the U.S. or against an opposing military force; or results in the call or order to, or retention on, active duty of members of the uniformed services under 10 U.S.C. 688, 12301(a), 12302, 12304, 12305, or 12406, 10 U.S.C. chapter 15, or any other provision of law during a war or during a national emergency declared by the president or Congress.
- *National emergency* means a national emergency by reason of certain terrorist attacks declared by the president on September 14, 2001, or subsequent national emergencies declared by the president by reason of terrorist attacks.

<sup>1</sup>. Policy 1048 (Batch 150), approved April 17, 2008

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

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

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

## 11.9.B Deferment Documentation—Military Service

*Note: As of the printing of the manual, the Department has not approved a common Military Deferment Request form.<sup>1</sup>*

A borrower or a borrower's representative<sup>2</sup> must request the deferment and provide the lender with documentation of his or her the borrower's active duty status. The documentation must include a copy of the borrower's military orders, or a written statement from the borrower's commanding or personnel officer that the borrower is serving on active duty during a war or other military operation, or a national emergency, or that the borrower is performing qualifying National Guard duty during a war or other military

operation, or a national emergency, as those terms are defined in [Subsection 11.9.A](#). The lender may also grant a borrower a deferment using the simplified deferment processing outlined in [Subsection 11.9.D](#).<sup>3</sup>  
[HEA §428(b)(1)(M); §682.210(t)(7); DCL GEN-06-02; DCL FP-08-01]

If a borrower's military deferment eligibility expired due to the previous 3-year limitation and the borrower was still serving on qualifying active duty service on or after October 1, 2007, a lender may grant expanded deferment benefits without receiving a new deferment request from the borrower or borrower's representative. If a deferment is granted in this manner, the lender must notify the borrower of the additional benefits and provide the borrower the opportunity to decline the deferment.  
[DCL GEN-08-01]<sup>5</sup>

If a lender grants a military deferment based on a request from the borrower's representative, the lender must notify the borrower that the deferment has been granted and that the borrower has the option to cancel the deferment and continue to make payments on the loan. The lender may also notify the borrower's representative of the outcome of the deferment request.  
[§682.210(t)(7)]<sup>6</sup>

## 11.9.C Length of Deferment—Military Service

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends on the earlier of the date that is no later than 3 years after the date on which it began, or the date on which the borrower's qualifying service is certified to end or actually ends.  
[HEA 428(b)(1)(M); §682.210(t); DCL GEN-06-02]

For a borrower whose qualifying service includes October 1, 2007, or begins on or after that date, the deferment is extended for an additional 180 days after the date the borrower is demobilized from that qualifying service. The additional 180-day deferment is available to a borrower each time a borrower is demobilized from qualifying active duty service. The additional 180-day deferment period may not be granted unless the lender receives documentation of the date the borrower was demobilized from qualifying service.  
[§682.210(t)(2); DCL FP-08-01]<sup>7</sup>

<sup>1</sup> Policy 1048 (Batch 150), approved April 17, 2008

<sup>2</sup> Policy 1008 (Batch 147), approved February 21, 2008

<sup>3</sup> Policy 1048 (Batch 150), approved April 17, 2008

<sup>4</sup> Policy 1008 (Batch 147), approved February 21, 2008

<sup>5</sup> Policy 1048 (Batch 150), approved April 17, 2008

<sup>6</sup> Policy 1008 (Batch 147), approved February 21, 2008

<sup>7</sup> Policy 1048 (Batch 150), approved April 17, 2008

## 11.9.D Simplified Deferment Processing

A lender may grant an eligible borrower a military deferment based on information that the borrower has been granted a military deferment by another FFELP loan holder or the Department (for a Direct loan) for the same time period. The borrower, or the borrower's representative, must request the deferment either verbally or in writing but does not have to provide a completed military deferment form.

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

If the lender grants the military deferment using this simplified process, it must notify the borrower that the deferment has been granted and that the borrower has the option to pay the interest that accrues on an unsubsidized FFELP loan or to cancel the deferment and continue to make payments on the loan.  
[§682.210(s)(1)(iii) - (v)]<sup>1</sup>

## 11.10 National Oceanic and Atmospheric Administration Corps Deferment

A National Oceanic and Atmospheric Administration Corps deferment is available to a borrower who is engaged in active duty service in the National Oceanic and Atmospheric Administration Corps (NOAA).

### 11.10.A Eligibility Criteria—NOAA

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

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

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

### 11.10.B Deferment Documentation—NOAA

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

**PUB**  
Public Service Deferment Request

### 11.10.C Length of Deferment—NOAA

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

## 11.11 Parental Leave Deferment

A parental leave deferment is available to a borrower who is pregnant or caring for his or her newborn or newly adopted child.

### 11.11.A Eligibility Criteria—Parental Leave

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

<sup>1</sup> Policy 1033 (Batch 149), approved April 17, 2008

## 11.14.A Eligibility Criteria—Rehabilitation Training Program

To qualify for this deferment, a borrower must request it and provide the lender with written [certification](#) from the rehabilitation agency that:

- The borrower—or the [dependent student](#) in the case of a [parent PLUS loan](#), where applicable—is either receiving or scheduled to receive rehabilitation training services from the agency.
- The rehabilitation training program is licensed, approved, certified, or otherwise recognized as providing rehabilitation training to qualified individuals by a [state](#) agency responsible for vocational rehabilitation, drug abuse treatment, mental health services, or alcohol abuse treatment programs, or by the Department of Veterans Affairs.
- The rehabilitation training program will provide the borrower or dependent student with rehabilitation services under a written plan that:
  - Is individualized to meet the borrower’s or dependent student’s needs.
  - Specifies the date on which the services to the borrower or dependent student are expected to end.
  - Is structured in a way that requires a substantial commitment by the borrower or dependent student to his or her rehabilitation. A substantial commitment is defined as a commitment demanding time and effort that would normally prevent an individual from engaging in full-time employment, either because of the number of hours that must be devoted to rehabilitation or because of the nature of the rehabilitation. For these purposes, full-time employment is defined as at least 30 hours of work per [week](#) that is expected to last at least 3 months.

## 11.14.B Deferment Documentation—Rehabilitation Training Program

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

### EDU

Education Related Deferment Request

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

### PLUS

PLUS Borrower with Dependent Student Deferment Request

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

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

## 11.14.D Simplified Deferment Processing

A lender may grant an eligible borrower a rehabilitation deferment based on information that the borrower has been granted a rehabilitation training deferment by another FFELP loan holder or the Department (for a Direct loan) for the same time period. The borrower must request the deferment either verbally or in writing but does not have to provide a completed rehabilitation deferment form.

In granting the deferment in this manner, the lender may rely in good faith on the information obtained from another FFELP loan holder, the Department, or an authoritative electronic database maintained and authorized by the Department, unless the lender has information indicating that the borrower does not qualify for the rehabilitation training deferment. The lender must resolve any discrepant information before granting a rehabilitation training deferment in this manner.<sup>1</sup>

<sup>1</sup>. Policy 1033 (Batch 149), approved April 17, 2008

If the lender grants the rehabilitation training deferment using this simplified process, it must notify the borrower that the deferment has been granted and that the borrower has the option to pay the interest that accrues on an unsubsidized FFELP loan or to cancel the deferment and continue to make payments on the loan.

[§682.210(s)(1)(iii) - (v)]<sup>1</sup>

## 11.15

### Tax-Exempt Organization Volunteer Deferment

A tax-exempt organization volunteer [deferment](#) is available to a borrower who is engaged in full-time paid volunteer service with a tax-exempt organization that the U.S. [Department](#) of Education has determined to be comparable to service as a Peace Corps or ACTION volunteer.

#### 11.15.A

##### Eligibility Criteria—Tax-Exempt Organization Volunteer

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

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

- That the borrower has agreed to serve on a full-time basis for at least one year.
- That the borrower serves as a volunteer in an organization that is exempt from taxation under [Section 501\(c\)\(3\) of the Internal Revenue Code of 1986](#).
- That the borrower provides service to low-income persons and their communities to assist them in eliminating poverty and poverty-related human, social, and environmental conditions.

- That the borrower's compensation—including a subsistence allowance, necessary travel expenses, and stipends—does not exceed the federal minimum wage, except that the tax-exempt organization may provide health, retirement, and other fringe benefits to the volunteer that are substantially equivalent to the benefits offered to other employees of the organization.
- That the borrower, as part of his or her duties, does not give religious instruction, conduct worship services, engage in religious proselytizing, or engage in fund-raising to support religious activities.
- The date on which the borrower's service began.
- The date on which the borrower's service is expected to end.

#### 11.15.B

##### Deferment Documentation—Tax-Exempt Organization Volunteer

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

#### PUB

Public Service Deferment Request

#### 11.15.C

##### Length of Deferment—Tax-Exempt Organization Volunteer

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

[\[§682.210\(m\)\]](#)

## 11.16

### Teacher Shortage Area or Targeted Teacher Deferment

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

<sup>1</sup>. Policy 1033 (Batch 149), approved April 17, 2008

- The 6-month period of deferment expires before the borrower submits an extension request.  
[§682.210(h); Appendix A of DCL 96-L-186/96-G-287]

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

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

## 11.18.D Simplified Deferment Processing

A lender may grant an eligible borrower an unemployment deferment based on information that the borrower has been granted an unemployment deferment by another FFELP loan holder or the Department (for a Direct loan) for the same time period. The borrower must request the deferment either verbally or in writing but does not have to provide a completed unemployment deferment form.

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

If the lender grants the unemployment deferment using this simplified process, it must notify the borrower that the deferment has been granted and that the borrower has the option to pay the interest that accrues on an unsubsidized FFELP loan or to cancel the deferment and continue to make payments on the loan.  
[§682.210(s)(1)(iii) - (v)]<sup>1</sup>

## 11.19 Working Mother Deferment

A working mother deferment is available to a borrower who is the mother of a preschool-age child when the mother is entering or reentering the work force. A preschool-age child is defined as one who is not yet **enrolled** in first grade or a higher grade in elementary school.

## 11.19.A Eligibility Criteria—Working Mother

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

To qualify for this **deferment**, a **borrower** must request it and provide the **lender** with:

- A statement that she is the mother of a preschool-age child; that she entered or is reentering the work force no more than one year before the beginning date of the period for which the deferment is being sought; and that she is currently employed full time (at least 30 hours of work per **week** that is expected to last at least 3 months) in a position for which she receives wages of no more than \$1.00 per hour more than the minimum wage.
- Documentation of the child's age (such as a birth or baptismal certificate).
- Documentation of wages (such as a pay stub).

## 11.19.B Deferment Documentation—Working Mother

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

### PLWM

Parental Leave/Working Mother Deferment Request

## 11.19.C Length of Deferment—Working Mother

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

[§682.210(r)]

<sup>1</sup>. Policy 1033 (Batch 149), approved April 17, 2008

- That the borrower or endorser may opt to discontinue the forbearance at any time.

This notification requirement does not apply to the postponement of [interest](#) payments during a [deferment](#) period, a period of forbearance for an internship or residency, or a period of mandatory administrative forbearance. (See [subsection 11.24.B](#) for information regarding required notification for internship and residency forbearance. See [section 11.22](#) for information regarding required notification for mandatory administrative forbearance.)

[§682.211(e)]

## 11.20.J Establishing Repayment after Forbearance

A [borrower's](#) first payment due date after an authorized forbearance generally must be no later than 60 days after the date that the forbearance expires. For a Stafford loan,

federal regulations permit the lender to extend the first due date an additional 30 days beyond the standard 60-day limit, if the extension is necessary to permit the lender to comply with requirements that the repayment disclosure be sent to the borrower no less than 30 days before the first payment on the loan is due.

A borrower must be notified of any [interest](#) capitalized due to the forbearance. The notice should include the new [principal balance](#) and any other repayment term changes (such as a new monthly payment amount) resulting from the interest being capitalized. The lender may develop its own format for disclosing such information or may use a [repayment schedule](#) and disclosure form provided by a guarantor. For more information on disclosure of repayment terms, see [section 10.7](#).

[§682.205(c); §682.209(a)(3)(ii)(B)]

### Forbearance Eligibility Chart

Figure 11-2

TYPE	LENGTH
<b>Discretionary</b>	
Financial difficulties due to personal problems when the borrower is unable to make regularly scheduled payments <sup>1</sup>	The period established in the terms of the forbearance agreement (not to exceed 12-month increments); no maximum
Reduced-Payment Forbearance <sup>1</sup>	
<b>Mandatory</b>	
Medical or Dental Internship/Residency <sup>2, 3</sup>	12-month increments (or a lesser period equal to actual period during which the borrower is eligible); no maximum
Department of Defense Student Loan Repayment Programs <sup>3</sup>	
National Service <sup>2, 3</sup>	
Child Care Provider Loan Forgiveness <sup>2, 9</sup> — <i>Note: Contingent upon funding by Congress.</i>	Period while borrower maintains forgiveness eligibility. 12-month increments
Debt Exceeds Monthly Income <sup>4, 5</sup>	12-month increments; 3 years maximum
Teacher Loan Forgiveness <sup>2, 3</sup>	Period while borrower maintains forgiveness eligibility. 12-month increments
<b>Mandatory Administrative</b>	
Local or National Emergency <sup>7</sup>	Period specified by the Department or guarantor plus 30 days following the period
Military Mobilization <sup>8</sup>	
Designated Disaster Area <sup>7</sup>	
Repayment Accommodation	3-year maximum for variable interest rate; 5-year maximum for income-sensitive repayment
Death	Date lender receives reliable notification of death to date lender receives death certificate or other acceptable documentation, not to exceed 60 days
Teacher Loan Forgiveness <sup>2, 6</sup>	The period while the lender is awaiting a completed loan forgiveness application, not to exceed 60 days Date lender receives a completed loan forgiveness application to date lender receives either a denial or the loan forgiveness amount from the guarantor

TYPE	LENGTH
<b>Administrative</b>	
Borrower Ineligible for Deferment <sup>6</sup>	Beginning date to ending date of the ineligible deferment
Delinquency before a Deferment or Certain Forbearances <sup>6</sup>	First date of overdue payment to the day before the beginning date of deferment or other forbearance type
Late Notification of Out-of-School Dates <sup>6</sup>	Date borrower should have entered repayment to date first or next payment was established
Bankruptcy Filing <sup>6</sup>	The earlier of the first date of overdue payment or receipt of reliable information that the borrower has filed bankruptcy to date of discharge determination or repurchase
Total and Permanent Disability <sup>6</sup>	<del>Date lender receives reliable information to date lender receives a complete loan discharge application or other form(s) approved by the Department, not to exceed 60 days</del> Date lender receives physician's written request for additional time to date lender receives a complete, <del>documentation</del> , certified loan discharge application or other form(s) approved by the Department, if the borrower submits the certification to the lender within 90 days of the date the physician certified the application, not to exceed 60 days* For a non-disabled comaker, the earlier of the date that the lender receives the loan discharge application or the date the lender receives notice from the guarantor that one comaker is totally and permanently disabled, to the date that the lender receives notice of the final discharge determination.
Spouses and Parents of September 11, 2001, Victims <sup>6</sup>	60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination†
Repurchase of a Non-Bankruptcy Claim <sup>6</sup>	The period that the loan was held by the guarantor due to a claim purchase
Death	Date after mandatory administrative forbearance due to reliable notification of death ends to date lender receives death certificate or other acceptable documentation, not to exceed 60 days
Closed School	Period of unofficial closure notice as specified by guarantor
Closed School or False Certification <sup>6</sup>	60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination
False Certification—Identity Theft <sup>6</sup>	Date eligibility requirements sent to individual to date request and documentation returned, not to exceed 60 days; and from date guarantor receives documentation to date of determination
Delinquency after Deferment or Mandatory Forbearance <sup>6</sup>	Deferment or mandatory forbearance end date to establishment of next payment due date
Documentation Collection and Processing <sup>6</sup>	Date borrower requests deferment, forbearance, change in repayment plan, or loan consolidation to date supporting documentation is processed by lender, not to exceed 60 days
Unpaid Refund Discharge	60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination The period during guarantor review and ending on the date lender receives the guarantor's determination for a borrower who requests a review of a denial determination
Unpaid Refund <sup>6</sup>	End date of initial 60-day mandatory administrative forbearance to receipt of completed discharge request, and during period of determination of discharge eligibility
New Out-of-School Dates after Conversion <sup>6</sup>	Original repayment start date to adjusted start date
Loan Sale or Transfer <sup>6</sup>	First date of delinquency to date loan is sold or transferred, if the loan is less than 60 days delinquent
Ineligible Summer Bridge Extension <sup>6</sup>	Day after expiration of borrower's last in-school deferment to the 30th day after fall classes begin
Cure <sup>6</sup>	Date of earliest unexcused violation to date lender receives a full payment or new signed repayment agreement
Natural Disasters, Local or National Emergency, Military Mobilization <sup>6</sup>	From date borrower affected, not to exceed 3 months for each occurrence
Repayment Alignment-SLS/Stafford <sup>4</sup>	First payment due date to last day of the longest applicable Stafford loan grace period

\* Policy 1040 (Batch 150), approved April 17, 2008

† Policy 1024 (Batch 149), approved April 17, 2008

Note: For detailed information about each forbearance situation, refer to the applicable subsection.

<sup>1</sup> Lender must document the borrower's request, the reason for the forbearance, and the terms of the forbearance agreement.

<sup>2</sup> For borrowers only.

<sup>3</sup> A request and supporting documentation from the authorized official(s) indicating the beginning and ending dates, and a verbal or written agreement are required.

<sup>4</sup> A request is required.

<sup>5</sup> A request and supporting documentation of monthly income and monthly payments on Title IV education loan obligations, and a verbal or written agreement are required.

<sup>6</sup> Lender must notify the borrower (or individual or endorser, if applicable) and document the beginning and ending dates and reason for the forbearance in borrower history record.

<sup>7</sup> Notice from the Department or guarantor is required.

<sup>8</sup> Documentation showing borrower is subject to a military mobilization is required.

<sup>9</sup> A request and a completed FFELP Child Care Provider Loan Forgiveness Forbearance Form are required.

## 11.21.D False Certification as a Result of the Crime of Identity Theft

If a guarantor or the Department notifies a lender, or the lender receives reliable information from another source (such as a telephone call or letter from the individual named as the borrower) that an individual may be eligible for a false certification loan discharge as a result of the crime of identity theft, the lender must grant an [administrative forbearance](#) on any potentially eligible loan for a period not to exceed 60 days, beginning no earlier than the date that the loan discharge eligibility requirements are sent to the individual. If the individual fails to return the discharge documentation within the required time frame, the lender must end the administrative forbearance and the loan's delinquency resumes at the point at which collection activity was suspended.

[§682.211(f)(7); §682.402(e)(12)]

If a lender receives a valid identity theft report (as defined in Section 603(g)(4) of the Fair Credit Reporting Act) or notification from a credit bureau that a borrower's loan may have been the result of the crime of identity theft, the lender may grant an administrative forbearance for a period not to exceed 120 days while the lender determines the legal enforceability of the loan.

[§682.211(f)(6)]<sup>1</sup>

In addition, the lender may grant an administrative forbearance for periods needed by the Department or the guarantor to determine the individual's eligibility for discharge because of false certification as a result of identity theft (see [subsection 13.8.E](#) for information regarding false certification loan discharge as a result of identity theft). If the discharge is denied, the lender must resume collection activity on the loan within 30 days of the lender's receipt of the denial notice from the guarantor. The lender may capitalize interest accrued during the forbearance period and the loan's delinquency resumes at the point at which collection activity was suspended.

[§682.402(e)(7)(ii)]

The lender must clearly indicate in the servicing history that an administrative forbearance was granted due to the borrower's potential eligibility for loan discharge for false certification as a result of the crime of identity theft.

## 11.21.E Cures

The lender may grant an administrative forbearance from the date of the earliest unexcused violation to the date the lender receives a full payment or new repayment [agreement](#) that is signed by the borrower to reinstate the [guarantee](#) on the loan.

## 11.21.F Death

If a lender receives reliable but unofficial notification of a borrower's death, or the death of a student for whom a PLUS loan was made in the case of a PLUS loan or a Consolidation loan that paid in full a PLUS loan, the lender must suspend collection activity on the loan for a period of up to 60 days, until the lender receives documentation of the death. If the lender needs time in addition to the initial 60-day mandatory administrative forbearance period to obtain documentation of the death, the lender may grant an administrative forbearance on the loan for up to an additional 60 days, for a total suspension of collection activity of up to 120 days. This forbearance does not require a written request but the lender must send a notice to the borrower's or endorser's address stating that such a forbearance was granted.

See [subsection 11.23.A](#) for mandatory administrative forbearance requirements regarding death discharges. See [subsection 13.8.C](#) for information on claim filing procedures for loans that are eligible for discharge or partial discharge due to a borrower's death, or the death of a student for whom a PLUS loan was made in the case of a PLUS loan or a Consolidation loan that paid in full a PLUS loan.

[§682.211(f)(6); §682.402(b)(3)]

## 11.21.G Delinquency before a Deferment or Certain Forbearances

A lender may process an administrative forbearance to resolve an outstanding delinquency that precedes any of the events listed below. The forbearance may be granted from the date on which the borrower's delinquency began and may be extended through the day before the first date on which the borrower is eligible for:

- A deferment.

<sup>1</sup> Policy 1026 (Batch 149), approved April 17, 2008

## 11.21.M New Out-of-School Dates after Conversion to Repayment

If a Stafford, PLUS, SLS, or Consolidation loan is in repayment, and the lender receives a new [out-of-school date](#) or [deferment](#) end date showing that the borrower should have entered repayment earlier than was previously reported, the lender may apply an administrative forbearance between the original [repayment start date](#) and the adjusted date. The lender may not use administrative forbearance to resolve a [delinquency](#) that existed on the loan before the information was received. After the lender's adjustments, the loan should retain the status that was applicable before the new information was received; further, [due diligence](#) must continue on the loan.

## 11.21.N Repayment Alignment

A [borrower](#) with one or more Stafford loans that have not entered repayment and one or more SLS loans is eligible to have the [repayment period](#) start dates on these loans aligned. A borrower's request for aligned repayment may be made verbally or in writing. A separate request is unnecessary when the borrower has signed the Stafford loan [Master Promissory Note](#), which authorizes the lender to align repayment of the borrower's Stafford and SLS loans.

If repayment alignment is requested by an [eligible borrower](#), the [lender](#) must align the repayment of the borrower's SLS loan(s). If the SLS loan is not eligible for [deferment](#), the lender must apply an [administrative forbearance](#) to postpone repayment until the end of the [grace period](#) on the borrower's Stafford loan. If the borrower has multiple Stafford loans that have not yet entered repayment and those loans have grace periods that are different in length, the lender must postpone repayment of the SLS loan(s) until the end of the longest applicable Stafford loan grace period. In addition, a lender may apply an administrative forbearance to a Stafford loan(s) that has entered repayment in order to align the repayment of all the borrower's Stafford and SLS loans.

For more information on aligning the repayment of Stafford and SLS loans and on required borrower notifications, see [subsection 10.4.C](#).

[§682.209(a)(2)(iii); DCL 96-L-186/96-G-287, Q&As #19 and #24]

## 11.21.0 Repurchase of a Non-Bankruptcy Claim

In the case of a repurchase, the lender may administratively forbear the loan during the period the loan was held by the guarantor due to a claim purchase. The capitalization may include interest accrued from the date of the claim payment through the repurchase date. The lender must document that the capitalization was the result of a repurchase. If the repurchase is due to the loan's loss of guarantee, see [subsection 13.3.D](#).

## 11.21.P Spouses and Parents of September 11, 2001, Victims

If a lender receives information from a borrower or a borrower's representative that the borrower claims to qualify for discharge under the spouses and parents of September 11, 2001, victims (September 11, 2001) discharge provisions, the lender must grant a forbearance for the borrower, or any endorser as applicable, on the borrower's eligible loan(s). The lender must advise the borrower, or the borrower's representative, to submit a Loan Discharge Application: Spouses and Parents of September 11, 2001, Victims form and all required documentation.  
[\[§682.407\(c\)\(2\)\]](#)

If the lender determines that the borrower does not qualify for a discharge, or the lender does not receive the required documentation within 60 days of the notification that the borrower claims to qualify for the discharge, the lender must resume collection. The lender is considered to have exercised forbearance from the date of the borrower's notification. The lender may capitalize any interest accrued and not paid during the forbearance period.  
[\[§682.407\(c\)\(3\)\]](#)

If the lender receives the required documentation and determines that the borrower qualifies for a discharge, the lender must file a discharge claim with the guarantor and the lender must continue the forbearance until the date that the guarantor makes the discharge determination.  
[\[§682.407\(c\)\(7\)\]](#)<sup>1</sup>

<sup>1</sup>. Policy 1024 (Batch 149), approved April 17, 2008

**11.21.Q****Total and Permanent Disability**

If the lender receives ~~reliable~~ information indicating that a borrower has become totally and permanently disabled, the lender ~~may grant a forbearance for a period not to exceed 60 days or until the date that the lender receives a complete loan discharge application or other form(s) approved by the Department, whichever is earlier.~~ must continue collection activities until it receives either the certification of total and permanent disability from a physician or a letter from a physician stating that the borrower has requested the certification and that the physician needs additional time to determine if the borrower is totally and permanently disabled.

If the lender ~~is advised by~~ receives a written request from the borrower's physician (who is a doctor of medicine or osteopathy and is legally authorized to practice in a [state](#)) that additional time is needed either to determine if the borrower is totally and permanently disabled or to complete the [borrower's discharge documentation](#), the lender must grant an [administrative forbearance](#) to the borrower and, if applicable, the [endorser](#). This period of required administrative forbearance, ~~which cannot exceed 60 days from the date the lender receives the physician's request for additional time, is in addition to the optional period of administrative forbearance discussed above.~~ The lender may not require the borrower to submit a request for the forbearance. For more information on the suspension of collection activities in the event of the total and permanent disability of a borrower, see [Subsection 13.8.G](#).

[~~§682.211(f)(5); §682.402(c)(5)(i)~~]<sup>1</sup>

If a [comaker](#) of a joint Consolidation loan or PLUS loan applies for a total and permanent disability loan discharge, the lender must continue servicing the loan for the non-disabled comaker. The lender must protect the status of the loan during the conditional discharge period so that the loan does not become delinquent or more delinquent. The lender may apply an [administrative forbearance](#) on the entire loan if the non-disabled comaker is not eligible for or does not choose another repayment option, deferment, discretionary forbearance, or reduced-payment forbearance. The administrative forbearance may not begin prior to the date the lender receives the disabled comaker's loan discharge application, or the date the lender receives the notification from the guarantor that one comaker is totally and permanently disabled, whichever is earlier. The forbearance ends on the date that the lender receives notice of the disabled comaker's final discharge determination.

<sup>1</sup> Policy 1040 (Batch 150), approved April 17, 2008

**11.21.R****Unpaid Refund Discharge**

If a guarantor or the Department notifies a lender, or the lender receives reliable information from another source (such as a telephone call or letter from the borrower) that a borrower may be eligible for an unpaid refund loan discharge, the lender must grant an [administrative forbearance](#) on any affected loan. If an unpaid refund loan discharge may be applicable to any underlying loan(s) of a Consolidation loan, the lender must suspend collection activity and grant this forbearance on the entire Consolidation loan. A lender must forbear payments of principal and interest that are delinquent or that would be due during all of the following periods.

- The period beginning on the date the lender or guarantor sends the borrower an unpaid refund loan discharge application and ending on either of the following:
  - The date that the lender receives the guarantor's determination, if the borrower returns the discharge application within 60 days from the date the lender or guarantor sent the application.
  - The 60th day, if the borrower does not return the discharge application within 60 days from the date the lender or guarantor sent the application. See below for more information about forbearance a lender may grant when the lender receives a completed discharge application after this initial 60-day period.
- The period beginning on the date the lender receives notification from the guarantor of the borrower's request for a review of a denial determination and ending on the date that the lender receives the guarantor's determination.

If the lender receives the borrower's unpaid refund discharge application more than 60 days from the date on which the lender or guarantor sent the discharge application to the borrower, the lender may grant an additional administrative forbearance on any affected loan. This forbearance may cover the period from the end of the initial 60-day administrative forbearance to the receipt of the completed discharge application.

Chapter 12 identifies the minimum **due diligence** requirements to which **lenders** must adhere in order to retain the guarantee on the loan. Due diligence is the term used to describe the required activities and timelines applicable to the collection of FFELP loans.

Compliance with due diligence requirements is crucial; failure to meet these requirements within their respective time frames may result in an inability to collect the loan, rejection of a lender's claim, **cancellation** of the **guarantee** on the loan, or a reduction of the interest that would normally be paid at the time of claim purchase. Except as detailed in **subsection 12.4.B** and as noted otherwise throughout this chapter, due diligence requirements described in this chapter are for loans with monthly repayment obligations. Lenders with loans with repayment obligations less frequent than monthly should contact their guarantor with questions regarding the unique servicing requirements for these loans. (See **section 1.5** for guarantor contact information.)  
[§682.401(b)(19)]

The lender must adhere to the federal requirements to ensure prompt collection of any delinquent loan payments and to preserve the guarantee on the loan. These requirements preempt any **state** law—including state statutes, regulations, or rules—that would conflict with or hinder a lender's satisfaction of the requirements or frustrate the purposes of these requirements. However, these requirements do not preempt the provisions of the **Fair Credit Reporting Act (FCRA)** that provide relief to a borrower while a lender determines the legal enforceability of a loan after receiving a valid identity theft report or notification from a credit bureau of an alleged identity theft.  
[§682.411(o)]<sup>1</sup>

Any reference to a borrower in this chapter also refers to any applicable comaker—one of two PLUS borrowers who are jointly and severally liable for repayment (as applicable to a PLUS loan made prior to April 16, 1999) or one of two Consolidation loan borrowers who are jointly and severally liable for repayment (as applicable to a Consolidation loan made from an application received by the consolidating lender prior to July 1, 2006). Therefore, due diligence activities required for the borrower are also required for the comaker. For example, if the lender is required to send a letter at a certain point of delinquency, it must send the same letter to both borrowers. Failure to perform collection activities on one or both comakers is a violation of due diligence provisions and will result in **interest** penalties or the loss of the loan's **guarantee**.  
[§682.507(a)(2)]

Endorser requirements differ from those for borrowers and comakers, and are identified in each applicable section and highlighted in **subsection 12.4.E**.

## 12.1 Collection Philosophies, Goals, and Minimum Standards

The lender's collection practices must focus on preventing the default of its delinquent and ineligible borrower loans. The lender should develop a systematic and thorough approach to collecting on its loans, using, at a minimum, the due diligence standards prescribed in this chapter. In addition, the lender may use its own consumer loan collection practices. Lenders are strongly encouraged to develop standards that are in the best interest of both borrowers and the **FFELP**.  
[§682.208(c)]

## 12.2 Situations Requiring Collection Activities

The collection activities that are known as “due diligence” in the FFELP must be performed in the following situations:

- A **borrower** is delinquent in making payments.
- A lender is unable to determine the address of a borrower whose loan is delinquent.
- A borrower is determined to be ineligible for a loan (due to the borrower's or student's error).

A loan is considered delinquent if the lender has not received a borrower's payment by the day after the payment due date. A **lender** must ensure that the due date of the first payment is established according to the requirements described in **section 10.5**.  
[§682.411(b)]

<sup>1</sup> Policy 1027 (Batch 149), approved April 17, 2008

## Releasing the Endorser

A lender may release an endorser from his or her repayment obligation on a loan in any of the following cases: If the loan is only partially discharged, the endorser remains obligated for the undischarged portion of the loan.<sup>1</sup>

- The borrower receives a spouses and parents of September 11, 2001, victims discharge.<sup>2</sup>
- A release is provided in writing before the loan becomes delinquent, and the endorser was not obtained due to a PLUS loan borrower's adverse credit.
- The borrower dies or the student for whom a parent obtained a PLUS loan dies.  
[§682.402(b)(1) and (4)]
- The borrower receives a final determination of total and permanent disability loan discharge.  
[§682.402(c)]
- The loan is discharged on the basis of undue hardship as a result of an adversary proceeding filed by the endorser before a bankruptcy court.  
[§682.402(f)]
- The borrower receives a loan discharge based on the dependent student's inability to complete a course of study because the school closes, or due to the false certification of the loan by the school.  
[§682.402(d) and (e)]
- The loan is partially or completely discharged due to an unpaid refund.  
[§682.402(l)]
- The endorser dies, and the lender receives evidence of the endorser's death, such as a copy of the death certificate or other proof of the endorser's death that is acceptable under applicable state law.
- The endorser becomes totally and permanently disabled after the loan becomes delinquent.
- At the discretion of the guarantor.<sup>3</sup>

1. Policy 983 (Batch 144), approved November 15, 2007

2. Policy 1024 (Batch 149), approved April 17, 2008

3. Policy 983 (Batch 144), approved November 15, 2007

## 12.4.F Ineligible Borrower Due Diligence

If a borrower is responsible for his or her ineligibility for all or a portion of a loan, the **due diligence** requirements outlined in this subsection apply. However, if it is determined that a borrower is ineligible for a loan due to a **school's** or lender's error, the borrower should not be penalized, nor should the lender file a claim on the loan. For information on determining which party is responsible for a borrower's ineligibility, see **section 5.16**.

The lender must—within 60 days of determining that a borrower is ineligible for a loan due to his or her own error—mail a final demand letter to the borrower. This letter must require the borrower to repay:

- The full principal amount of the ineligible portion of the loan.
- All outstanding accrued **interest** on the ineligible portion of the loan.
- Any **interest benefits** paid on the ineligible portion of the loan.
- Any **special allowance** originally billed by the lender or paid by the **Department** on the ineligible portion of the loan.  
[§682.412(c)]

The lender must refund to the Department interest benefits on the ineligible portion of the loan, regardless of whether they were repaid by the borrower. If the borrower repays the amount of special allowance on the ineligible portion, the lender must forward the funds to the Department.  
[§682.412(d)]

The lender must allow an **ineligible borrower** at least 30 days after the date the final demand letter is mailed to respond. If, at the end of the 30-day time frame, the borrower fails to comply with the terms of the final demand letter, the lender must:

- Treat the loan as though it were in default. The entire loan is considered defaulted—even if the borrower was ineligible for only a portion of it.
- Cancel any pending **disbursement(s)**.
- Refund all interest benefits paid on the ineligible portion of the loan.

### 3. *Assignment of a Loan*

The claim file must contain the [holder](#)'s original assignment of a loan to the guarantor. A lender using the Claim Form, which contains the assignment language, need not provide additional information or certifications when filing a claim in order to assign the loan. A lender using an electronic claim filing process should work directly with the guarantor to develop an accurate, timely assignment process that corresponds with the claim filed.

If the ownership of the loan was previously assigned to the current holder from another holder, the holder must document all prior assignments, as applicable, and the lender's assignment of the note to the guarantor. Each prior assignment may be stamped, typed, or written directly on the back of the note, or may be in the form of a letterhead assignment or otherwise through an agreement with the guarantor.

### 4. *Out-of-School Date Information*

Documentation supporting the lender's [out-of-school date](#) must be included as part of the claim documentation *only* if the lender is aware that its out-of-school date is different from the out-of-school date on the guarantor's file.

### 5. *Cure Documentation*

If the loan's guarantee is lost and subsequently reinstated, the lender must include in any claim filed subsequent to the reinstatement the [curing instrument](#) or a legible copy of the curing instrument. Examples of a curing instrument include a new repayment agreement signed by the borrower or a copy of a payment. In the case of an [intensive collection activities \(ICA\)](#)/location cure, the claim file must include acceptable evidence that the borrower has been located as detailed in [section 14.6](#). For additional information regarding acceptable documentation to show that an ICA/location cure has been completed, see [section 14.6](#).

Guarantors may require lenders to provide additional information or documentation, for example if the borrower disputes the loan amount or a school disputes its cohort default rate.

### *Closed School Claims, False Certification Claims, and Unpaid Refund Discharges*

Documentation requirements for closed school and false [certification](#) claims are outlined in [subsections 13.8.B and 13.8.D](#), respectively. Documentation requirements for unpaid refund discharges are outlined in [subsection 13.8.H](#).

### *Ineligible Borrower Claims*

For an [ineligible borrower](#) claim, the lender is required to submit only items 1 through 3 of the preceding list. The lender must also provide the month, day, and year the final demand letter was mailed and reasonable documentation supporting the borrower's ineligibility for the loan, such as an affidavit or letter from the school or a statement from the lender clearly stating the facts and allegations. [\[§682.412\]](#)

### **Additional Documentation Requirements**

#### *Bankruptcy Claims*

For a [bankruptcy claim](#), the lender must submit—in addition to the preceding items 1 through 5—notification of the bankruptcy filing, such as the Notice of the First Meeting of Creditors (the Notice) or other proof of filing directly received from the borrower's attorney, the bankruptcy court, or from another source; a copy of the Proof of Claim filed by the lender, if required; ~~an original assignment of the Proof of Claim, if required;~~ and all other pertinent documents sent to or received from the bankruptcy court. [\[§682.402\(g\)\(1\)\(v\)\(A\)\]<sup>1</sup>](#)

#### *Death Claims*

For a death [claim](#), the lender must submit—in addition to the preceding items 1 through 5—an original or certified copy, or an accurate and complete photocopy of the original or certified copy, of the death certificate (see [Subsection 13.8.C](#)). The use of a fax or electronic version of the death certificate is not permitted. In the event of an exceptional circumstance and on a case-by-case basis, the lender must submit other reliable documentation approved by the guarantor's CEO. [\[§682.402\(g\)\(1\)\(iii\)\]<sup>2</sup>](#)

<sup>1</sup>. Policy 1010 (Batch 147), approved February 21, 2008

<sup>2</sup>. Policy 996 (Batch 149), approved April 17, 2008

*Total and Permanent Disability Claims*

For a total and permanent **disability** claim, the lender must submit—in addition to the preceding items 1 through 5—a completed Loan Discharge Application: Total and Permanent Disability or other form(s) approved by the **Department**. The lender must also submit a record of any payments received after the date, as certified by the physician completed and certified the discharge application, that the borrower became unable to work and earn money.

[§682.402(c)(5)(vii); §682.402(g)(1)(iv)]<sup>1</sup>

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

### 13.1.E Missing Claim File Documentation

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

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

▲ Lenders may contact individual guarantors for information on faxing claim file documentation. See **Section 1.5** for contact information.<sup>2</sup>

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

In some cases, an indemnification **agreement** will be accepted if a lender is unable to provide required documentation for claim filing.

▲ Lenders may contact individual guarantors for information on the use of indemnification agreements to substitute for documents required in the claim file. See **section 1.5** for contact information.

### 13.1.F Missing Payment History

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

## 13.2 Claim Returns

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

- The lender incurs a violation(s) that results in a loss of guarantee on the loan.
- The claim package contains inadequate documentation.
- The borrower is found not to be in a default status.
- The lender is unable to provide sufficient documentation to justify the claim.
- The borrower is actually eligible for a loan when a lender incorrectly determines that he or she is ineligible, or if ineligible, is not ineligible *solely* due to

<sup>1</sup> Policy 1040 (Batch 150), approved April 17, 2008

<sup>2</sup> Policy 996 (Batch 149), approved April 17, 2008

notify the borrower of the application of the refund to repay the defaulted loan(s). The guarantor will refund to the borrower any payment exceeding the remaining balance of the defaulted loan.

If an underlying loan is determined to be eligible for discharge, the claim amount paid to the **holder** of the Consolidation loan will include the sum of the following:

- The amount paid by the consolidation lender to the prior loan holder.
- Interest on the amount paid to the prior loan holder accrued from the date of consolidation through the date of discharge.
- The amount of all payments made by or on behalf of the borrower on each of the underlying loans that are determined eligible for discharge, less any payments received from a third-party source (e.g., a tuition recovery plan).

The Consolidation loan holder must apply any claim payment amount received from the guarantor to the remaining balance of the Consolidation loan. If applying the claim payment results in the Consolidation loan being paid in full, any excess funds must be refunded to the borrower.

The guarantor will notify the lender and the borrower that the loan obligation has been discharged.

## 13.8.C Death

If a **borrower** of a loan for which there is no comaker dies, his or her loan is **discharged**. In the case of a PLUS loan obtained for a dependent student, the parent borrower's loan is discharged if the student dies. Any **endorser** is released from his or her repayment obligation upon the discharge of a loan.  
[§682.402(b)(1)]

If a loan is made to two borrowers as **comakers**, the loan is discharged if both comakers have died or if one comaker has died and the other comaker has had his or her obligation to repay the loan discharged on another basis (such as **bankruptcy** or total and permanent **disability**). For a PLUS loan, if only one comaker dies and his or her obligation to repay the loan is discharged, the surviving comaker is obligated to repay the entire PLUS loan balance. For a Consolidation loan, the portion of the loan attributable to the comaker who has died is discharged. The surviving

comaker is obligated to repay the remaining Consolidation loan balance.

[§682.402(a)(2) and (3)]

The underlying portion of a Consolidation loan attributable to a PLUS loan obtained for a dependent student is eligible for discharge if that student dies. The borrower of the Consolidation loan (or both comakers in the case of a joint Consolidation loan made to a married couple) is obligated to repay the remaining Consolidation loan balance.

[§682.402(b)(6)]

### Discharge When Guarantee Is Lost

If there have been servicing errors on a loan such that the loan has lost its **guarantee**, those violations must have been **cured** before the date the lender determines that the borrower or dependent student died. If the violations were not cured before the date of the death, the lender must discharge the loan—even though the balance will not be reimbursed by the **guarantor**.

[§682, Appendix D, I.E.2.]

### Suspending Collection

If a lender receives reliable but unofficial notification of a borrower's death, or the death of a student for whom a PLUS loan was made in the case of a PLUS loan or Consolidation loan that paid in full a PLUS loan, the lender must suspend collection activity on the loan for up to 60 days and diligently attempt to obtain an original or certified copy, or an accurate and complete photocopy of the original or certified copy, of the death certificate. In the event of an exceptional circumstance and on a case-by-case basis, the guarantor's CEO may approve a discharge based on other reliable documentation. If additional time is needed to obtain this documentation, collection activity may be suspended for up to an additional 60 days, for a total suspension of up to 120 days. If documentation is not received, the lender should treat the period of suspension as though a forbearance had been granted. A signed forbearance agreement is not required for this period. The delinquency status, if any, that existed on the loan before the lender suspended its collection activity remains. The lender must resume collection activity immediately at the level of delinquency at which it was suspended.

[§682.402(b)(3)]

After receiving an original or certified copy, or an accurate and complete photocopy of the original or certified copy,<sup>1</sup> of the borrower's or student's death certificate or notification of discharge approval from the guarantor, the lender may not attempt to collect on a loan or the

<sup>1</sup>. Policy 996 (Batch 149), approved April 17, 2008

discharged portion of a loan from the borrower, the borrower's estate, or any [endorser](#).

[§682.402(b)(4)]

### Treatment of Payments

Payments received from the borrower or the borrower's estate or paid on behalf of the borrower after the date of the borrower's or student's death must be returned to the sender. If payments are received and the lender has no indication of an address or party to which payments may be returned, the lender may apply those payments to the loan, but must document the special circumstances. The lender may capitalize the outstanding accrued interest for the period represented by payments that were made but subsequently returned.

[§682.402(b)(5)]

### Disbursements That Are Not Consummated at the Time of the Borrower's or Student's Death

A Stafford or PLUS loan disbursement that is unconsummated when the borrower—or the dependent student for whom a parent borrows a PLUS loan—dies is not insured. If a lender learns that a borrower—or a student, as applicable—died before a loan disbursement is consummated, the lender must cancel all remaining disbursements of the loan. If after making a loan disbursement to a school, the lender learns that the borrower—or student, as applicable—died before a disbursement is consummated, the lender must contact the school and request an immediate repayment of the unconsummated funds. The school must comply with any request from a lender to return funds that were disbursed to the school after the borrower's or student's death. See [subsection 7.7.L](#) for information about consummated and unconsummated disbursements. See [subsection 8.9.D](#) for information about returning loan funds for a deceased borrower.

### Timely Filing Deadline for Death Claims

A lender must file a death claim within 60 days of receiving an original or certified copy, or an accurate and complete photocopy of the original or certified copy, of the death certificate. If a lender discovers that it has on file a photocopy of a death certificate for an account that was never submitted as a death claim or was denied as a death claim (because at the time of original receipt, copies were not acceptable proof of the borrower's death), the lender must file the death claim within 60 days of that discovery. In the event of an exceptional circumstance and on a case-by-case basis, the guarantor's CEO may approve a discharge based on other reliable documentation.

[§682.402(b)(2) and (g)(2)(i)]<sup>1</sup>

If a death claim is not filed by the 60th day, the guarantor will still purchase the claim—unless the lender incurred due diligence or timely filing violations that were not cured before notification of the borrower's death and the violations were based on an earlier delinquency and resulted in [cancellation](#) of the guarantee on the loan.

However, the claim will be subject to an interest penalty, and the lender will be required to repay all interest benefits and special allowance payments for amounts received or otherwise payable after the expiration of the 60-day filing deadline. (See [section 14.4](#).)

[§682.402(g)(2)(i)]

## 13.8.D False Certification by the School

A borrower who meets all of the requirements that pertain to a particular type of false certification loan discharge as outlined in this subsection is eligible to have his or her applicable loan(s) discharged. A borrower qualifies for a false certification loan discharge of the loan, in full or in part, if the borrower—or the student for whom a [parent](#) obtained a PLUS loan—received any part of the proceeds of a [FFELP](#) loan on or after January 1, 1986, to attend a school that did any one of the following:

- Admitted the student on the basis of his or her ability to benefit from its training, even though the student did not meet the applicable requirements for admission on the basis of ability to benefit.
- Signed the borrower's name on the [application](#) and/or [promissory note](#) without his or her authorization, unless the borrower intended to obtain the loan and the student for whom the loan was made benefited from the proceeds of the loan.
- Endorsed the borrower's name on the loan [check](#) or signed the authorization for [electronic funds transfer](#) (EFT) or [master check](#) without the borrower's authorization—unless the student for whom the loan was made received the proceeds of the loan either by actual delivery of the loan [funds](#) or by a credit in the amount of the contested disbursement to charges owed to the school for the portion of the educational program completed by the student.

If the [guarantor](#) determines that a [borrower](#) is eligible for a loan [discharge](#) or a discharge of one or more disbursements of a loan, the discharge cancels the obligation of the borrower to repay the applicable outstanding principal, accrued interest, [collection costs](#), and late fees. It also

<sup>1</sup>. Policy 996 (Batch 149), approved April 17, 2008

On the same date that the guarantor pays the [claim](#), it will refund to the [borrower](#) all borrower payments made on the loan, minus any funds received from a third-party source. For an eligible loan that was previously paid in full by or on behalf of the borrower, the guarantor will notify the lender that the loan obligation is discharged and will refund to the borrower payments made on the loan, minus any funds received from a third-party source.

### 13.8.E False Certification as a Result of the Crime of Identity Theft

An individual may obtain a false certification loan [discharge](#) on a loan(s) disbursed on or after January 1, 1986, if the individual's eligibility to receive the loan was falsely certified as a result of a crime of identity theft. For the purposes of false certification loan discharge, the term "individual" includes all endorsers on a loan. [\[§682.402\(e\)\(1\)\(i\)\]](#)

If the guarantor determines that an individual is eligible for a loan discharge, the discharge cancels the obligation of the individual to repay the applicable outstanding principal, accrued interest, [collection costs](#), and late fees. It also qualifies the individual for reimbursement of any amounts paid voluntarily or through forced collection on the amount discharged. The lender and guarantor must ensure that the discharge is reported to credit bureaus such that any adverse or inaccurate credit history associated with the amount discharged is removed. [\[§682.402\(e\)\(2\)\]](#)<sup>1</sup>

An individual may initiate the discharge process based on false certification as a result of the crime of identity theft by requesting the discharge and providing the lender or guarantor with all of the required documentation.

If the lender receives preliminary notification that the loan was falsely certified, the lender must send information explaining the loan discharge eligibility requirements to the individual. If the guarantor receives the preliminary notification that the loan was falsely certified, the guarantor may send the information explaining the loan discharge eligibility requirements to the lender to forward to the individual. In other cases, the guarantor may send the information explaining the loan discharge eligibility requirements directly to a potentially eligible individual and notify the lender of the potential discharge. In such cases, the guarantor also may request that the individual return the required documentation to the guarantor for a

determination of eligibility. The guarantor will notify the lender of the individual's eligibility for the loan discharge. [\[§682.402\(e\)\(12\)\]](#)

#### Suspending Collection Activity

If a guarantor notifies a lender, or the lender receives reliable information from another source (such as a telephone call or written correspondence from the individual) that an individual may be eligible for a false certification loan discharge, the lender must immediately suspend all collection activity and must grant an [administrative forbearance](#) on any affected loan. [\[§682.402\(e\)\(12\)\(i\)\]](#)

The lender must grant an administrative forbearance on all loans that are potentially eligible for discharge. The forbearance may begin no earlier than the date that information explaining the loan discharge eligibility requirements is sent to the individual. The lender must resume collection activities if the individual fails to return a discharge request and the required documentation within 60 days after the date the information is sent to the individual. The lender must resume collection activities within 30 days from receiving notification that the loan is ineligible for false certification loan discharge. The lender may capitalize the interest accrued during the administrative forbearance period. [\[§682.402\(e\)\(12\)\(i\)\]](#)

If a lender receives a valid identity theft report (as defined in [Section 603\(g\)\(4\) of the Fair Credit Reporting Act](#)) or notification from a credit bureau that a borrower's loan may have been the result of the crime of identity theft, the lender may grant an administrative forbearance for a period not to exceed 120 days while the lender determines the legal enforceability of the loan. [\[§682.211\(f\)\(6\)\]](#)<sup>2</sup>

#### Notifying the Individual

Within 30 days of the date the lender receives information that the individual may be eligible for a false certification loan discharge, the lender must send information to the individual regarding how to request the loan discharge. The lender must provide the following information to potentially eligible individuals:

- Eligibility requirements for false certification loan discharge as a result of the crime of identity theft.

<sup>1</sup> Policy 1027 (Batch 149), approved April 17, 2008

<sup>2</sup> Policy 1026 (Batch 149), approved April 17, 2008

- Appropriate instructions for sending a signed request for loan discharge and all required documentation to the lender, including instructions that the documentation must be submitted to the lender within 60 days.
- An explanation of the administrative forbearance applied to each potentially eligible loan(s) and the effect of the [capitalization](#) of interest accrued during the forbearance period.

[§682.402(e)(12)(i)]

### Eligibility Criteria

An individual qualifies for loan [discharge](#) if the individual does all of the following:

- Certifies that he or she did not sign the [promissory note](#), or that any other means of identification used to obtain the loan were used without the authorization of the individual.
- Certifies that he or she did not knowingly receive or benefit from the proceeds of the loan that had been made without the individual's authorization.
- Provides to the lender a copy of a local, state, or federal court verdict or judgment that conclusively determines that the individual who is named as the borrower or endorser of the loan was the victim of a crime of identity theft by a perpetrator named in the verdict or judgment.<sup>1</sup>

[§682.402(e)(3)(v)]

If the judicial determination of the crime does not expressly state that the loan was obtained as a result of the crime, the individual must provide all of the following:

- Five different samples of his or her signature, two of which must be no more than one year before or one year after the date of the contested signature, or other means of identification of the individual, as applicable, corresponding to the means of identification used falsely to obtain the loan.
- A statement of facts that demonstrates that eligibility for the student loan in question was falsely certified.

[§682.402(e)(3)(v)]

<sup>1</sup> Policy 1027 (Batch 149), approved April 17, 2008

For the purposes of this subsection, identity theft is considered to be the unauthorized use of the identifying information of another individual that is punishable under [18 U.S.C. 1028](#), [1029](#), or [1030](#), or substantially comparable state or local law. Identifying information includes, but is not limited to, any of the following elements:

- Demographic data such as name, SSN, date of birth, official state or government issued driver's license or identification number, alien registration number, government passport number, or employer or taxpayer identification number.
- Unique biometric data, such as fingerprints, voiceprint, retina or iris image, or unique physical representation.
- Unique electronic identification number, address, or routing code.
- Telecommunication identifying information or access device [as defined in [18 U.S.C. 1029\(e\)](#)].

[§682.402(e)(14)(i) and (ii)]

### Processing the Discharge

If an individual returns to the lender a request for loan discharge and all of the required documentation, the lender must file a claim with the guarantor. If an individual returns to the guarantor a loan discharge request and all of the required documentation, the guarantor will review the documentation and determine the individual's eligibility for false certification loan discharge. The guarantor will notify the lender that either the individual qualifies for the loan discharge and the lender must file a false certification loan discharge claim, or the individual does not qualify for loan discharge and the lender must resume applicable collection activity.

[§682.402(e)(7)(i) and (ii); §682.402(e)(12)(iii)]

If an individual submits incomplete documentation, the lender or guarantor must send the individual an explanation of why the documentation is incomplete. If the individual's signature is missing, the lender or guarantor must return the request to the individual. The lender or guarantor must document the loan history accordingly. In either situation, the [administrative forbearance](#) period described previously in this subsection must not exceed a total of 60 days from the date on which the loan discharge information was originally sent to the individual.

If an individual fails to submit complete loan discharge documentation within 60 days of being notified of that option, the lender must resume collection activity on the

### **13.8.F**

## **Spouses and Parents of September 11, 2001, Victims**

The [Third Higher Education Extension Act \(THEEA\) of 2006](#), provides for loan discharge for spouses and parents of eligible public servants and certain other eligible victims of the September 11, 2001, terrorist attacks. The discharge is available to the spouses and parents of eligible public servants and eligible victims who died or became permanently and totally disabled due to physical injuries suffered in the attacks. The discharge is authorized for FFELP loan amounts which were owed on September 11, 2001, and Consolidation loans incurred to pay off loan amounts that were owed on September 11, 2001. The statute does not authorize a refund of payments made by a borrower prior to the date the loan is discharged. [\[§682.407\(b\)\]](#)

To qualify for the discharge, the borrower or the borrower's representative must submit a Loan Discharge Application: Spouses and Parents of September 11, 2001, Victims form and all required documentation to the lender. [\[§682.407\(c\)\(2\) and \(4\)\(ii\)\]](#)

### **Eligibility Requirements**

A borrower's obligation to make further payments on their own loans is discharged if the borrower was, at the time of the terrorist attacks on September 11, 2001, and currently is, the spouse of an eligible public servant, unless the eligible public servant has died. If the eligible public servant has died, the borrower must have been the spouse of the eligible public servant at the time of the terrorist attacks and until the date the eligible public servant died. [\[§682.407\(b\)\(1\)\]](#)

A borrower's obligation to make further payments towards the portion of a joint Consolidation loan attributable to the eligible victim is discharged if the borrower was, at the time of the terrorist attacks, and currently is, the spouse of an eligible victim, unless the eligible victim has died. If the eligible victim has died, the borrower must have been the spouse of the eligible victim at the time of the terrorist attacks and until the date the eligible victim died. [\[§682.407\(b\)\(2\)\]](#)

The obligation of a parent borrower and any endorser to make any further payments on a PLUS loan incurred on behalf of an eligible public servant or eligible victim is discharged. The obligation of the parent borrower to make any further payments towards the portion of a Consolidation loan that repaid a FFELP or FDLP PLUS loan incurred on behalf of an eligible public servant or eligible victim is also discharged. In the case of an

obligation of a parent incurred on behalf of an eligible public servant, the procedures and documentation requirements are the same as those for the parent of an eligible victim. [\[§682.407\(b\)\(3\)\(i\) and \(ii\); §682.407\(b\)\(4\)\]](#)

### **Applicable Definitions**

Solely in the context of the September 11, 2001, loan discharge, the following definitions apply:

*Eligible public servant* means an individual who served as a police officer, firefighter, other rescue or safety personnel, or as a member of the Armed Forces, and died or became permanently and totally disabled due to physical injuries suffered in the terrorist attacks on September 11, 2001. [\[§682.407\(a\)\(1\)\]](#)

*Eligible victim* means an individual who died or became permanently and totally disabled due to physical injuries suffered in the terrorist attacks on September 11, 2001. [\[§682.407\(a\)\(2\)\]](#)

*Eligible parent* means a borrower who owes a FFELP PLUS loan incurred on behalf of an eligible public servant or eligible victim or if the parent owes a FFELP Consolidation loan that was used—in whole or in part—to repay a FFELP or FDLP PLUS loan incurred on behalf of an eligible public servant or eligible victim. [\[§682.407\(a\)\(3\)\]](#)

*Died due to injuries suffered in the terrorist attacks on September 11, 2001*, means the individual was present at the World Trade Center in New York City, New York; at the Pentagon in Virginia; or at the Shanksville, Pennsylvania site at the time of or in the immediate aftermath of the terrorist-related aircraft crashes on September 11, 2001, and the individual died as a direct result of these crashes. [\[§682.407\(a\)\(4\)\]](#)

*Became permanently and totally disabled due to injuries suffered in the terrorist attacks on September 11, 2001*, means the individual was present at the World Trade Center in New York City, New York; at the Pentagon in Virginia; or at the Shanksville, Pennsylvania site at the time of or in the immediate aftermath of the terrorist-related aircraft crashes on September 11, 2001, and the individual became permanently and totally disabled as a direct result of these crashes. [\[§682.407\(a\)\(5\)\]](#)<sup>1</sup>

<sup>1</sup> Policy 1024 (Batch 149), approved April 17, 2008

An individual is considered permanently and totally disabled for this discharge if each of the following criteria is met:

- The disability is the result of a physical injury to the individual that was treated by a medical professional within 72 hours of the injury having been sustained or within 72 hours of the individual's rescue.
- The physical injury that caused the disability is verified by contemporaneous medical records created by or at the direction of the medical professional who provided the medical care.
- The individual is unable to work and earn money due to the disability and the disability is expected to continue indefinitely or result in death.

If the physical injuries suffered due to the terrorist-related aircraft crashes did not make the individual permanently and totally disabled at the time of or in the immediate aftermath of the attacks, the individual may be considered to be permanently and totally disabled if the individual's medical condition has deteriorated to the extent that the individual is permanently and totally disabled.

[§682.407(a)(5)]

Immediate aftermath for an eligible victim means the period of time from the aircraft crashes until 12 hours after the crashes. Immediate aftermath for an eligible public servant means the period of time from the aircraft crashes until 96 hours after the crashes.

[§682.407(a)(6)]

Present at the World Trade Center in New York City, New York; at the Pentagon in Virginia; or at the Shanksville, Pennsylvania site means physically present at the time of the terrorist-related aircraft crashes or in the immediate aftermath at any one of the following sites:

- In the buildings or portions of the buildings that were destroyed as a result of the terrorist-related aircraft crashes.
- In any area contiguous to the crash site that was sufficiently close that there was a demonstrable risk of physical harm resulting from the impact of the aircraft or any subsequent fire, explosions, or building collapses. Generally, this includes the immediate area in which the impact occurred, fire occurred, portions of buildings fell, or debris fell upon and injured persons.
- On board American Airlines flights 11 or 77 or United Airlines flights 93 or 175 on September 11, 2001.

[§682.407(a)(7)]

## Discharge Documentation

A borrower or the borrower's representative must provide the lender with certain documentation in order for the lender to process the loan discharge.

### Documentation for death of an eligible public servant

Documentation that an eligible public servant died due to physical injuries suffered in the terrorist attacks on September 11, 2001, must include a certification from an authorized official that the individual was a member of the Armed Forces or employed as a police officer, firefighter, or other safety or rescue personnel, and was present at the World Trade Center in New York City, New York; at the Pentagon in Virginia; or at the Shanksville, Pennsylvania site at the time of the terrorist-related aircraft crashes or in the immediate aftermath of these crashes.

In addition, the borrower must provide either of the following:

- Evidence that the individual is included on an official list of the individuals who died in the terrorist attacks.
- If the individual is not included on an official list of the individuals who died in the terrorist attacks, the borrower must provide all of the following documentation:
  - = An original or certified copy, or an accurate and complete photocopy, of the original or certified copy of the individual's death certificate. If the individual owed a FFELP, FDLP, or Perkins loan at the time of the terrorist attacks, documentation that the individual's loans were discharged by the lender, the Secretary, or the institution due to death may be substituted for the death certificate.
  - = A certification from a physician or a medical examiner that the individual died due to injuries suffered in the terrorist attacks.

[§682.407(d)(1)-(3)]

If the borrower is the spouse or parent of an eligible public servant and has been granted a discharge on another FFELP loan, a FDLP loan, or a Perkins loan because the eligible public servant died due to injuries suffered in the terrorist attacks, documentation of the discharge may be used as an alternative to the documentation required in the preceding paragraph.

[§682.407(d)(6)]<sup>1</sup>

<sup>1</sup> Policy 1024 (Batch 149), approved April 17, 2008

Under exceptional circumstances and on a case-by-case basis, the determination that an eligible public servant died due to injuries suffered in the terrorist attacks may be based on other reliable documentation approved by the chief executive officer of the guarantor.  
[§682.407(d)(8)]

Documentation for death of an eligible victim

Documentation that an eligible victim died due to injuries suffered in the terrorist attacks on September 11, 2001, must include the victim being named on an official list of the individuals who died in the terrorist attacks.

If the eligible victim is not included on an official list of the individuals who died in the terrorist attacks, the borrower must provide all of the following documentation:

- An original or certified copy, or an accurate and complete photocopy, of the original or certified copy of the individual's death certificate. If the individual owed a FFELP, FDLP, or Perkins loan at the time of the terrorist attacks, documentation that the individual's loans were discharged by the lender, the Secretary, or the institution due to death may be substituted for the death certificate.
- A certification from a physician or a medical examiner that the individual died due to injuries suffered in the terrorist attacks.
- A certification signed by the borrower that the eligible victim was present at the World Trade Center in New York City, New York; at the Pentagon in Virginia; or at the Shanksville, Pennsylvania site at the time of the terrorist-related aircraft crashes or in the immediate aftermath of these crashes.

[§682.407(d)(4)-(5)]

Under exceptional circumstances and on a case-by-case basis, the determination that an eligible victim died due to injuries suffered in the terrorist attacks may be based on other reliable documentation approved by the chief executive officer of the guarantor.  
[§682.407(d)(8)]

Documentation for a permanently and totally disabled eligible public servant

Documentation that an eligible public servant became permanently and totally disabled due to physical injuries suffered in the terrorist attacks on September 11, 2001, must include all of the following:

- A certification from an authorized official that the individual was a member of the Armed Forces or employed as a police officer, firefighter, or other safety or rescue personnel, and was present at the World Trade Center in New York City, New York; at the Pentagon in Virginia; or at the Shanksville, Pennsylvania site at the time of the terrorist-related aircraft crashes or in the immediate aftermath of these crashes.
- Copies of contemporaneous medical records created by or at the direction of a medical professional who provided medical care to the individual within 72 hours of the injury having been sustained or within 24 hours of the individual's rescue.  
[§682.407(a)(5)]
- A certification by a physician that the individual became permanently and totally disabled due to physical injuries suffered in the terrorist attacks. The physician must be a doctor of medicine or osteopathy and legally authorized to practice in a state.  
[§682.407(e)(1)]

If the borrower is the spouse or parent of an eligible public servant and has been granted a discharge on another FFELP loan, a FDLP loan, or a Perkins loan because the eligible public servant became permanently and totally disabled due to physical injuries suffered in the terrorist attacks, documentation of the discharge may be used as an alternative to the documentation required in the preceding paragraph.

[§682.407(e)(3)]

Documentation for a permanently and totally disabled eligible victim

Documentation that an eligible victim became permanently and totally disabled due to physical injuries suffered in the terrorist attacks must include all of the following:<sup>1</sup>

- A certification signed by the borrower that the eligible victim was present at the World Trade Center in New York City, New York; at the Pentagon in Virginia; or at

<sup>1</sup> Policy 1024 (Batch 149), approved April 17, 2008

the Shanksville, Pennsylvania site at the time of the terrorist-related aircraft crashes or in the immediate aftermath of these crashes.

- Copies of contemporaneous medical records created by or at the direction of a medical professional who provided medical care to the individual within 72 hours of the injury having been sustained or within 24 hours of the individual's rescue.  
[§682.407(a)(5)]
- A certification by a physician that the individual became permanently and totally disabled due to physical injuries suffered in the terrorist attacks. The physician must be a doctor of medicine or osteopathy and legally authorized to practice in a state.  
[§682.407(e)(1)]

If the borrower is the spouse or parent of an eligible victim and has been granted a discharge on another FFELP loan, or a FDLP loan because the eligible victim became totally and permanently disabled due to physical injuries suffered in the terrorist attacks, documentation of the discharge may be used as an alternative to the documentation required in the preceding paragraph.  
[§682.407(e)(4)]

#### Additional documentation

A lender or guarantor may require the borrower to submit additional information that it deems necessary to determine the borrower's eligibility for a discharge.  
[§682.407(f)(1)]

To establish that the eligible public servant or eligible victim was present at the World Trade Center in New York City, New York; at the Pentagon in Virginia; or at the Shanksville, Pennsylvania site such additional information may include but is not limited to any one of the following:

- Records of employment.
- Contemporaneous records of a federal, state, city, or local government agency.
- An affidavit or declaration of the eligible victim's or eligible public servant's employer.
- A sworn statement (or an unsworn statement complying with 28 U.S.C. 1746) regarding the presence of the eligible public servant or eligible victim at the site.  
[§682.407(f)(2)]

To establish that the disability of the eligible public servant or eligible victim is due to physical injuries suffered in the terrorist attacks, such additional information may include but is not limited to any one of the following:

- Contemporaneous medical records of hospitals, clinics, physicians, or other licensed medical personnel.
- Registries maintained by federal, state, or local governments.
- Records of all continuing medical treatment.  
[§682.407(f)(3)]

To establish the borrower's relationship to the eligible public servant or eligible victim, such additional information may include but is not limited to any one of the following:

- Copies of relevant legal records including court orders, letters of testamentary or similar documentation.
- Copies of wills, trusts, or other testamentary documents.
- Copies of approved joint Consolidation loan applications or approved FFELP or FDLP PLUS loan applications.  
[§682.407(f)(4)]

#### Discharge Limitations

Each of the following loans that had an outstanding balance owed on September 11, 2001, are eligible for discharge:

- Federal SLS.
- Federal Stafford.
- Federal PLUS.
- Federal Consolidation.

Federal Consolidation loans incurred to repay FFELP, FDLP, and Perkins loan amounts that were owed on September 11, 2001, are also eligible for discharge.  
[§682.407(g)(1)]<sup>1</sup>

<sup>1</sup>. Policy 1024 (Batch 149), approved April 17, 2008

Eligibility for a discharge under the provisions applicable to the September 11, 2001, loan discharge *does not* qualify a borrower for a refund of any payments made on the borrower's loan prior to the date the loan was discharged.  
[§682.407(g)(2)(i)]

A borrower may apply for a partial discharge of a joint Consolidation loan due to death or total and permanent disability as described in Subsection 13.8.C. If a borrower is granted a partial discharge under those provisions, the borrower may qualify for refund of payments made after the date the borrower died or was certified as totally and permanently disabled by a qualified physician.  
[§682.407(g)(2)(ii)]

A borrower may apply for a discharge of a PLUS loan due to the death of the student for whom the borrower received the PLUS loan under the provisions described in Subsections 13.8.C and 13.8.G, respectively. If the borrower is granted a discharge under these provisions, the borrower may qualify for a refund of payments in accordance with those provisions.  
[§682.407(g)(2)(iii)]

A determination by a lender or a guarantor that an eligible public servant or eligible victim became permanently and totally disabled due to physical injuries suffered in the terrorist attacks for purposes of this discharge does not qualify the eligible public servant or the eligible victim for a discharge based on total and permanent disability as described under Subsection 13.8.G.  
[§682.407(g)(3)]

The spouse of an eligible public servant or eligible victim may not receive a September 11, 2001, loan discharge if the eligible public servant or eligible victim has been identified as a participant or conspirator in the terrorist-related aircraft crashes that occurred on September 11, 2001. Further, an eligible parent may not receive a discharge on a FFELP PLUS loan or a Consolidation loan that was used to repay a FFELP or FDLF PLUS loan incurred on behalf of an individual who has been identified as a participant or conspirator in the related aircraft crashes on September 11, 2001.  
[§682.407(g)(4)]

### **Suspending Collections**

When a lender receives information from a borrower or the borrower's representative that the borrower claims to qualify for a discharge, the lender must suspend collection activity on the borrower's eligible loan(s). The lender must advise the borrower, or the borrower's representative, to submit a Loan Discharge Application: Spouses and Parents

of September 11, 2001, Victims form and all required documentation.  
[§682.407(c)(2)]

If the lender determines that the borrower does not qualify for a discharge, or does not receive the required documentation within 60 days of the notification that he or she claims to qualify for the discharge, the lender must resume collection and shall be deemed to have exercised forbearance of payment of both principal and interest from the date of the borrower's notification. The lender may capitalize any interest accrued and not paid during this period.  
[§682.407(c)(3)]

### **Processing an Approved Discharge**

If a lender determines that the borrower qualifies for a discharge, the lender must file a discharge claim within 60 days of the date that the lender determines that the borrower qualifies for a discharge.  
[§682.407(c)(5)]

For a September 11, 2001, discharge claim, any failure by the lender to satisfy due diligence requirements prior to the filing of the claim that would have resulted in the loss of reinsurance on the loan in the event of default are waived, provided the loan was held by an eligible loan holder at all times.  
[§682.407(c)(12)]

### **Claim File Documentation**

The lender must provide the guarantor with all of the following claim documentation:

- The application, if a separate loan application was provided to the lender.
- The completed loan discharge form and all accompanying documentation supporting the discharge request that formed the basis for the determination that the borrower qualifies for a discharge.  
[§682.407(c)(4)]<sup>1</sup>

The guarantor will review a discharge claim promptly. If the guarantor determines that the borrower does not qualify for a discharge, the guarantor must return the claim to the lender with an explanation of the basis for the guarantor's denial of the claim. Upon receipt of the returned claim, the lender must notify the borrower that the application for the discharge has been denied, provide the basis for the denial,

<sup>1</sup>. Policy 1024 (Batch 149), approved April 17, 2008

and inform the borrower that the lender will resume collection on the loan. The lender is considered to have exercised forbearance until the next payment due date. The lender may capitalize any interest accrued and not paid during the forbearance period.

[§682.407(c)(7)]

If the guarantor determines that the borrower qualifies for a discharge, the guarantor will pay the claim no later than 90 days after the claim was received by the guarantor.

[§682.407(c)(8)]

### **Denying the Discharge**

If the lender determines that the borrower does not qualify for a discharge, or the lender does not receive the completed discharge request form from the borrower within 60 days of the borrower or borrower's representative notifying the lender that the borrower claims to qualify for a discharge, the lender shall resume collection and shall be deemed to have exercised forbearance of payment of both principal and interest from the date the lender was notified.

The lender must notify the borrower that the discharge has been denied, provide the basis for the denial, and inform the borrower that the lender will resume collection on the loan. The lender may capitalize any interest accrued and not paid during this period.

[§682.407(c)(3)]

### **Claim Payment**

The claim payment amount includes the sum of the remaining principal balance and interest accrued on the loan, unpaid collection costs incurred by the lender and applied to the borrower's account within 30 days of the date those costs were actually incurred, and unpaid interest up to the date the lender should have filed the claim.

In the case of a partial discharge of a Consolidation loan, the claim payment includes the amount specified in the preceding paragraph for the portion of the Consolidation loan attributable to the eligible victim or eligible public servant.

[§682.407(c)(9)]

The amount payable on an approved claim includes the unpaid interest that accrues during each of the following periods:

- During the period before the claim is filed, not to exceed 60 days from the date the lender determines that the borrower qualifies for a discharge.

- During a period not to exceed 30 days following the date the lender receives a claim returned by the guarantor for additional documentation necessary for the claim to be approved by the guarantor.
- During the period required by the guarantor to approve the claim and to authorize payment or to return the claim to the lender for additional documentation, not to exceed 90 days.  
[§682.407(c)(10)]

### **Notifying the Borrower and Any Endorser**

After being notified that the guarantor has paid a discharge claim, the lender must notify the borrower that the loan has been discharged, or partially discharged in the case of a Consolidation loan. Except in the case of a partially discharged Consolidation loan, the lender must return to the sender any payments received by the lender after the date the guarantor paid the discharge claim and notify the borrower and any endorser that there is no further obligation to repay the loan(s).

[§682.407(c)(11)]<sup>1</sup>

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

If any party to a loan claims to be totally and permanently disabled, the **lender** must request that party to provide **certification** of the **disability** from a physician who is a doctor of medicine or osteopathy and is legally authorized to practice in a state. An eligible party includes any one of the following:<sup>2</sup>

- A borrower.
- One of two comakers on a PLUS or Consolidation loan.
- An endorser, if the lender is pursuing collection activities against the endorser.

<sup>1</sup>. Policy 1024 (Batch 149), approved April 17, 2008

<sup>2</sup>. Policy 1040 (Batch 150), approved April 17, 2008

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

[§682.402(c)(2)]

### Suspending Collection

If a lender receives ~~reliable~~ information indicating that a borrower or one of two comakers on a PLUS or Consolidation loan has become totally and permanently disabled, the lender ~~may apply an administrative forbearance to the loan, not to exceed 60 days, until the lender receives certification of the total and permanent disability. If the lender does not grant the administrative forbearance, the lender must continue collection activities until it receives the physician's certification—or until it receives a written request from the physician requesting additional time to determine whether the borrower or comaker is totally and permanently disabled. If the lender receives reliable information indicating that an endorser has become totally and permanently disabled, the lender may not apply an administrative forbearance to the PLUS loan—pending receipt of the required forms.~~

~~[§682.211(f)(10);~~ §682.402(c)(3)(i)]<sup>1</sup>

If the lender receives a written request from the borrower's or comaker's physician requesting additional time to make a determination, the lender must suspend collection activity on the loan for up to 60 days or until the certification is received, whichever is earlier. If the lender determines that the borrower or comaker does not meet the definition of totally and permanently disabled, or if the lender does not receive the physician's certification of total and permanent disability within 60 days of the receipt of the physician's written request for additional time, the lender must resume collection activity and treat the loan as though forbearance had been granted during this period. A signed forbearance

agreement is not required for this administrative forbearance period. The delinquency status, if any, that existed on the loan before the lender suspended its due diligence remains. The lender must resume due diligence immediately at the level of delinquency at which it was suspended. For more information on the use of administrative forbearance in conjunction with the lender's receipt of a physician's written request for additional time, see subsection 11.21.Q.

[§682.402(c)(5)]

For a comade Consolidation loan on which one comaker's loan discharge application will not result in the discharge of the entire loan balance, the lender must continue to service the portion of the loan that is not eligible for loan discharge. The lender must ensure that when the comaker who is claiming to be totally and permanently disabled resumes repayment on the remaining balance of the loan, the loan itself has not become delinquent or more delinquent during the conditional discharge period. The lender may apply an administrative forbearance to the entire Consolidation loan for the conditional discharge period, after first exploring with the non-disabled comaker any other available options, such as alternative repayment agreements, deferment, discretionary forbearance, or reduced-payment forbearance.

For a comade PLUS loan on which one comaker is applying for loan discharge, the lender must continue to collect on the full balance of the loan from the non-disabled comaker. The lender must ensure that the loan status does not deteriorate during the conditional discharge period, and should work with the non-disabled comaker to discuss deferment options or to negotiate forbearance terms. The lender may apply an administrative forbearance to the entire loan balance if the non-disabled comaker is not eligible for other repayment options or does not choose to defer or forbear the loan. The administrative forbearance may be applied only for the time period that the nondisabled comaker is solely responsible for the loan's repayment and may not begin earlier than the date the loan holder receives the disabled comaker's loan discharge application, or the notification from the guarantor that a loan discharge application was submitted to the guarantor, whichever is earlier. The administrative forbearance may not end later than the date the lender receives notification of the final discharge determination.<sup>2</sup>

For a PLUS loan on which the endorser is applying for loan discharge, the lender may not collect from the endorser but must continue to collect the entire loan amount from the borrower.

<sup>1</sup> Policy 1040 (Batch 150), approved April 17, 2008

<sup>2</sup> Policy 995 (Batch 146), approved January 17, 2008

## General Requirements for Total and Permanent Disability Loan Discharge

If a doctor of medicine or osteopathy, legally authorized to practice in a state, certifies that the borrower, the [comaker](#), or the [endorser](#) on a PLUS loan is totally and permanently disabled, the borrower's, comaker's or endorser's obligation to repay all or a portion of the loan may be discharged. 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 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.

[§682.402(a)(2) and (3)]

For these purposes, a borrower, comaker, or endorser is considered totally and permanently disabled if he or she is unable to work and earn money because of an injury or illness that is expected to continue indefinitely or result in death. ~~A borrower, comaker, or endorser is not considered totally and permanently disabled on the basis of a condition that existed at the time the loan was made, unless that condition has substantially deteriorated to the point of total and permanent disability since the loan was made. In this situation, the physician must clearly note that the condition became totally and permanently disabling after the date on which the loan was made.~~

[§682.200(b)402(c)(1)(iii)]

If a borrower, comaker, or endorser receives a new loan under the Perkins, FFELP, or Direct Loan Program (with the exception of a Consolidation loan that does not include any loans that are in a conditional discharge status) within 3 years of the date the physician completed and certified the discharge application stating that he or she ~~became~~ is unable to work and earn money, the borrower, comaker, or endorser is not eligible for discharge on the loan on which he or she is a signatory or any loan made prior to that date. If a FFELP loan was certified prior to the date the physician certified the discharge application, any proceeds of the loan that will be or are disbursed after the date of the physician's certification must be canceled, or if the disbursement is made, must be returned to the holder within 120 days of the disbursement date(s) for the borrower to preserve his or her

discharge eligibility. The ~~This~~ 3-year period, i.e., the conditional discharge period, begins on the date ~~the borrower, comaker, or endorser became unable to work and earn money, as certified by the physician~~ completes and certifies the discharge application. The lender must review its records for any new loan(s) or disbursements of prior loans made to the borrower, comaker, or endorser ~~on or~~ after the date the physician certified the discharge application stating that he or she ~~became~~ is totally and permanently disabled. If the lender's records indicate (or the lender is otherwise aware) that a new loan(s) was made during the 3-year conditional discharge period, the lender must deny the discharge and inform the borrower, comaker, or endorser. If any FFELP loan was certified prior to the date the physician certified the discharge application, any proceeds of the loan that are disbursed after the date of the physician's certification must be returned to the holder within 120 days of disbursement or the lender must deny the discharge and inform the borrower, comaker, or endorser. For information regarding a borrower's eligibility for a new loan(s) after the conditional period, see [Section 5.4](#).

[§682.402(c)(4)(ii)(B) & (C); §682.402(c)(5)(vi)(B)]

~~For a Consolidation loan made to a single borrower, the borrower must be certified totally and permanently disabled according to FFELP discharge criteria for all underlying loans—including any non-FFELP loans. In other words, all of the underlying loans would be eligible for discharge due to total and permanent disability had these loans not been consolidated. A borrower is considered totally and permanently disabled based on a condition that existed at the time the borrower's underlying loans were made only if the borrower's condition substantially deteriorated to the point that the borrower was rendered totally and permanently disabled after the loans were made. If requested, a borrower seeking to discharge a Consolidation loan obligation must provide the lender with the disbursement dates of the underlying loan(s), if that information is not available in the lender's servicing records.~~

[§682.402(c)(1)(iv)]<sup>1</sup>

## Discharge When Guarantee Is Lost

If there have been servicing errors on the loan such that the loan has lost its [guarantee](#), and those violations were not [cured](#) before the date the lender determined that the borrower was totally and permanently disabled, the lender must discharge the loan—even though the balance will not be reimbursed by the guarantor.

[§682, Appendix D, I.E.2]

<sup>1</sup> Policy 1040 (Batch 150), approved April 17, 2008

### Conditional Discharge Due to Total and Permanent Disability

Total and permanent disability loan discharge determinations made by the lender on or after July 1, 2002, and subsequently paid as a claim by the guarantor, may be permanently assigned to the Department. The Department then determines if the certification and information provided by the borrower, comaker, or endorser support the conclusion that he or she meets the criteria for a total and permanent disability loan discharge. If the Department determines that the certification and information provided by the borrower, comaker, or endorser do not support the conclusion that he or she meets the criteria for a total and permanent disability loan discharge, the Department notifies the borrower, comaker, or endorser that the application for a total and permanent disability loan discharge has been denied and that the loan is due and payable under the terms of the promissory note.

If the Department makes an initial determination that the borrower, comaker, or endorser is totally and permanently disabled, the Department sends notification to the borrower, comaker, or endorser that the loan—or the comaker's or endorser's obligation on the loan—is in a conditionally discharged status and that the conditional discharge period will last for up to 3 years after the date the physician completed and certified the discharge application ~~that he or she became totally and permanently disabled, as certified by the physician~~. The Department's notification ~~specifies that all or part of the 3-year period may predate the Department's initial determination, and~~ identifies the following conditions that apply during the 3-year conditional discharge period:

- The disabled borrower, comaker, or endorser is not required to make any payments on the loan.
- The disabled borrower, comaker, or endorser is not considered delinquent or in default on the loan, unless he or she was delinquent or in default at the time the conditional discharge was granted.
- The disabled borrower, comaker, or endorser must promptly notify the Department of any changes in address or phone number.
- The disabled borrower, comaker, or endorser must notify the Department if his or her annual earnings from employment exceed 100 percent of the poverty line for a family of two.
- The disabled borrower, comaker, or endorser must provide the Department, upon request, with additional documentation or information related to his or her

eligibility for a total and permanent disability loan discharge.

[\[§682.402\(c\)\(14\)\]](#)

- The disabled borrower, comaker, or endorser must provide the Department, upon request, with additional medical evidence if the Department determines that the borrower's, comaker's, or endorser's application does not conclusively prove that the borrower, comaker, or endorser is disabled. As part of this review or at any time through the end of the conditional discharge period, the Department may arrange for an additional review of the borrower's, comaker's, or endorser's condition by an independent physician at no expense to the applicant.  
[\[§682.402\(c\)\(4\)\(v\)\]](#)
- The disabled borrower, comaker, or endorser must not receive a new loan under the Perkins, FFEL, or Direct Loan Programs, except for a FFELP or Direct Consolidation loan that does not include any loans that are in a conditional discharge status.  
[\[§682.402\(c\)\(1\)\(ii\)\(B\)\]](#)
- If any FFELP loan was certified prior to the date the physician certified the discharge application, any proceeds of the loan that are disbursed after the date of the physician's certification must be returned to the holder within 120 days of the disbursement date(s) to preserve the borrower's discharge eligibility.  
[\[§682.402\(c\)\(4\)\(i\)\(C\)\]](#)<sup>1</sup>

The Department also notifies the disabled borrower, comaker, or endorser, for those loans assigned to the Department, that if at any time during the 3-year conditional discharge period he or she does not continue to meet the eligibility requirements for a total and permanent disability discharge, the Department or the loan holder, as applicable, will resume collection activity on the loan but will not require the borrower to pay any interest that accrued on the loan from the date of the initial determination of total and permanent disability through the end of the conditional discharge period.

[\[§682.402\(c\)\(16\)\]](#)

### NSLDS Reporting during the Conditional Period for Comade Loans

In cases where a comaker of a joint Consolidation or PLUS loan has applied for a total and permanent disability loan discharge, the lender must ensure accurate reporting to the guarantor for NSLDS purposes. The lender must report the

<sup>1</sup> Policy 1040 (Batch 150), approved April 17, 2008

correct status of the non-dischargeable portion to the guarantor for subsequent reporting to the NSLDS in a timely manner. The NSLDS currently reports joint Consolidation loans and comade PLUS loans under one primary borrower only. However, to ensure proper reporting during the conditional discharge period, the lender should report the non-dischargeable portion under the non-disabled borrower's name and Social Security number (SSN) to the guarantor. If the borrower on record with the guarantor and the NSLDS is the disabled borrower, the guarantor's records and the NSLDS must be updated to reflect the non-disabled borrower as the borrower of record. If the discharge is denied, the lender may resume reporting the full balance of the loan under the borrower currently being reported. If a final discharge is granted, the lender continues to report the non-discharged portion of the Consolidation loan under the non-disabled borrower's name and SSN.

### Total and Permanent Disability Loan Discharge Payment

Federal regulations require a guarantor to determine if the borrower, [comaker](#), or [endorser](#) meets the eligibility criteria for a total and permanent disability (TPD) [discharge](#). If the guarantor determines that the borrower, comaker, or endorser meets the criteria, the guarantor will take the following action, as appropriate:

- For a loan made solely to the borrower, or a PLUS loan with an endorser where the borrower is the party applying for the loan discharge, the guarantor will pay the lender the remaining balance on the loan and assign the loan to the Department.
- For a comade (spousal) Consolidation loan, the guarantor will pay the lender the amount that represents the disabled comaker's portion of the Consolidation loan. The guarantor will forward the disability documentation to the Department for determination of the final discharge eligibility.
- For a comade PLUS loan or a PLUS loan with an endorser where the endorser is the party applying for the loan discharge, the guarantor will forward the documentation to the Department for a determination of final discharge eligibility. The guarantor will not remit a claim payment to the lender.

### Timely Filing Deadline for Total and Permanent Disability Claims

A lender must file a disability claim within 60 days of receiving a complete loan discharge application or other form(s) approved by the Department. If a disability claim is

not filed by the 60th day, the [guarantor](#) will still purchase the claim—unless prior servicing violations were not cured appropriately. However, the claim will be subject to an [interest](#) penalty, and the lender will be required to repay all [interest benefits](#) and [special allowance](#) payments for amounts received or otherwise payable after the expiration of the 60-day deadline.

[\[§682.402\(g\)\(2\)\(i\)\]](#)

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

### Notification Requirements after Claim Filing or Filing of a Partial Discharge Request

After a lender receives payment of a total and permanent disability claim, the lender must notify the borrower that the loan will be assigned to the Department for determination of discharge eligibility and no payments are due on the loan. The notification must also inform the borrower that, to remain eligible for final discharge, he or she cannot earn income from employment exceeding the poverty line for a family of two, receive any new Title IV loans (with the exception of a FFELP or Direct Consolidation loan that does not include loans to be discharged), and must ensure the full amount of any Title IV loan made on or after the date the physician completed and certified the discharge application is returned to the holder within 120 days of the disbursement date.

[\[§682.402\(c\)\(5\)\(vi\)\]](#)<sup>1</sup>

After the lender receives payment of a total and permanent disability claim for a loan made solely to a single borrower or for a portion of a Consolidation loan attributable to a comaker, the lender must notify the borrower or comaker that the loan or a portion of the loan will be assigned to the Department for determination of eligibility for a total and permanent disability loan discharge. After the lender receives notification from the guarantor that the loan discharge application has been forwarded to the Department for a determination of total and permanent discharge eligibility, the lender must notify the PLUS loan borrower that the comaker's or endorser's discharge application has been forwarded to the Department.

[\[§682.402\(c\)\(8\)\]](#)

If the guarantor determines that the borrower, comaker, or endorser is not eligible for loan discharge, the guarantor will notify the lender with an explanation of the reason for the denial. The lender must notify the borrower, comaker, or endorser that the application for a disability discharge has been denied, provide the basis for the denial, and

<sup>1</sup> Policy 1040 (Batch 150), approved April 17, 2008

inform the borrower, comaker, or endorser that the lender will resume collection activities on the loan.

[§682.402(c)(7)]

### Resuming Loan Servicing on Comade or Endorsed Loans

If the Department grants a final discharge to a comaker for a portion of a Consolidation loan, the lender must resume collection activities on the remaining loan balance, collecting that balance from both the disabled and non-disabled spouses. If the Department denies the final loan discharge, the lender must refund to the guarantor the amount of the discharge payment previously received and return the loan to repayment with the corrected loan balance. No interest accrues on the disabled comaker's portion of the loan during the conditional discharge period.

If the Department grants a final discharge to a comaker of a PLUS loan, there is no reduction of the loan's principal and the lender must resume loan collection activities on the full loan amount. The disabled comaker's obligation on the loan is discharged and the lender may bill only the non-disabled comaker. If the Department denies the final discharge, the lender must resume collection activities with both comakers.

If the Department grants a final discharge for a PLUS loan endorser, the endorser's obligation on the loan is discharged and the primary borrower assumes sole responsibility for repayment of the entire loan balance. If the Department denies the final discharge, the lender may resume billing both the borrower and endorser, as appropriate.

### Treatment of Payments

If the lender receives a payment from or on behalf of the borrower after ~~a total and permanent disability claim has been filed~~ the date the physician completed and certified the discharge application but before the lender receives the claim payment, the lender must hold the ~~borrower's~~ payment. After the lender receives the claim payment, the lender must forward the ~~borrower~~ payment to the guarantor. [§682.402(c)(95)(viii)]

If the borrower satisfies the criteria for a total and permanent disability loan discharge during and at the end of the conditional discharge period, the balance of the loan is discharged at the end of the conditional discharge period and any payments received after the date that the physician completed and certified the borrower's loan discharge application are returned by the Department to the person who made the payments on the loan. [§682.402(c)(4)(iii)]<sup>1</sup>

<sup>1</sup> Policy 1040 (Batch 150), approved April 17, 2008

## 13.8.H Unpaid Refund

The Higher Education Act provides relief for borrowers who are entitled to, but did not receive, refunds from their respective schools. Borrowers who meet the criteria outlined in this subsection may be eligible to have a loan discharged, in full or in part.

To qualify for an unpaid refund loan discharge, a borrower must complete, certify, and submit to his or her lender or guarantor a Loan Discharge Application: Unpaid Refund which includes a sworn statement (notarization is not required), made under penalty of perjury, that declares the following:

- That the borrower (or the student for whom a parent obtained a PLUS loan) received any part of the proceeds of the FFELP loan on or after January 1, 1986, to attend school. [§682.402(l)(4)(i)(A)]
- That the borrower (or the student), within a time frame that entitled the borrower to a refund, withdrew from, was terminated from, or did not attend the school. [§682.402(l)(4)(i)(B)]
- That the borrower (or the student) did not receive the benefit of a refund to which the borrower was entitled either from the school or from a third party, such as a holder of a performance bond or a tuition recovery program. [§682.402(l)(4)(i)(C)]
- Whether the borrower has any other discharge application pending for this loan, in full or in part. [§682.402(l)(4)(ii)]
- That the borrower agrees to provide, upon request by the Department or the Department's designee other documentation reasonably available to the borrower demonstrating that the borrower meets the qualifications for an unpaid refund discharge. [§682.402(l)(4)(iii)(A)]
- That the borrower agrees to cooperate with the Department or the Department's designee in enforcement actions and to transfer to the Department any right to recovery against a third party. [§682.402(l)(4)(iii)(B)]
- That the information provided on the discharge application is true and accurate.

## Timely Filing Deadlines for Claims and Discharges\*

Figure 13-4

### Default Claim (Subsection 13.6.A)

#### *Loans with monthly installments:*

- On or after the 271st day of delinquency but no later than the 360th day of delinquency.

#### *Loans with installments less frequent than monthly:*

- On or after the 331st day of delinquency but no later than the 420th day of delinquency.

### Ineligible Borrower Claim (Subsection 13.6.B)

On or after the 31st day and no later than the 120th day after the date on which the final demand letter is mailed to the borrower.

### Bankruptcy Discharge (Subsection 13.8.A)

- For filing a bankruptcy claim and proof of claim, the earlier of:
  - Within 30 days after the lender's receipt of Notice of the First Meeting of Creditors, or other confirmation issued by the debtor's attorney or the bankruptcy court.
  - Within 30 days after receiving the guarantor's instruction to file a bankruptcy claim.
- In response to a borrower's filing of an undue hardship petition (adversary complaint), the earlier of:
  - Within 15 days of receiving the petition.
  - Within 15 days of the date on which the guarantor instructs the lender to file a bankruptcy claim.
- In response to the lender's receipt of an extension from the bankruptcy court regarding the undue hardship petition (adversary complaint), the later of:
  - 25 days before the expiration of any extension received.
  - Within 15 days of the date that the guarantor instructs the lender to file a bankruptcy claim.
- If a borrower defaults and then files a bankruptcy petition, the earlier of:
  - Within 90 days of receiving notification of the bankruptcy's conclusion or reversal.
  - The 360th day of delinquency.

### Closed School or False Certification Discharge (Subsections 13.8.B and 13.8.D)

- Within 60 days of receiving a completed request from the borrower, or
- If the guarantor receives a request directly from the borrower, within 60 days of the guarantor's instruction to file a claim.

### Death Discharge (Subsection 13.8.C)

Within 60 days of receiving an original or certified copy, or an accurate and complete photocopy of the original or certified copy, of the death certificate. Within 60 days of redetermining that a lender had a photocopy of a death certificate in the borrower's file for an account that was never submitted as a death claim or was denied as a death claim because at the time, copies were not acceptable proof of the borrower's death.\*

### Spouses and Parents of September 11, 2001, Victims (Subsection 13.8.F)

Within 60 days of the lender's determination that the borrower qualifies for discharge.†

### Total and Permanent Disability Discharge (Subsection 13.8.G)

Within 60 days of receiving a complete loan discharge application or other form(s) approved by the Department.

### Unpaid Refund Discharge (Subsection 13.8.H)

Once the lender determines that the borrower's discharge request is complete, it must send the completed request and other required information to the guarantor.

\* Policy 996 (Batch 149), approved April 17, 2008

† Policy 1024 (Batch 149), approved April 17, 2008

\* See each referenced subsection for the comprehensive requirements applicable to each type of claim or discharge.

## 14.1.D Violations Due to Gaps in Due Diligence

Intervals between collection activities are called [gaps](#). Permitting too long of a period between collection activities—thus, too long of a “gap”—creates a violation for which the lender may incur penalties, which may include the loss of the loan’s guarantee.

Due diligence gaps may occur beginning the day after one of the following dates:

- The payment due date of the loan, unless the borrower’s address is unknown.  
[§682.411(j)(1)(i)]
- The date the last payment was received on a loan that remains delinquent.  
[§682.411(j)(1)(ii)]
- The date the lender receives a new valid address for a delinquent borrower.  
[§682.411(j)(1)(iii)]
- The date the lender receives a new valid telephone number for a delinquent borrower.  
[DCL 96-L-186/96-G-287, Q&A #58]
- The date the last collection activity, including [skip tracing](#) efforts, was performed.  
[§682.411(j)(1)(iv)]
- The date on which the lender received notice of a dishonored [check](#) that had been submitted as payment on the borrower’s account.  
[§682.411(j)(1)(v)]
- The ending date of an authorized [deferment](#) or [forbearance](#) period on a delinquent loan.  
[§682.411(j)(1)(vi)]
- The date the lender determined that it no longer had a valid address.  
[§682.411(j)(1)(vii)]

Due diligence gaps end on the earliest of:

- The day on which the lender receives the first subsequent payment on behalf of the borrower.  
[§682.411(j)(2)(i)]
- The day the lender receives a completed request for a deferment or forbearance.  
[§682.411(j)(2)(i)]
- The day on which the lender begins the first subsequent collection activity, including skip tracing activities to obtain a valid address or telephone number for the borrower.  
[§682.411(j)(2)(ii)]
- The day on which the lender receives written communication from the borrower relating to the borrower’s account.  
[§682.411(j)(2)(iii)]
- The date the loan [defaults](#).  
[§682.411(j)(2)(iv)]

A gap of 46 days or more (61 days or more in the case of a transfer) between collection activities will result in the cancellation of the guarantee on the loan. The cancellation is effective from the date of the earliest unexcused violation.

[§682, Appendix D, I.C.2.d.]

## 14.2 Timely Claim Filing Violations

Lenders are required to file claims within prescribed time frames, based on type of claim being filed. A lender will incur a timely filing violation if it fails to submit:

- A [default](#) claim by the 360th day of delinquency.  
[§682.406(a)(5)]
- A death claim within 60 days after receiving the borrower’s or student’s death certificate or other documentation supporting the discharge request that formed the basis for the determination of death.  
[§682.402(g)(2)(i)]
- Spouses and parents of September 11, 2001, victims discharge claim within 60 days of determining the borrower qualifies for the discharge.<sup>1</sup>

<sup>1</sup>. Policy 1024 (Batch 149), approved April 17, 2008

lender must **discharge** the loan even though the loan balance will not be reimbursed by the guarantor.

[§682, Appendix D, I.E.2.]

### Ineligible Borrower Claims

For **ineligible borrower** claims, due diligence is monitored from the date the lender receives notification that a borrower is ineligible (see **subsection 12.4.F**). Therefore, no penalties will be assessed for any due diligence violations preceding notification of ineligibility.

See **subsection 14.4.A** for information on timely filing violations.

### Spouses and Parents of September 11, 2001, Victims Claims

For a spouses and parents of September 11, 2001, victims claim, any failure by the lender to satisfy due diligence requirements prior to the filing of the claim that would have resulted in the loss of reinsurance on the loan in the event of default are waived, provided the loan was held by an eligible loan holder at all times.<sup>1</sup>

### Total and Permanent Disability Claims

For a total and permanent disability claim, due diligence activities required before the date the lender determined that the borrower became totally and permanently disabled are reviewed and penalties assessed according to **subsection 14.3.A**. If there are violations sufficient to result in the loss of the loan's guarantee and the guarantee is not reinstated before the date the lender determined that the borrower became totally and permanently disabled, the lender must discharge the loan even though the loan balance will not be reimbursed by the guarantor.

[§682, Appendix D, I.E.2.]

## 14.3.C

### Determining the Date of the Earliest Unexcused Violation

If the **guarantee** on a loan is canceled because of a due diligence violation, the **cancellation** date will be the date of the earliest unexcused violation. The date of the earliest unexcused violation is:

- The 46th day after the last collection activity in cases where a lender permits a **gap** in collection activities of 46 or more days.

[DCL 96-L-186/96-G-287, Q&A #68]

- The 271st day of **delinquency** if there exist three or more **due diligence** violations of 6 days or more.  
[DCL 96-L-186/96-G-287, Q&A #68]
- The 46th day after the latest date on which the first due date could have been established in cases where a lender failed to establish a timely first payment due date (see **section 10.5** for information on establishing first payment due dates).  
[DCL 96-L-186/96-G-287, Q&A #68]
- The day after the latest date on which the claim could have been filed if the lender does not file a claim within the prescribed time frames.  
[DCL 96-L-186/96-G-287, Q&A #68]

Once the guarantee is lost, the lender must refund to the **Department interest benefits** and **special allowance** payments received on the loan since the date of the earliest unexcused violation. In other words, the lender must refund those interest benefits and special allowance payments received since the end of the delinquency period during which the lender first failed to perform timely a required collection activity.

[§682, Appendix D]

## 14.4

### Penalties for Timely Claim Filing Violations

Timely claim filing is important in facilitating the collection of defaulted FFELP loans and the orderly disposition of other claims. Accurate and timely records on a borrower's repayment history can impact a borrower's eligibility for future federal student aid, licenses, income tax refunds, and other significant benefits. Therefore, in order to protect borrowers as well as the federal fiscal interest and overall program integrity, lenders can be assessed penalties up to and including loss of the guarantee on a loan for failing to submit claim records on time.

### 14.4.A

#### Original Filing Deadline

#### Bankruptcy Claims

Failure to submit a bankruptcy claim by the end of the applicable 30-day, 15-day, or 25-day filing deadline will result in permanent cancellation of the guarantee on the loan—unless the lender can demonstrate that (a) the bankruptcy action has concluded and the loan was not **discharged**, or (b) the bankruptcy action in which the loan was previously discharged has been reversed or dismissed. In either case, the lender need not cure the violation. The

<sup>1</sup> Policy 1024 (Batch 149), approved April 17, 2008

the date it determined that the borrower became disabled, the guarantee on the loan cannot be reinstated. The lender also must not attempt to collect on the loan.

[§682.402(h)(3)]

## 14.4.B Refile Deadline

### Bankruptcy Claims

Failure to refile a bankruptcy claim by the 30th day after the lender's receipt of the original return described in [subsection 13.2.A](#) will result in loss of eligibility for interest, interest benefits, and special allowance payments beyond such 30th day, provided the late refiling has not resulted in the [guarantor](#) missing any court-established deadlines for bankruptcy activity. If the late refiling has resulted in the guarantor missing any court-established deadlines for bankruptcy, the result will be permanent cancellation of the guarantee on the loan—unless the lender can demonstrate (a) that the bankruptcy action has concluded and the loan was not [discharged](#) or (b) that the bankruptcy action in which the loan was previously discharged has been reversed or dismissed. In either case, the lender need not cure the violation; however, the loan is not eligible for interest or special allowance from the timely refiling deadline through the date the bankruptcy action was discharged, dismissed, or reversed. The lender must return the loan to the status that would have existed had the bankruptcy action not occurred and resume servicing the loan. If the loan is returned to repayment status, the lender should grant an [administrative forbearance](#) on the loan to resolve any [delinquency](#) that exists at the time the loan reenters repayment.

[§682.302(d)(1)(vii); §682, Appendix D, 1.E.2]

### Claims Filed by Exceptional Performers

~~No penalties will be assessed for timely filing violations in the case of a claim filed by a lender or servicer that has been designated an exceptional performer by the Department.~~  
[§682.415(b)(7)(i)]<sup>1</sup>

### Closed School, Death, False Certification, Ineligible Borrower, Spouses and Parents of September 11, 2001, Victims, and Total and Permanent Disability Claims

Failure to refile a closed school, death, false certification, ineligible borrower, spouses and parents of September 11, 2001, victims, or total and permanent disability claim by the 30th day after the lender's receipt of the original return will result in loss of eligibility for interest, interest benefits,

and special allowance payments beyond such 30th day. If the lender does not refile the claim by the 60th day, the guarantor will pay the claim, but the lender's eligibility for interest subsidy and special allowance will end as of the 30th day after the lender's receipt of the original return.  
[§682.302(d)(1)(vii)]<sup>2</sup>

A second or subsequent return by the guarantor for the *same* reason, will result in loss of eligibility for interest, interest benefits, and special allowance payments beyond the 30th day after the lender's receipt of the original return.

#### EXAMPLE

The lender receives a claim returned by the guarantor for a missing promissory note. The lender refiles the claim to the guarantor 15 days after its receipt of the returned claim, but fails to include the missing promissory note. The guarantor returns the same claim a second time for the missing promissory note. The lender refiles the claim to the guarantor 20 days after its receipt of the returned claim, this time including the requested promissory note. In this case, the lender has incurred loss of eligibility for interest, interest benefits, and special allowance payments beyond the 30th day after the lender's receipt of the original return.

A second or subsequent return by the guarantor for a *different* reason will result in no loss of eligibility for interest, interest benefits, and special allowance payments provided the lender refiles the claim on or before the 30th day after the lender's receipt of such second or subsequent return.

#### EXAMPLE

The lender receives a claim returned by the guarantor for documentation to support the borrower's total and permanent disability. The lender refiles the claim with the supporting documentation to the guarantor 15 days after its receipt of the returned claim. The guarantor returns the same claim a second time for a missing promissory note. The lender refiles the claim with the requested promissory note to the guarantor 20 days after its receipt of the returned claim. No loss of eligibility for interest, interest benefits, and special allowance payments is incurred for timely resubmission of the first and second returns.

### Default Claims

The refiling of a default claim on the 31st through the 60th day inclusive after the lender's receipt of the original return will result in loss of eligibility for [interest](#), [interest benefits](#), and [special allowance](#) payments beyond the 30th day after

<sup>1</sup> Policy 1005 (Batch 147), approved February 21, 2008

<sup>2</sup> Policy 1024 (Batch 149), approved April 17, 2008

- A borrower must certify that he or she does not owe a refund on a Pell, SEOG, or LEAP grant and that all loans being consolidated were used to finance the education of the borrower or the borrower's child.
- A borrower may request consolidation from any participating consolidation lender, regardless of whether the consolidating lender is a **holder** of any of the borrower's loans.  
[HEA 428C(b)(1)(A); §682.102(d)]
- A **guarantor** will **guarantee** a Consolidation loan only if the **borrower** has one or more active loans currently held or guaranteed by that guarantor, except as otherwise agreed on a case-by-case basis by the **lender** and guarantor. The borrower may choose not to include the active loan that was issued under that guarantee in the Consolidation loan.

For purposes of this policy, an active loan is any loan that has not been paid in full, canceled, **discharged** (e.g., due to death, spouses and parents of September 11, 2001, victims, **disability**, closed **school**, or false **certification**), or subrogated by the **Department**. However, a subrogated loan may be included in a Consolidation loan if the borrower has another active loan guaranteed or held by the consolidating guarantor that has not been subrogated. A **defaulted** loan that is still held by the consolidating guarantor is an active loan.<sup>1</sup>

If a Consolidation loan is guaranteed and the guarantor later determines that it was not the guarantor or **holder** of at least one of the borrower's active loans, the guarantor reserves the right to notify the lender that the guarantee on the Consolidation loan is not valid. The lender may attempt to transfer the loan to an appropriate guarantor or the guarantee may be revoked. If the guarantee is revoked, all **interest benefits** and **special allowance** collected on that loan from the date of **disbursement** must be refunded.

Some guarantors have additional eligibility requirements and restrictions on Consolidation loans. These requirements and restrictions are noted in **appendix C**.

### Obtaining a Subsequent Consolidation Loan

A borrower who currently has either a Federal or a Direct Consolidation loan is not eligible for a subsequent Federal or Direct Consolidation loan unless the borrower meets one of the following conditions:

- The borrower ~~has obtained a new~~ is consolidating an eligible loan(s) obtained before or after the date the existing Consolidation loan was made to form a separate Consolidation loan.
- The borrower is consolidating an existing Consolidation loan with at least one other eligible loan, including another eligible Consolidation loan, regardless of whether that eligible loan was made before or after the date the existing Consolidation loan was made.  
[HEA 428C(a)(3) and (a)(4); §682.201(e)(2) and (3); DCL GEN-06-20/FP-06-16]

A borrower who currently has a Federal Consolidation loan and does not meet one of the above conditions is not eligible for a subsequent Federal Consolidation loan, but may be eligible for a subsequent Direct Consolidation loan if the borrower meets one of the following conditions:

- The borrower's consolidation loan holder has requested default aversion assistance from the guarantor, and the borrower is seeking an income-contingent repayment schedule.
- The borrower has filed an adversary complaint in a bankruptcy proceeding and is seeking an **income-contingent repayment schedule**.  
[HEA 428C(a)(3)(B)(i); DCL GEN-06-20/FP-06-16]

If the borrower meets all eligibility requirements, any or all outstanding eligible loans may be consolidated, including existing Consolidation loans and loans made before or after any existing Consolidation loan.

[§682.201~~(d)~~(e)(2) and (3)]<sup>2</sup>

### Loans That May Be Consolidated

A borrower may consolidate one or more of the following types of federal education loans:

- **FFELP** loans (Stafford, PLUS, SLS, and Consolidation loans<sup>3</sup>).

<sup>1</sup>. Policy 1024 (Batch 149), approved April 17, 2008

<sup>2</sup>. Policy 1022 (Batch 148), approved March 20, 2008

<sup>3</sup>. A borrower may not reconsolidate a single Consolidation loan.

disbursed on or after July 1, 1993, to a borrower with any outstanding FFELP loans at the time of consolidation that were first disbursed before July 1, 1993:

- *In-School Deferments*

When the borrower is enrolled at an eligible school as a full-time or [half-time student](#) (see [section 11.6](#)).

- *Education-Related Deferments*

When the borrower is engaged in an eligible graduate fellowship program (see [section 11.5](#)) or rehabilitation training program (see [section 11.14](#)).

- *Temporary Total [Disability](#) Deferments*

When the borrower is temporarily totally disabled or unable to secure employment because he or she is caring for a spouse or other dependent who is temporarily totally disabled (see [section 11.17](#)).

- *Unemployment Deferments*

When the borrower is conscientiously seeking, but unable to secure, employment (see [section 11.18](#)).  
[§682.210]

A lender must establish a first payment due date that is no more than 60 days after the last day of a deferment period (see [subsection 15.5.A](#)).  
[§682.209(a)(3)(ii)(B)]

## 15.5.E Forbearance

Federal Consolidation loan borrowers remain eligible for all types of [forbearance](#). Forbearance provisions for Consolidation loan borrowers are the same as those for Stafford, PLUS, and SLS loan borrowers (see [section 11.20](#)).

A lender must establish a first payment due date that is no more than 60 days after the last day of a forbearance period (see [subsection 15.5.A](#)).  
[§682.209(a)(3)(ii)(B)]

## 15.5.F Delinquency, Claim Filing, Loan Forgiveness, and Discharge

The [due diligence](#), and [default](#) and bankruptcy [claim](#) filing requirements for a Federal Consolidation loan are identical to those applicable for other FFELP loans. Loan forgiveness and discharge provisions, and discharge claim filing requirements, however, may be different for a Consolidation loan, as follows:

- For Consolidation loan discharge provisions due to closed school and false certification, see [subsections 13.8.B](#) and [13.8.D](#), respectively.
- For Consolidation loan forgiveness due to teacher loan forgiveness, the Consolidation loan must not include a FFELP or FDLP loan that was first disbursed before October 1, 1998. See [subsection 13.9.B](#) for teacher loan forgiveness provisions for Consolidation loans.
- For Consolidation loan discharge provisions due to an unpaid school refund, see [subsection 13.8.H](#).
- For Consolidation loan discharge provisions due to the death of one spouse in the case of a joint Consolidation loan, or for the portion of a Consolidation loan attributable to an underlying PLUS loan that was made for a dependent student who dies, see [subsection 13.8.C](#).  
[§682.402(a)(2) and (b)(6)]
- For Consolidation loan discharge provisions due to spouses and parents of September 11, 2001, victims discharge, see [Subsection 13.8.F](#).<sup>1</sup>
- For Consolidation loan [discharge](#) provisions due to total and permanent [disability](#), the borrower must be considered totally and permanently disabled according to [FFELP](#) discharge criteria on all underlying loans included in the Consolidation loan—including any non-FFELP loans. The loan origination dates of the underlying loans will be used in determining a [borrower's](#) eligibility.

If a Consolidation loan is made jointly to two spouses as comakers, the portion of the Consolidation loan attributable to one of the spouses may be discharged if that spouse becomes totally and permanently disabled. See [subsection 13.8.G](#) for more information regarding

<sup>1</sup>. Policy 1024 (Batch 149), approved April 17, 2008

the discharge of all or a portion of a Consolidation loan due to total and permanent disability.

[§682.402(a)(2) and (c)(1)(iv)]

## 15.5.G Paid-in-Full Loans

When a Federal Consolidation loan is paid in full by the borrower, the lender must either return the original or a true and exact copy of the promissory note to the borrower, or notify the borrower that the loan is paid in full.

[§682.414(a)(5)(iii)]

Lenders must retain a copy of the promissory note and other key loan documents—as well as a copy of the loan servicing history—for a period of not less than 3 years after the date on which the loan is paid in full by the borrower and not less than 5 years after the date the lender receives payment in full from any other source. In addition, the lender must report to the guarantor the paid-in-full status of the loan. See [Subsection 3.4.A](#) for information on [recordkeeping](#) and [Section 3.5](#) for information on lender reporting.

[§682.414(a)(2); §682.414(a)(5)]<sup>1</sup>

## 15.6 Interest Benefits and Special Allowance

### Interest Benefits

A Federal Consolidation loan is eligible for [federal interest subsidy](#) during periods of [deferment](#) if the loan was made from an [application](#) received by the [lender](#) between January 1, 1993, and August 9, 1993, inclusive, excluding any portions derived from HEAL loans.

[§682.301(a)(3)(i)]

A Federal Consolidation loan made from an application received by the lender between August 10, 1993, and November 12, 1997, inclusive, is eligible for interest subsidy during periods of deferment only if all underlying loans are subsidized Stafford loans.

[§682.301(a)(3)(ii)]

A Federal Consolidation loan made from an application received by the lender on or after November 13, 1997, is eligible for interest subsidy during authorized periods of deferment on any portion of the Consolidation loan that paid an underlying subsidized FFELP loan or an underlying subsidized Direct loan. The borrower is responsible for

interest payment during periods of authorized deferment on all other portions of a Consolidation loan.

[§682.301(a)(3)(iii)]

See [appendix A](#) for more information on [interest benefits](#).

### Special Allowance

The formula for calculating the applicable [special allowance](#) rate on a Federal Consolidation loan is determined based on when the loan was made or, as applicable, when the application was received by the consolidating lender. For example, a Consolidation loan made on or after October 1, 1992, from an application received by the consolidating lender before January 1, 2000, would be eligible for special allowance based on the applicable T-bill rate plus 3.10%. A Consolidation loan made from an application received by the consolidating lender on or after January 1, 2000, is eligible for special allowance based on the applicable 3-month commercial paper rate plus 2.64%. See [subsection A.2.A](#) for more information on special allowance formula components and the factors that affect the calculation of special allowance for Consolidation loans.

[§682.302(c)]

The portion of a Consolidation loan attributable to a HEAL loan is not eligible for special allowance.

[HEA 428C(d)(3)(A)]

## 15.7 Interest Payment Rebate Fee

Each month, a [holder](#) must remit to the [Department](#) an [interest](#) payment rebate fee for all of its Federal Consolidation loans made on or after October 1, 1993. For loans made on or after October 1, 1993, from applications received prior to October 1, 1998, and after January 31, 1999, this fee is equal to 1.05% per annum of the unpaid principal and accrued interest of the loans. For loans made from applications received during the period beginning October 1, 1998, through January 31, 1999, inclusive, this fee is equal to 0.62% per annum of the principal and accrued interest of the loans.

[428C(f)]

### Calculating the Fee

To calculate the monthly interest payment rebate fee for loans made on or after October 1, 1993, from applications received prior to October 1, 1998, and after January 31, 1999, the holder should multiply the sum of unpaid principal and interest balances of the applicable loans—as of the end of the month—by 0.0875% (0.000875).

<sup>1</sup> Policy 1038 (Batch 150), approved April 17, 2008

## 17.3.B

### The On-Site Review

The on-site review has three key components: the entrance interview, the review of borrower files and supporting documentation, and the exit interview.

#### Entrance Interview

During the entrance interview, the school, lender, or servicer is informed about the review process and given the opportunity to present questions or concerns to the reviewer(s).

A school should ensure that representatives from its financial aid, admissions, registrar's, and bursar's or business offices are present at the entrance interview. These [officials](#) also should be available during the on-site review of borrower files and at the exit interview to answer questions or supply additional material if necessary.

A lender should ensure that individuals representing the areas of loan processing, [disbursement](#), repayment servicing, [due diligence](#), collections, [claim](#) filing, and Lender's Interest and Special Allowance Request and Report (LaRS report) billing are available during the entrance, on-site, and exit phases of the review.

A [servicer](#) should ensure that representatives of each function that it performs for clients are available.

#### Review of Borrower Files and Other Documentation

The on-site review of selected [borrower](#) files, and of all materials and procedures related to the [entity](#)'s participation in the [FFELP](#), is performed to evaluate compliance with federal regulations and adherence to [guarantor](#) policy. The review is also undertaken to identify areas where additional training or corrective action may be appropriate. During the review of borrower files and other [documentation](#), entity representatives may be informed of major concerns and issues needing clarification.

Following are several key items to be reviewed for each type of entity. A guarantor may choose to review other items not included on these lists.

#### For *Schools*

- Admissions requirements
- Enrollment [agreements](#) and contracts
- Statements of selective service registration
- Statements of educational purpose
- Citizenship status
- [Pell grant](#) eligibility
- Financial Aid Transcripts (FATs)
- [Verification](#) and [certification](#) process, if required
- Student budget and [cost of attendance](#) (COA) calculation
- Satisfactory academic progress (SAP) standards/enforcement
- Leaves of absence
- FFELP loan [check](#) processing procedures
- [EFT](#) and [master check](#) procedures
- Determination of [withdrawal dates](#)
- [Refund](#) calculation and notification
- [Entrance](#) and [exit counseling](#)
- Withdrawal rate
- Enrollment Reporting
- National Student Loan Data System (NSLDS) rosters, reporting, and procedures
- Overall administrative capability
- Separation of duties
- Adequacy of staffing
- Financial responsibility
- Prior [program review](#) findings
- Attendance [records](#)
- Loan information and supporting documentation
- ~~Federal Stafford Loan Master Promissory Note~~   
 ~~(Stafford MPN) Notification or Confirmation~~   
 Procedures for confirming a student borrower's desire to receive a loan under the multi-year feature of the MPN.<sup>1</sup>
- Federal PLUS Loan Application and Master Promissory Note (PLUS MPN) procedures for obtaining the requested loan amount from the parent borrower.

<sup>1</sup>. Policy 1029 (Batch 149), approved April 17, 2008

*For Lenders*

- Loan amounts
- [Interest](#) rates
- [Disbursement](#) procedures
- Disclosures of rights and responsibilities
- PLUS loan credit checks
- [Out-of-school dates](#)
- NSLDS Lender Manifest, error reports, unreported loan reports, and procedures
- Conversion of loans to repayment
- Application of [prepayments](#) and refunds
- [Deferments](#) and [forbearances](#)
- Interest accrual and [capitalization](#)
- Due diligence
- Skip tracing
- [Claim](#) filing
- LaRS reports
- Reconciliation of loan sales/acquisitions
- Prior program review findings
- Loan information and supporting documentation
- ~~Federal Stafford Loan Master Promissory Note (Stafford MPN) Notification or Confirmation~~  
Procedures for confirming a student borrower's desire to receive a loan under the multi-year feature of the MPN.<sup>1</sup>
- Federal PLUS Loan Application and Master Promissory Note (PLUS MPN) procedures for obtaining the requested loan amount from the parent borrower.

*For Servicers*

- Prior program review findings
- Audited financial statements
- System of control
- Functions noted for schools and lenders in the preceding lists, if performed by the servicer

**Exit Interview**

The exit interview is used to inform the school, lender, or servicer of any concerns or findings of noncompliance. In addition, the exit interview allows the entity an opportunity to clarify remaining issues and pose questions or concerns about the review. Generally, information discussed during the exit interview will be included in the final program review report issued by the guarantor.

## 17.3.C

### Program Review Report

The program review report is written by the guarantor and issued to the school, lender, or servicer. The report identifies all borrower files reviewed, any findings of noncompliance, and any required corrective actions. The report also may list recommendations in the case of findings that may not warrant corrective action, but that the entity should address nonetheless.

A school, lender, or servicer must complete all required actions noted in the report by the date indicated. In addition, the entity must prepare and submit a response to the program review report to the guarantor by the date indicated in the report. If the report notes liability due as a result of the review, the entity is instructed how to make payment and is informed of the date by which the payment is due.

**Common Findings**

Schools, lenders, and servicers should perform internal audits—and obtain, as applicable, a lender's or servicer's audit—to assess compliance in the following areas. Following are the most common [program review](#) findings for [schools](#), [lenders](#), and [servicers](#). These are the areas that most frequently result in problems or liabilities (see [sections 3.8](#) and [4.8](#) for additional information).

<sup>1</sup> Policy 1029 (Batch 149), approved April 17, 2008

- Six months before the date the lender receives the required borrower request and documentation of eligibility for the deferment.  
[§682.210(a)(3); §682.210(h)(1) and (2); §682.301(a)(3)]

### Ending Date

The Department's obligation to pay federal interest benefits ends on the earliest of the following dates, as applicable:

- The date the loan is fully repaid.  
[§682.300(b)(2)(i)]
- The date the borrower defaults.  
[§682.300(b)(2)(iii)]
- The date the lender receives notice of the guarantor's determination that the loan is eligible for discharge under closed school, false certification, spouses and parents of September 11, 2001, victims, or unpaid refund provisions. If only a portion of the loan is discharged, the remaining portion of the loan remains eligible for interest benefits.  
[§682.300(b)(2)(viii)]<sup>1</sup>
- The date the lender receives claim payment on the loan.  
[§682.300(b)(2)(iv)]
- The date the loan is discharged by a bankruptcy court.  
[§682.300(b)(2)(v)]
- The date the lender determines that the borrower has died or become totally and permanently disabled.  
[§682.300(b)(2)(vi)]
- The date of disbursement for any portion of the loan for which a borrower is found to be ineligible (see section 5.16).  
[§682.300(b)(3)]
- The date the loan, or any portion of the loan, ceases to be guaranteed or loses its eligibility for reinsurance—regardless of whether the lender has filed a claim with the guarantor.  
[§682.300(b)(2)(vii)]
- The date the lender determines the loan is legally unenforceable based on the receipt of a valid identity theft report.<sup>2</sup> If, within 3 years of this date, a lender

receives evidence that the loan was made as the result of the crime of identity theft, the lender may submit a claim and receive federal interest benefits and special allowance payments that would have accrued on the loan. See Subsection 13.8.E for more information on loan discharge as a result of the crime of identity theft.  
[§682.208(b)(4);<sup>3</sup> §682.300(b)(2)(ix)]<sup>4</sup>

- The date of disbursement, if a loan is unconsummated.  
[§682.300(b)(2)]

For loans first disbursed on or after October 1, 1992, a lender may not bill for interest benefits on an unconsummated subsidized Stafford loan. A loan is considered unconsummated if it is disbursed, but the check is not cashed—or, in the case of funds disbursed by EFT or master check, the funds are not released to the borrower from the school's account—within 120 days of the date on which the check was cut or the EFT/master check funds were sent to the school. If a loan is unconsummated, the lender must discontinue its current billing on the loan and refund interest benefits that have already been paid.  
[§682.300(c)]

## A.2 Special Allowance and Excess Interest

A lender may receive special allowance payments on most FFELP loans. The Department pays special allowance on a loan for any quarter in which the applicable calculation for that type of loan yields a positive number.

Special allowance is not paid on the following:

- Unconsummated loans.  
[§682.302(b)(3)]
- Nonsubsidized Stafford loans first disbursed on or after October 1, 1981, for periods of enrollment beginning before October 1, 1992.  
[§682.302(b)(1)]
- Any portion of a Consolidation loan derived from an underlying HEAL loan.  
[HEA 428C(d)(3)(A)]

For a loan first disbursed on or after April 1, 2006, the Department will collect excess interest for quarters in which the applicable interest rate on the loan exceeds the special allowance support level (see subsection A.2.A).

<sup>1</sup> Policy 1024 (Batch 149), approved April 17, 2008

<sup>2</sup> Policy 1027 (Batch 149), approved April 17, 2008

<sup>3</sup> Policy 1026 (Batch 149), approved April 17, 2008

<sup>4</sup> Policy 1027 (Batch 149), approved April 17, 2008

The formulas used to calculate special allowance and excess interest, which are exhibited on the following pages, are based on the maximum [applicable interest rates](#) specified in law for each category of loan. If a lender charges a borrower an [interest](#) rate that is less than the statutory maximum rate applicable to that loan, the lender must report the loan at the statutory rate for special allowance purposes.

Variable-rate PLUS or SLS loans first disbursed before July 1, 1994, and PLUS loans first disbursed on or after July 1, 1998, or on or after January 1, 2000, for any period prior to April 1, 2006, are eligible for special allowance only when the following criteria are met:

- The loan is accruing at the maximum interest rate specified in law for such a loan (also called the cap).
- The interest rate for each July 1 to June 30 period, as calculated prior to applying the interest rate maximum (or cap), exceeds the maximum interest rate for the loan.

[[HEA 438\(b\)\(2\)\(I\)\(v\)](#); [§682.302\(b\)\(2\)](#)]

## A.2.A Special Allowance and Excess Interest Rates

### Special Allowance Rates

The amount of special allowance that is payable on an eligible loan is determined by multiplying the average daily balance of principal and capitalized interest on the loan by the applicable special allowance rate. Special allowance rates are calculated and published quarterly by the Department. The formulas used to calculate these rates are exhibited on the following pages. The following factors are considered in the calculation of special allowance rates for a loan:

- The average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in the quarter (also called the 3-month [commercial paper rate](#)) for Stafford and PLUS loans first disbursed on or after January 1, 2000, and for Consolidation loans made from applications received by lenders on or after January 1, 2000.
- The average bond equivalent rate of the 91-day [Treasury bills](#) auctioned during the quarter (also called the T-bill rate) for Stafford and PLUS loans first disbursed prior to January 1, 2000, and for Consolidation loans made from applications received by lenders before January 1, 2000.

- A factor prescribed by law for each category of loans. This factor is added to the applicable T-bill rate or 3-month commercial paper rate for the quarter.
- The applicable [statutory interest rate](#) for the loan. This rate is subtracted from the sum of the appropriate factor and the applicable T-bill rate or 3-month commercial paper rate.

The special allowance factor for a loan first disbursed on or after October 1, 2007, is based on whether or not the lender qualifies as an eligible not-for-profit holder. As it relates to special allowance payments on loans first disbursed on or after October 1, 2007, a lender is considered to be an eligible not-for-profit holder if the lender was an active, eligible lender and met any one of the following conditions on September 27, 2007:

- The lender is a state, or a political subdivision, authority, agency, or other instrumentality of such, including those entities that are eligible to issue tax-exempt bonds.
- The lender is a qualified scholarship funding corporation established by a state or one or more political subdivisions, that has not elected to cease status as a qualified scholarship funding corporation. [[150\(d\)\(2\) and \(3\) of the Internal Revenue Code of 1986](#)]
- The lender is a tax-exempt organization as described in section [501\(c\)\(3\) of the Internal Revenue Code of 1986](#).
- The lender is acting as trustee on behalf of a state, political subdivision, authority, agency, instrumentality, or other entity, regardless of whether that entity is an eligible lender as defined by the [Higher Education Act \(HEA\) of 1965, as amended](#).

[[HEA 435\(p\)\(1\)](#); [§682.302\(f\)\(3\)\(i\), \(ii\) and \(v\)](#); [DCL FP-07-12](#)]

The state may waive the above requirements for a new eligible not-for-profit holder that it determines to be necessary to fill a public purpose of that state. A state may not waive any requirements for trustees.

[[HEA 435\(p\)\(2\)\(A\)\(ii\)](#); [DCL FP-07-12](#)]<sup>1</sup>

<sup>1</sup> Policy 1034 (Batch 149), approved April 17, 2008

A lender is not considered to be an eligible not-for-profit holder if any of the following conditions occur:

- The lender is a school lender.
- The lender (directly or through an eligible lender trustee) is owned or controlled, in whole or in part, by a for-profit entity.
- The lender (directly or through an eligible lender trustee) is not the sole owner of the beneficial interest in, and the income from a loan.

[HEA 435(p)(2)(B) and (C); §682.302(f)(3)(iii); DCL FP-07-12]

An eligible not-for-profit holder, regardless of whether that entity is an eligible lender as defined by the HEA, is not considered to be owned or controlled by a for-profit entity, and will not lose its status as sole owner of beneficial interest in and income from a loan by granting security interest in, or using a loan or income from a loan as collateral, to secure a debt obligation for which the not-for-profit holder is the issuer of the debt obligation.

[HEA 435(p)(2)(E); §682.302(f)(3)(vi); DCL FP-07-12]

If a special allowance rate calculation results in a negative number on a loan first disbursed prior to April 1, 2006, special allowance will not be paid for that loan type for that quarter. If a special allowance rate calculation results in a negative number on a loan first disbursed on or after April 1, 2006, the lender must remit the excess interest to the Department.

The amount of each quarterly special allowance payment will vary according to the type of loan, the date the loan was disbursed, the [loan period](#), and, in some cases, the number of quarters for which the loan has been outstanding, or the loan's status.

[\[§682.302\(c\)\]](#)

If an eligible not-for-profit holder sells a loan to a lender that does not qualify as an eligible not-for-profit holder, the special allowance payment for that loan will be calculated using the special allowance factor prescribed for a lender that does not qualify as an eligible not-for-profit holder beginning on the date the loan is sold.

[HEA 435(p)(3); §682.302(f)(4); DCL FP-07-12]

### **Not-For-Profit Holder Designation**

In order for a lender to be designated as a not-for-profit holder (directly or through an eligible lender trustee) for purposes of special allowance payments, two certifications must be submitted to the Department: a certification signed by the entity's chief executive officer (CEO) and a certification signed by external legal counsel. For additional information on these certifications, refer to [Dear Colleague Letter FP-07-12 dated December 28, 2007](#).<sup>1</sup>

<sup>1</sup>. Policy 1034 (Batch 149), approved April 17, 2008

## Special Allowance Formulas

## Figure A-1

**FORMULA 1**ELIGIBLE NOT-FOR-PROFIT HOLDERS

$$\frac{(\text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 1.34\% - \text{APPLICABLE INTEREST RATE OF THE LOAN})}{4}$$

OTHER ELIGIBLE LENDERS

$$\frac{(\text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 1.19\% - \text{APPLICABLE INTEREST RATE OF THE LOAN})}{4}$$

- Stafford loans first disbursed on or after October 1, 2007, when such loans are in periods of in-school, grace, or deferment (during all other periods, special allowance is calculated using **Formula 2** below).

**FORMULA 2**ELIGIBLE NOT-FOR-PROFIT HOLDERS

$$\frac{(\text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 1.94\% - \text{APPLICABLE INTEREST RATE OF THE LOAN})}{4}$$

OTHER ELIGIBLE LENDERS

$$\frac{(\text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 1.79\% - \text{APPLICABLE INTEREST RATE OF THE LOAN})}{4}$$

- Stafford loans first disbursed on or after October 1, 2007, except when such loans are in periods of in-school, grace, or deferment (in which case special allowance is calculated using **Formula 1** above).

**FORMULA 3**NOT-FOR-PROFIT HOLDERS

$$\frac{(\text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 1.94\% - \text{APPLICABLE INTEREST RATE OF THE LOAN})}{4}$$

FOR-PROFIT LENDERS

$$\frac{(\text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 1.79\% - \text{APPLICABLE INTEREST RATE OF THE LOAN})}{4}$$

- PLUS Loans first disbursed on or after October 1, 2007.

**FORMULA 4**ELIGIBLE NOT-FOR-PROFIT HOLDERS

$$\frac{(\text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 2.24\% - \text{APPLICABLE INTEREST RATE OF THE LOAN})}{4}$$

OTHER ELIGIBLE LENDERS

$$\frac{(\text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 2.09\% - \text{APPLICABLE INTEREST RATE OF THE LOAN})}{4}$$

- Consolidation loans first disbursed on or after October 1, 2007.

**FORMULA 15**

$$\frac{(\text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 1.74\% - \text{APPLICABLE INTEREST RATE OF THE LOAN})}{4}$$

- Stafford loans first disbursed on or after January 1, 2000, when such loans are in periods of in-school, grace, or deferment (during all other periods, special allowance is calculated using **Formula 26** below).

**FORMULA 26**

$$\frac{(\text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 2.34\% - \text{APPLICABLE INTEREST RATE OF THE LOAN})}{4}$$

- Stafford loans first disbursed on or after January 1, 2000, except when such loans are in periods of in-school, grace, or deferment (in which case special allowance is calculated using **Formula 15** above).

**FORMULA 37**

$$(\text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 2.64\% - \text{APPLICABLE INTEREST RATE OF THE LOAN}) \div 4$$

- PLUS loans first disbursed on or after January 1, 2000.
- Consolidation loans made from applications received by lenders on or after January 1, 2000.

**FORMULA 48**

$$(\text{AVERAGE 91-DAY T-BILL} + 2.2\% - \text{APPLICABLE INTEREST RATE OF THE LOAN}) \div 4$$

- Stafford loans first disbursed on or after July 1, 1998, but before January 1, 2000, when such loans are in periods of in-school, grace, or deferment (during all other periods, special allowance is calculated using **Formula 59** below).

**FORMULA 59**

$$(\text{AVERAGE 91-DAY T-BILL} + 2.8\% - \text{APPLICABLE INTEREST RATE OF THE LOAN}) \div 4$$

- Stafford loans first disbursed on or after July 1, 1998, but before January 1, 2000, except when such loans are in periods of in-school, grace, or deferment (in which case special allowance is calculated using **Formula 48** above).

**FORMULA 610**

$$(\text{AVERAGE 91-DAY T-BILL} + 2.5\% - \text{APPLICABLE INTEREST RATE OF THE LOAN}) \div 4$$

- Stafford loans first disbursed on or after July 1, 1995, but before July 1, 1998, when such loans are in periods of in-school, grace, or deferment (during all other periods, special allowance is calculated using **Formula 711** on the following page below).

**FORMULA 711**

$$(\text{AVERAGE 91-DAY T-BILL} + 3.1\% - \text{APPLICABLE INTEREST RATE OF THE LOAN}) \div 4$$

- Subsidized and unsubsidized Stafford loans first disbursed on or after July 1, 1995, but before July 1, 1998, except when such loans are in periods of in-school, grace, or deferment (in which case special allowance is calculated using **Formula 610** on the previous page above).
- Subsidized Stafford loans first disbursed on or after October 1, 1992, but before July 1, 1995.
- Unsubsidized Stafford loans first disbursed on or after October 1, 1992, but before July 1, 1995, for periods of enrollment beginning on or after October 1, 1992.
- PLUS loans first disbursed on or after October 1, 1992, but before January 1, 2000.
- SLS loans first disbursed on or after October 1, 1992.
- Consolidation loans made on or after October 1, 1992, from applications received by lenders before January 1, 2000.

**FORMULA 812**

$$(\text{AVERAGE 91-DAY T-BILL} + 3.25\% - \text{APPLICABLE INTEREST RATE OF THE LOAN}) \div 4$$

- Subsidized Stafford loans first disbursed on or after November 16, 1986, but before October 1, 1992.
- Unsubsidized Stafford loans first disbursed before October 1, 1992, for periods of enrollment beginning on or after October 1, 1992.
- Variable rate PLUS/SLS loans first disbursed before October 1, 1992.
- Fixed rate PLUS/SLS loans first disbursed on or after November 16, 1986, but before July 1, 1987.
- Subsidized Stafford loans and fixed-rate PLUS/SLS loans first disbursed on or after October 17, 1986, but before November 16, 1986, for periods of enrollment beginning on or after November 16, 1986.
- Consolidation loans made on or after November 16, 1986, but before October 1, 1992.

**FORMULA 913**

$$(\text{AVERAGE 91-DAY T-BILL} + 3.5\% - \text{APPLICABLE INTEREST RATE OF THE LOAN}) \div 4$$

- Subsidized Stafford loans and fixed-rate PLUS/SLS loans first disbursed on or after October 17, 1986, but before November 16, 1986, for periods of enrollment beginning before November 16, 1986.
- Subsidized Stafford loans and fixed-rate PLUS loans first disbursed on or after October 1, 1981, but before October 17, 1986.
- Consolidation loans made on or after October 1, 1986, but before November 16, 1986.

**FORMULA 1014**

$$(\text{AVERAGE 91-DAY T-BILL} + 3.5\% - \text{APPLICABLE INTEREST RATE OF THE LOAN})$$

This amount should be rounded up to the nearest 1/8 of 1%\*, and the result should be divided by 4.

- Subsidized and Nonsubsidized Stafford loans, and fixed-rate PLUS loans, first disbursed before October 1, 1981.

\* Decimal equivalents are: 0.125, 0.250, 0.375, 0.500, 0.625, 0.750, 0.875, or the next whole percent.

## Examples of Special Allowance Calculations

## Figure A-2

**EXAMPLE 1**

A subsidized Stafford loan is first disbursed on or after July 1, 1994, but before July 1, 1995, and is currently accruing interest at 8.25%. Special allowance for this loan is calculated using **Formula 711**.

If the average 91-day T-bill bond equivalent rate for the preceding quarter is 5.79%, the quarterly special allowance rate for the loan is calculated as follows:

$$(5.79\% + 3.10\% - 8.25\%) \div 4 = 0.16\%$$

If the loan has an average daily balance for the quarter of \$3,000, applying the above rate yields the following quarterly special allowance amount:

$$0.0016 \times \$3,000 = \$4.80$$

**EXAMPLE 2**

A Stafford loan is first disbursed to a borrower on or after October 1, 1992, but before July 1, 1994. The borrower has an outstanding loan that was first disbursed at a 9% interest rate on or after January 1, 1981, but before October 1, 1981. The new loan currently accrues interest at 8.92% because it has been converted to an annual variable interest rate as a result of excess interest provisions. Special allowance for the new loan is calculated using **Formula 711** (special allowance for the previous loan is calculated using **Formula 1014**).

If the quarterly average 91-day T-bill bond equivalent rate for the preceding quarter is 5.79%, the quarterly special allowance rate for the loan is calculated as follows:

$$(5.79\% + 3.10\% - 8.92\%) \div 4 = -0.0075\%$$

Because the special allowance rate calculation resulted in a negative 0.0075%, special allowance is not paid for this loan for this quarter.<sup>1</sup>

<sup>1</sup> Policy 1034 (Batch 149), approved April 17, 2008

**Excess Interest Formulas****Figure A-3****FORMULA 1****ELIGIBLE NOT-FOR-PROFIT HOLDERS**

$$(\text{APPLICABLE INTEREST RATE OF THE LOAN} - \text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 1.94\%^*) \div 4$$

**OTHER ELIGIBLE LENDERS**

$$(\text{APPLICABLE INTEREST RATE OF THE LOAN} - \text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 1.79\%^*) \div 4$$

- Stafford loans first disbursed on or after October 1, 2007, when such loans are in repayment.

**FORMULA 2****ELIGIBLE NOT-FOR-PROFIT HOLDERS**

$$(\text{APPLICABLE INTEREST RATE OF THE LOAN} - \text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 1.34\%^*) \div 4$$

**OTHER ELIGIBLE LENDERS**

$$(\text{APPLICABLE INTEREST RATE OF THE LOAN} - \text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 1.19\%^*) \div 4$$

- Stafford loans first disbursed on or after October 1, 2007, when such loans are in an in-school, grace, or deferment period.

**FORMULA 3****ELIGIBLE NOT-FOR-PROFIT HOLDERS**

$$(\text{APPLICABLE INTEREST RATE OF THE LOAN} - \text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 1.94\%^*) \div 4$$

**OTHER ELIGIBLE LENDERS**

$$(\text{APPLICABLE INTEREST RATE OF THE LOAN} - \text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 1.79\%^*) \div 4$$

- PLUS Loans first disbursed on or after October 1, 2007.

**FORMULA 4****ELIGIBLE NOT-FOR-PROFIT HOLDERS**

$$(\text{APPLICABLE INTEREST RATE OF THE LOAN} - \text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 2.24\%^*) \div 4$$

**OTHER ELIGIBLE LENDERS**

$$(\text{APPLICABLE INTEREST RATE OF THE LOAN} - \text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 2.09\%^*) \div 4$$

- Consolidation loans first disbursed on or after October 1, 2007.

**FORMULA 15**

$$(\text{APPLICABLE INTEREST RATE OF THE LOAN} - \text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 2.34\%^*) \div 4$$

- Stafford loans first disbursed on or after April 1, 2006, and prior to October 1, 2007, when such loans are in repayment.

**FORMULA 26**

$$(\text{APPLICABLE INTEREST RATE OF THE LOAN} - \text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 1.74\%^*) \div 4$$

- Stafford loans first disbursed on or after April 1, 2006, and prior to October 1, 2007, when such loans are in an in-school, grace, or deferment period.

**FORMULA 37**

$$(\text{APPLICABLE INTEREST RATE OF THE LOAN} - \text{AVERAGE 3-MONTH COMMERCIAL PAPER RATE} + 2.64\%^*) \div 4$$

- Consolidation and PLUS loans first disbursed on or after April 1, 2006, and prior to October 1, 2007.

\* The average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in the quarter (also called the 3-month commercial paper rate) as reported by the Federal Reserve in Publication H-15 for each quarter plus the indicated percentage is known as the special allowance support level.<sup>1</sup>

<sup>1</sup> Policy 1034 (Batch 149), approved April 17, 2008

## Example of Excess Interest Calculations

## Figure A-4

A PLUS loan is first disbursed on October 2, 2006, and is accruing interest at 8.5%. Excess interest for this loan is calculated using **Formula 37**.<sup>1</sup>

If the loan has an average daily principal balance for the quarter of \$1,000, applying the above rate yields the following quarterly excess interest amount:

For the quarter ending December 31, 2006, the average 3-month commercial rate is 5.38%. The special allowance support level is 8.02% (5.38% + 2.64%). The quarterly excess interest rate is calculated as follows:

$$0.0012 \times \$1,000 = \$1.20$$

$$\frac{(8.50\% - 8.02\%) \div 4}{1} = 0.12\%$$

<sup>1</sup> Policy 1034 (Batch 149), approved April 17, 2008

## A.2.B

### Termination of Special Allowance

The Department's obligation to pay special allowance for an eligible loan ends on the earliest of the following dates, as applicable:

- The date the loan is fully repaid.  
[§682.302(d)(1)(i)]
- The date the lender receives a claim payment on the loan.  
[§682.302(d)(1)(iii)]
- The date the loan, or any portion of the loan, ceases to be guaranteed or loses its reinsurability—regardless of whether the lender has filed a claim with the guarantor.  
[§682.302(d)(1)(iv)]
- 30 days after the date the lender receives a claim returned solely due to inadequate documentation, unless the claim is resubmitted with all required documentation within 30 days.  
[§682.302(d)(1)(vii)]
- 60 days after the date the borrower defaulted on the loan, unless the lender has filed a claim and all required documentation with the guarantor on or before the 60th day.  
[§682.302(d)(1)(v)]
- The date the lender receives a claim payment for the loan or the 90th day (plus a 5-day mail time allowance) after the date on which the lender files a claim with the guarantor, whichever is earlier. The lender may be required to readjust special allowance billing if it receives information from the guarantor specifying the date on which the guarantor received the claim. If such information is received, the lender must ensure that special allowance is not billed beyond the 90th day following the date the guarantor received the claim.  
[§682.302(d)(3); §682.413]
- The date of disbursement, for any portion of the loan for which a borrower is found to be ineligible and the borrower repays the special allowance to the lender (see section 5.16).  
[§682.412(d)(1)]

- For a loan first disbursed prior to October 1, 1992, the date the lender receives a returned, uncashed disbursement check for the loan.  
[§682.302(d)(1)(ii)]
- For a loan first disbursed prior to October 1, 1992, the 120th day after the disbursement date if the disbursement check has not been cashed or the EFT/master check funds have not been released from the school's account to the borrower by that date.  
[§682.302(d)(1)(vi)]
- For a loan first disbursed on or after October 1, 1992, the date of disbursement (retroactive), if a loan is unconsummated.  
[§682.302(d)(2)]
- The date the lender determines the loan is legally unenforceable based on the receipt of a valid identity theft report.<sup>1</sup> If, within 3 years of this date, a lender receives evidence that the loan was made as the result of the crime of identity theft, the lender may submit a claim and receive federal interest benefits and special allowance payments that would have accrued on the loan. See Subsection 13.8.E for more information on loan discharge as a result of the crime of identity theft.  
[§682.208(b)(4);<sup>2</sup> §682.302(d)(1)(viii)]<sup>3</sup>

For loans first disbursed on or after October 1, 1992, a lender may not bill for special allowance on an unconsummated loan. A loan is considered unconsummated if it is disbursed, but the check is not cashed—or, in the case of funds disbursed by EFT or master check, the funds are not released to the borrower from the school's account—within 120 days of the date on which the check was cut or the EFT/master check funds were sent to the school. If a loan is unconsummated, the lender must discontinue billing on the loan and must refund special allowance payments that have already been received.  
[§682.302(d)(2)]

1. Policy 1027 (Batch 149), approved April 17, 2008

2. Policy 1026 (Batch 149), approved April 17, 2008

3. Policy 1027 (Batch 149), approved April 17, 2008

**BBAY:** See [Borrower-Based Academic Year](#)

**Blanket Endorsement:** A separate form indicating the transfer of contract rights and ownership of a group of loans. If a blanket endorsement is used to indicate ownership change, a copy of the endorsement must be placed in the borrower file of each loan purchased by the lender or secondary market.

**Borrower:** An individual to whom a FFELP loan is made. See [chapters 5](#) and [15](#) for more information about borrower eligibility requirements and types and amounts of FFELP loans.

**Borrower-Based Academic Year: (BBAY)** An academic year that is individualized per borrower and generally “floats” with the borrower’s attendance and progress of a student, or a group of students, in a program of study for the purpose of determining Stafford annual loan limit frequency. ~~For borrowers enrolled in clock-hour and non-term-based credit-hour programs of study, the academic year is always a BBAY. A student’s BBAY must begin with a term the student actually attends. The BBAY must meet the statutory requirements of an academic year as defined by the Department. There are significant differences between a BBAY for a standard term-based credit-hour program, and a BBAY for a clock-hour, non-term-based credit-hour, or a nonstandard term-based credit-hour program. For additional information, see [Section 6.1](#), [Figure 6-2](#), and the 2006-2007 *Federal Student Aid Handbook*, Volume 3, Chapter 4, pp. 3-66 to 3-67 [07-08 FSA Handbook](#), Volume 3, Chapter 5, pp. 3-78 to 3-84 and p. 3-86.<sup>1</sup>~~

**Borrower-Specific Deferment:** Refers to the federal requirement that eligibility for a deferment be applied to all of a borrower’s loans, rather than to each separate loan. For example, a borrower who has used the maximum 24 months of internship deferment is not entitled to an additional internship deferment.

**Branch Campus:** A permanent location of a school that is geographically apart and independent of the main campus; that offers courses leading to a degree, certificate, or other recognized educational credential; that has its own faculty and administration or supervision; and that has its own budgetary and hiring authority. A branch campus is one type of “additional location” at which schools may offer instruction to students. A school must establish eligibility for each of its locations. See [subsections 4.1.A](#) and [4.1.C](#).

## C

**Campus-Based Programs:** The Federal Perkins Loan, Federal Work-Study, and Federal Supplemental Educational Opportunity Grant programs. These programs are administered by a school’s financial aid office. A student’s financial aid package may contain aid from one or more of these programs.

**Cancellation (of a Guarantee):** The revocation of a loan guarantee, which occurs if any of the following conditions exist:

- No loan proceeds were disbursed or delivered to the borrower.
- The lender check(s) was never cashed.
- None of the loan proceeds were negotiated within 120 days of the date on which they were disbursed.
- EFT and master check loan proceeds in the school’s account are not delivered to the borrower within 120 days after being transferred to the account.
- The loan is repaid in full within 120 days of final disbursement.

The guarantee is not lost on the remainder of the loan if one disbursement is canceled.

**Capitalization:** An increase in the principal balance of a Stafford, SLS, PLUS, or Federal Consolidation loan that occurs when a lender adds the interest accrued on the loan to the outstanding principal balance.

**Capitalized Interest:** Accrued interest added to the borrower’s outstanding principal. Subsequent interest accrues on the new total principal balance, which includes any capitalized interest.

**Certification:** The act of attesting that something is true or meets a certain standard. For example, the school certifies the borrower’s eligibility for a loan and, if applicable, interest benefits. The borrower completes an application, promissory note, or deferment form, thereby certifying that certain eligibility criteria have been met.

**CFR:** See [Code of Federal Regulations](#)

<sup>1</sup> Policy 1030 (Batch 149), approved April 17, 2008

**Confirmation (as it relates to the Stafford-MPN):** A process by which the school, or lender, prior to disbursing a loan, or guarantor (on behalf of the school or lender) advises the borrower of the proposed loan types and amounts. The borrower may accept the loan(s) passively (by taking no action) or affirmatively (by notifying the school in writing or electronically of his or her acceptance of the loan(s) or any changes he or she wishes to make to the loan types or amounts) must take action to confirm the loan type or request a specific loan amount. A school, lender, or guarantor (on behalf of the school or lender) may establish confirmation for the entire loan or may request that the borrower confirm each disbursement of the loan.<sup>1</sup>

**Consummated Loan:** A loan for which a disbursement check has been negotiated or EFT or master check funds have been delivered to the borrower. For example, the loan would be considered consummated if the borrower had cashed the check, if an individual check, or the school had applied the proceeds to the student's account, if included in a master check or EFT transmission before the school returned the proceeds to the lender. See [Unconsummated Loan](#).

**Correspondence Study:** A home-study course in which the school provides instructional materials, including examination on those materials, to students who are not physically attending classes at the school. If a course is a combination of correspondence work and residential training, the entire course is considered correspondence study. See [subsection 4.1.D](#) and [section 5.12](#) for more information.

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

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

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

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

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

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

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

## D

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

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

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

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

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

**Debt-Management Counseling:** Counseling provided to a student about debt and accumulated indebtedness. ~~Counseling is required both before the student receives the first disbursement of the student's first loan—often referred to as entrance counseling, and when the student is scheduled to complete an academic program—commonly referred to as exit counseling.~~ See [Subsections 4.4.B](#) and [4.4.C](#).<sup>2</sup>

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

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

<sup>1</sup> Policy 1029 (Batch 149), approved April 17, 2008

<sup>2</sup> Policy 1028 (Batch 149), approved April 17, 2008

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

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

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

**Delayed Disbursement:** The federally mandated delay of the first disbursement of loan funds for first-year, first-time undergraduate Stafford loan borrowers. The school is prohibited from scheduling the first disbursement of a loan to these students earlier than:

- The 28th day of the first payment period if the loan is disbursed by EFT or master check.
- The first day of the first payment period if the loan is disbursed by individual check.

See [subsection 8.7.D](#).

**Delinquency:** A period that begins on the day after the due date of a payment when the borrower fails to make the equivalent of one full payment. See [section 12.2](#).

**Department, the:** The U.S. Department of Education or an official or employee of the Department acting for the Department under a delegation of authority.

**Dependent Student:** A student who does not meet the eligibility requirements for an "Independent Student," under the Higher Education Act of 1965, as amended. See [Independent Student](#).

**Diligent Effort:** An attempt to perform a required activity in a matter that complies with federally mandated procedures and requirements. See [chapter 10](#).

**Disability:** A medically determined condition that renders a person unable to work and earn money, or, in some cases, to attend school. A borrower (or his spouse or dependent) is considered to be *temporarily totally disabled* if the

condition is expected to be of a short and finite duration (see [section 11.17](#)); a borrower is considered *totally and permanently disabled* if this condition is expected to continue for a long or indefinite period of time, or to result in death (see [subsection 13.8.G](#)).

**Disbursement:** The transfer of loan proceeds by individual check, master check, or electronic funds transfer (EFT) by a lender to a borrower, a school, or an escrow agent (see [section 7.7](#)). For a Consolidation loan, disbursement is the transfer of borrower loan proceeds from the consolidating lender to the current holder of the loan being consolidated (see [section 15.4](#)).

**Disbursement Date:** For a loan disbursed by check or draft, the date the check or draft is issued. For a loan disbursed by electronic funds transfer (EFT) or wire transfer, the date the funds are transferred from the lender to the school or escrow agent.

**Discharge:** The release of a borrower or any comaker from all or a portion of his or her loan obligation, as applicable, due to bankruptcy, school closure, death, spouses and parents of September 11, 2001, victims, total and permanent disability, an unpaid refund by the school, or the school's false certification of a FFELP loan. See [Section 13.8](#).<sup>1</sup>

**Documentation:** A written or printed paper, a supporting reference, or a record that can be used to furnish evidence, proof, or information.

**DPL:** See [Dear Partner Letter](#)

**Dual-Program Cohort Default Rate:** For a school that has former students entering repayment in a fiscal year on both FFELP and FDLP loans, the Department calculates a dual-program cohort default rate. See [section 16.2](#) for calculation formulas.

**Due Diligence:** The procedures required for attempting to satisfactorily resolve a delinquency and prevent a default in accordance with federal regulations. The lender must document the performance of these attempts, and the attempts must be at least as forceful as those generally used for consumer loans. See [chapter 12](#).

<sup>1</sup> Policy 1024 (Batch 149), approved April 17, 2008

**E**

**Economic Hardship:** A period during which the borrower is working full time but is earning an amount that does not exceed the greater of the minimum wage or 150% of the poverty line for a family of two the borrower's family size. Economic hardship also exists if a borrower's monthly payments on federal education loans are equal to or greater than 20 percent of the borrower's monthly income, as defined in FFELP regulations.<sup>1</sup>

**EFA:** See [Estimated Financial Assistance](#)

**EFC:** See [Expected Family Contribution](#)

**Effective Commercial Skip Tracing:** Techniques used to locate a person whose address is unknown. Examples of these techniques may include contacting an endorser (e.g., to locate a borrower), a borrower (e.g., to locate an endorser or comaker), a relative, a reference, individuals, entity identified in a borrower's loan file, Directory Assistance or a comparable service; attempting to contact the person by calling the last known telephone number; performing a Social Security number search via a credit report; reviewing city directories; processing information contained on the current credit report; or checking with a state licensing agency, a trade association, or a motor vehicle bureau (see [section 12.7](#) for address skip tracing requirements). See also [Skip Tracing](#).

**EFT:** See [Electronic Funds Transfer](#)

**Electronic Funds Transfer: (EFT)** The electronic transfer of Stafford or PLUS loan proceeds from the lender to an account at the school or the school's financial institution. See [subsection 7.7.D](#).

**Electronic Signature:** Information in electronic format that is attached to or logically associated with an electronic record and used by a person with the intent to sign the electronic record.

**Eligibility Letter:** A term used to describe the materials the Department's Institutional Participation Division sends to a school that has received federal approval for participation in the Title IV programs. The "letter" includes an Approval Notice and a copy of the school's Program Participation Agreement (PPA).

**Eligible Borrower:** A borrower or potential borrower who meets federal eligibility criteria for a Federal Stafford loan or, in the case of a parent borrower, a Federal PLUS loan. See [sections 5.1](#) and [5.2](#) for specific criteria.

**Eligible Not-For-Profit Holder:** As it relates to special allowance payments on loans first disbursed on or after October 1, 2007, a holder of a loan that is:

- A state, or political subdivision, authority, agency, or other instrumentality of such, including those lenders that are eligible to issue tax-exempt bonds.
- A qualified scholarship funding corporation established by a state, or one or more political subdivisions, that has not elected to cease status as a qualified scholarship funding corporation.
- A tax-exempt organization as described in [section 501\(c\)\(3\) of the Internal Revenue Code of 1986](#).
- A trustee acting on behalf of a state, political subdivision, authority, agency, instrumentality, or other entity, regardless of whether that entity is a eligible lender as defined by the [Higher Education Act of 1965, as amended](#).<sup>2</sup>

**Eligible Student:** A student who meets federal student eligibility criteria. See [subsection 5.1.B](#) for specific criteria.

**Emergency Action:** A special action taken by the guarantor or the Department to temporarily immediately suspend a school, lender, or servicer from participation in the guarantor's programs prior to the initiation of formal Limitation, Suspension, and Termination procedures. See [subsection 18.1.D](#).

**Endorser:** A signer of a promissory note who is secondarily liable for a loan obligation, i.e., who agrees to pay if the borrower does not. A lender may require a PLUS borrower with adverse credit to obtain a creditworthy endorser in order to receive the loan.

**Enrolled:** The status of a student who has met either of the following requirements:

- Completed the registration requirements (except for the payment of tuition and fees) at the school the student is attending.
- Been admitted into an educational program offered predominantly by correspondence and has submitted one lesson, completed by the student after acceptance for enrollment and without the help of a representative of the school.

<sup>1</sup>. Policy 1047 (Batch 150), approved April 17, 2008

<sup>2</sup>. Policy 1034 (Batch 149), approved April 17, 2008

**Enrollment Reporting:** The method by which schools confirm and report to the National Student Loan Data System (NSLDS) the enrollment status of attending students who receive Title IV loans. This process was formerly known as the Student Status Confirmation Report (SSCR).

**Entity:** For purposes of this manual, any organization, institution, government agency, nonprofit corporation, or other group that participates in federal student financial aid programs.

**Entrance Counseling (or Entrance Interview):** ~~See Debt Management Counseling~~ Required counseling that must be provided to a first-time Stafford borrower or a first-time graduate or professional student PLUS borrower. The school must conduct counseling in person, by audiovisual presentation, or by interactive electronic means. See [Subsection 4.4.B.](#)<sup>1</sup>

**Escrow Agent:** A guarantor or other eligible lender that receives the proceeds of a FFELP loan as an agent of an eligible lender for the purpose of transmitting those proceeds to the borrower or the borrower's school.

**Estimated Financial Assistance: (EFA)** The school's estimate of the amount of financial assistance from federal, state, institutional, or other sources that a student (or parent on behalf of a student) will receive for a period of enrollment. This may include veterans' and national service awards and benefits (except when determining eligibility for a subsidized Stafford Loan), scholarships, grants, financial need-based employment, or loans. EFA does not include Federal Perkins loans or Federal Work-Study funds that the student has declined or certain loans used to replace the expected family contribution. See [section 6.7](#).

**Exceptional Performer:** A designation conferred upon a qualified lender, servicer, or guarantor by the Department of Education for an exceptional level of performance in servicing FFELP loans, if the lender, servicer, or guarantor requests such status and meets all statutory and regulatory requirements. ~~See section 3.9 for more information. This designation was eliminated on October 1, 2007, per statutory changes from the College Cost Reduction and Access Act (P.L. 110-84). See History Appendix for more information.~~<sup>2</sup>

**Excess Interest Rebate:** See [Windfall Profits](#)

**Exit Counseling (or Exit Interview):** ~~See Debt Management Counseling~~ Required counseling that must be provided to Stafford loan borrowers shortly before graduating or ceasing at least half-time enrollment. The school must conduct counseling in person, by audiovisual presentation, or by interactive electronic means. See [Subsection 4.4.C.](#)<sup>3</sup>

**Expected Family Contribution: (EFC)** The amount a student and the student's spouse or family are expected to pay toward the student's cost of attendance. The [Federal Need Analysis Methodology](#) must be used to calculate the EFC. See [section 6.6](#).

**Extended Repayment Schedule:** A repayment schedule available to a "new borrower" on or after October 7, 1998, with outstanding principal and interest in FFELP loans totaling more than \$30,000. An extended repayment schedule may provide for standard or graduated installments over a period not to exceed 25 years.

## F

**FAA:** See [Financial Aid Administrator](#)

**FAFSA:** See [Free Application for Federal Student Aid](#)

**FAT:** See [Financial Aid Transcript](#)

**FDLP:** See [Federal Direct Loan Program](#)

### Federal Consolidation Loan Application and

**Promissory Note:** A common form that a borrower—or, as applicable, spouses as comakers—must complete to apply for a Federal Consolidation loan. For more information about Federal Consolidation loans, see [chapter 15](#).

**Federal Default Fee:** A fee collected by the guarantor either by deduction from the proceeds of the loan or from other nonfederal sources. The Higher Education Act requires that this fee equal one percent of the loan principal. This fee replaced the guarantee fee. See [section 7.8](#).

**Federal Direct Loan Program: (FDLP)** A student loan program authorized on July 23, 1992, by [Title IV, Part D, of the Higher Education Act](#). The Federal Direct Loan Program offers Federal Direct (Subsidized) Stafford loans, Federal Direct Unsubsidized Stafford loans, Federal Direct Consolidation loans, and Federal Direct PLUS loans. The FDLP is similar to the FFELP, except that funding comes directly from the U.S. Treasury rather than from private lending institutions.

<sup>1</sup>. Policy 1028 (Batch 149), approved April 17, 2008

<sup>2</sup>. Policy 1005 (Batch 147), approved February 21, 2008

<sup>3</sup>. Policy 1028 (Batch 149), approved April 17, 2008

student must include financial information on the student's household so that the expected family contribution can be calculated. See [section 6.6](#).

**Freely Associated States:** The Republic of the Marshall Islands, the Federal States of Micronesia, and the Republic of Palau. See also [State](#).

**FTP:** See [File Transfer Protocol](#)

**Full-Time Student:** An enrolled student enrolled in an institution of higher education (other than a student enrolled in a program of study by correspondence) who is carrying a full academic workload as determined by the school under standards applicable to all students enrolled in that student's particular the same program of study. The student's workload may include any combination of courses, work, research, or special studies, whether or not for credit, that the school considers sufficient to classify the student as a full-time student. See [Section 6.9](#) for a detailed definition of a full-time student that includes credit- and clock-hour requirements.<sup>1</sup>

**Funds:** Any monies (including checks, drafts, or other instruments); any commitment to provide money; or any commitment of insurance that has been, or may be, provided under the guarantor's programs to a borrower enrolled at and attending a participating school, or a borrower accepted for enrollment at a participating school.

## G

**Gap:** A period during the servicing of a loan in repayment when due diligence activities are required by regulations but no due diligence activities (collection activities) are performed. For a loan serviced under regulations published December 18, 1992, a gap greater than 45 days (greater than 60 days in the case of a transfer) results in the loss of the loan's guarantee.

Previously, the term "gap" was defined in [Appendix D of 34 CFR 682](#), and was applicable to loans serviced under due diligence provisions published November 10, 1986. For loans serviced under these "old" due diligence provisions, a gap in due diligence activities did not result in a loss of the loan's guarantee unless the lender had committed a violation of at least one due diligence requirement.

[§682.411(j); §682, Appendix D; Appendix A of DCL 96-G-287/96-L-186]

**Grace Period:** The period that begins the day after a Stafford loan borrower ceases to be enrolled at least half time at an eligible school, ends the day before the

repayment period begins, and during which payments of principal are not required. For a borrower with a Stafford loan that has not yet entered repayment who also has an SLS loan, the grace period for the SLS loan is the equivalent of the grace period for the Stafford loan if the borrower requests grace on his or her SLS loan(s) (see [section 10.3](#)).

**Grad PLUS Loan:** A PLUS loan made to a graduate or professional student.

**Grade Level:** A student's academic class level, as certified by a school official. Undergraduate students are *01* (freshman/first year) through *05* (fifth year/other undergraduate); graduate and professional students are *A* (first year) through *D* (fourth year and beyond).

**Graduate or Professional Student:** A student who:

- Is enrolled in a program or course above the baccalaureate level at an institution of higher education, or enrolled in a program leading to a first professional degree at an eligible school.
- Has completed the equivalent of at least three years of full-time study at an institution of higher education an eligible school, either before entrance into the program or as part of the program itself, e.g., a dual degree program that allows an individual to complete a bachelor's degree and either a graduate or professional degree within the same program. A student is considered an undergraduate student for at least the first 3 years of a dual degree program. The school defines the point at which a student enrolled in a dual-degree program is considered a graduate student after the first 3 years. For example, in a 5-year program leading to a graduate degree, the school may define a student as a graduate student after the first 3 or 4 years of the program. [\[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-91\]](#)
- Is not receiving Title IV aid as an undergraduate student for the same period of enrollment.<sup>2</sup>

**Graduated Repayment Schedule:** A repayment schedule under which the amount of the borrower's installment payment is scheduled to change (usually by increasing in two or more increments) during the course of the repayment period. The graduated repayment schedule cannot exceed 10 years (or 25 years for borrowers eligible for an extended repayment schedule), excluding in-school, grace, deferment, or forbearance periods.

<sup>1</sup>. Policy 1031 (Batch 149), approved April 17, 2008

<sup>2</sup>. Policy 1035 (Batch 149), approved April 17, 2008

**Guarantee:** A conditional legal obligation, as defined in an agreement by and between a guarantor and a lender, for the guarantor to reimburse the lender for some portion of a loan that is not repaid by the borrower due to default, death, disability, bankruptcy, borrower ineligibility, false certification of borrower eligibility, or school closure.

**Guarantee Disclosure:** The form used by the guarantor that serves as evidence that the loan identified on the form has been insured (guaranteed) under the guarantor's program (see also [Guarantee](#)). The form also provides relevant loan data, which may include the loan amount, interest rate, guarantee and origination fees (if applicable), and projected maturity date. See [section 6.20](#).

**Guarantee Fee:** A fee the guarantor was permitted to charge on a loan disbursed on or after July 1, 1994, and for which the date of guarantee of principal was before July 1, 2006. The Higher Education Act limited this fee to no more than one percent of the principal. This fee was replaced by the federal default fee.

**Guarantor (or Guaranty Agency):** A state or private nonprofit organization that has an agreement with the U.S. Secretary of Education to administer a loan guarantee program under the Higher Education Act.

**Guaranty Agency:** See [Guarantor \(or Guaranty Agency\)](#)

## H

**Half-Time Student:** A student enrolled in an undergraduate program who is: (1) enrolled in a participating school; (2) carrying an academic workload that amounts to includes at least half of the academic workload of a the applicable regulatory minimum full-time student enrollment standard for that program, as determined by the school; and (3) not a full time student. Half-time enrollment for a graduate or professional program must include at least half of the full-time academic workload defined by the school for the graduate or professional students enrolled in that program. A student enrolled solely in an eligible program of study by correspondence is never considered more than a half-time student, even if the student is enrolled in enough correspondence coursework to be considered full time. See [Section 6.9](#) for more information.<sup>1</sup>

**HEA:** [The Higher Education Act of 1965, as amended.](#)

**Hearing:** The orderly presentation of arguments and evidence before a Hearing Officer.

**Hearing Officer:** A person with no prior involvement in a dispute under the Limitation, Suspension, and Termination procedures outlined in [chapter 18](#) of this manual. The Hearing Officer for any hearing will be selected by the guarantor.

**Holder:** An eligible lender owning a FFELP loan. A federal or state agency or an organization or corporation acting on behalf of such an agency and acting as a conservator, liquidator, or receiver of an eligible lender may also be considered a holder.

## I

**ICA/Location Cure Procedure:** See [Intensive Collection Activities](#)

**Incarcerated:** The status of a student or borrower who is serving a criminal sentence in a federal, state, or local penitentiary, prison, jail, reformatory, work farm, or other similar correctional institution. A student or borrower who is living in a halfway house or in home detention or who has been sentenced to serve only weekends is not considered to be incarcerated.

**Income-Contingent Repayment Schedule:** A repayment schedule for some FDLP loans under which the borrower's monthly payment amount is adjusted annually, based on the total amount of the borrower's Direct loans, the borrower's family size, and the Adjusted Gross Income reported on the borrower's most recent income tax return. In the case of a married borrower, who files a joint income tax, the AGI includes the spouse's income.

**Income-Sensitive Repayment Schedule:** A repayment schedule for some FFELP loans under which the borrower's monthly payment amount is adjusted annually, based solely on the borrower's expected total monthly gross income received from employment and other sources during the course of the repayment period.

**Independent Student:** A student who meets one or more of the criteria listed on the Free Application for Federal Student Aid (FAFSA) that classify a student as independent for Title IV purposes. A student also may be classified as independent if a financial aid administrator determines and documents that the student is independent based on his or her professional judgment of the student's unusual circumstances. See [section 6.8](#) for additional information regarding the determination of a student's dependency status.

<sup>1</sup> Policy 1031 (Batch 149), approved April 17, 2008

**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](#).

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

**Prehearing Conference (as used in chapter 18):** Contact by any method, including telephone, between the parties for the purpose of settling or narrowing a dispute related to limitation, suspension, and termination proceedings.

**Prepayment:** A payment received when the borrower is not required to make either principal or interest payments; when a borrower is required to make interest payments, but previously authorized the lender to capitalize accruing interest; or when the borrower makes a payment that is greater than the amount of the borrower's regular installment or the amount due. See [subsection 10.11.B](#) for more information on prepayments.

**Principal Balance:** The outstanding amount of the loan, on which the lender charges interest. As the loan is repaid, a portion of each payment is used to satisfy interest that has accrued, and the remainder of the payment is used to reduce the outstanding principal balance.

**Professional Degree:** A degree that signifies both completion of the academic requirements for beginning practice in a given profession and a level of professional skill beyond that normally required for a bachelor's degree. Professional licensure is also generally required. Examples of a professional degree include, but are not limited to: Pharmacy (Pharm. D.), Dentistry (D.D.S. or D.M.D.), Veterinary Medicine (D.V.M.), Chiropractic (D.C. or D.C.M.), Law (L.L.B. or J.D.), Medicine (M.D.), Optometry (O.D.), Osteopathic Medicine (D.O.), Podiatry (D.P.M., D.P., or Pod. D.), and Theology (M. Div. or M.H.L.).

**Professional Judgment:** The flexibility given to a financial aid administrator (FAA) under the Higher Education Act to make adjustments to student eligibility for federal aid on a case-by-case basis. See [subsections 6.5.D](#) and [6.6.B](#).

**Professional Student:** See [Graduate or Professional Student](#), and [Professional Degree](#).<sup>1</sup>

**Program of Study:** A Department-authorized postsecondary educational program that leads to a degree, certificate, or other educational credential.

**Program Participation Agreement: (PPA)** An agreement that a school and the U.S. Department of Education must sign, permitting participation in one or more of the Title IV federal student aid programs. This agreement also states that the initial and continued eligibility to participate in the Title IV federal student aid programs is conditional upon compliance with the provisions of applicable laws and program regulations. The agreement includes a school's participation in the following federal programs: Federal Pell, Federal Supplemental Educational Opportunity Grant, Federal Work-Study, Federal Family Education Loans, and Direct Loans.

**Program Review:** A comprehensive review of a lender's, school's, or servicer's administrative procedures for handling Federal Stafford, PLUS, SLS, and Consolidation loans. The review is conducted to ensure that those procedures are in compliance with federal regulations and with the guarantor's policies and procedures. Chapter 17 addresses several aspects of program reviews.

**Promissory Note:** A legally binding agreement the borrower signs to obtain a loan under the FFELP, in which the borrower promises to repay the loan, with interest, in periodic installments. The agreement also includes information about any grace period, deferment, or cancellation provisions and the student's rights and responsibilities with respect to the loan.

**Proration:** A reduction of the standard annual loan limit for an undergraduate student. Proration of the loan amount is required if the student's program or the remainder of the student's program is less than a full academic year in length.

**Proportional Proration:** A required calculation performed to determine the applicable annual Stafford loan limit for an undergraduate student whose program of study is less than an academic year, or whose remaining program of study is less than an academic year. See [Figure 5-1](#).

## Q

**Qualified Education Benefit:** Refers to qualified tuition programs (e.g., 529 prepaid tuition plans and savings plans), prepaid tuition plans offered by a state, and Coverdell education savings accounts.

<sup>1</sup> Policy 1035 (Batch 149), approved April 17, 2008

**Repurchase (of a Claim):** A lender's purchase back from the guarantor of a loan on which a claim was filed and paid, if that purchase occurs more than 30 days after the lender receives the claim payment (see [section 13.5](#)).

**Return of Title IV Funds:** The federally mandated process by which a school calculates the amount of federal funds to be returned for a Title IV aid recipient who withdraws or who ceases attendance during a payment period or period of enrollment. The calculations may result in a reduction of the student's Title IV loan and grant aid to reflect the percentage of the payment period or period of enrollment that the student attended, if he or she attended 60% or less of the period. Based on these calculations, the school and the student may be required to return "unearned" federal assistance. See [section 9.5](#).

**Rolling Delinquency:** A delinquency that occurs whenever the delinquent status of a loan is increased or reduced but not completely eliminated as result of a payment, the reversal of a payment, a deferment or forbearance, or the receipt of a new out-of-school date. See [subsection 12.3.E](#).

**Rule of 78s:** A procedure for calculating the outstanding principal balance of a loan that is prohibited for loans made to a borrower who entered repayment on or after June 26, 1987. Seventy-eight is the sum of the digits from one to twelve (the number of months in a one-year installment contract).

## S

**SAP:** See [Satisfactory Academic Progress](#)

**SAR:** See [Student Aid Report](#)

**SAY:** See [Scheduled Academic Year](#)

**Satisfactory Academic Progress: (SAP)** The level of academic progress required of a student by the Higher Education Act in order to receive Title IV aid, including Federal Stafford, PLUS, or SLS loans. Each school must establish a standard for evaluating a student's efforts to achieve an educational goal within a given period of time. In making this evaluation, the school must establish the normal time frame for completion of the course of study in which the student is enrolled, and a method, such as grades or work projects completed, to measure the quality of the student's performance. Students enrolled in an undergraduate program who are enrolled beyond the school's maximum time frame for program completion are not eligible for additional Title IV assistance. A school's maximum time frame for program completion cannot exceed 150% of the published program length.

**Satisfactory Repayment Arrangement:** A specified number of consecutive, on-time, voluntary, reasonable and affordable full monthly payments made by a borrower to the holder of any loan or loans in default. Satisfactory repayment arrangements may be established by a borrower either to regain eligibility for Title IV funds or to consolidate a defaulted loan. The loan holder's determination of a "reasonable and affordable" payment amount is based on the borrower's total financial circumstances. "Voluntary" payments are payments made directly by the borrower, and do not include payments obtained by state offsets or federal Treasury offset, garnishment, or income or asset execution. An "on-time" payment is a payment received by the guarantor within 15 days before or after the scheduled due date. See [subsection 5.2.E](#) for more information on regaining eligibility for Title IV funds. See [section 15.2](#) for more information on consolidating a defaulted loan.

**Scheduled Academic Year: (SAY)** The "fixed" academic period, as published in a school's printed materials, that generally begins and ends at the same time each year according to an established schedule. The SAY is the academic period to which the statutory definition of an academic year must be applied and must meet the statutory requirements of an academic year as defined by the Department. Schools may not use a SAY for borrowers enrolled in clock-hour and non-term-based credit-hour programs of study. The summer term may be treated as an add-on at the beginning (leader) or end (trailer) of the SAY. For additional information, see [section 6.1](#) and the [2006-2007 Federal Student Aid Handbook, Volume 3, Chapter 4, p. 3-67](#).

**School:** An institution of higher education, a proprietary institution of higher education, or a postsecondary vocational school declared eligible by the U.S. Department of Education to participate in one or more Title IV programs. Some guarantors may require schools to complete a separate agency-specific participation agreement. See [Participating School](#).

**School-Affiliated Organization:** Any organization that is directly or indirectly related to a school, and includes, but is not limited to, alumni organizations, foundations, athletic organizations, and social, academic, and professional organizations.<sup>1</sup>

**School Lender:** A school, other than a correspondence school, that has been approved as a lender under the FFELP and has entered into a contract of guarantee with the Department or a similar agreement with a guarantor.

<sup>1</sup>. Policy 1049 (Batch 150), approved April 17, 2008

**Undergraduate Student:** A student enrolled at an eligible school who is enrolled at a school in a course of study, at or below the baccalaureate level, that usually does not exceed four academic years, or is up to five academic years in length and is designed to lead to a first degree.

- Is enrolled in a four or five year program that is designed to lead to an undergraduate degree. A student enrolled in a program of any other longer length is considered an undergraduate student for only the first four years of that program.
- Has completed a baccalaureate program of study and who is subsequently completing state-required teacher certification or recertification coursework.
- Is enrolled in a dual-degree program that allows an individuals to complete a bachelor's degree and either a graduate or professional degree within the same program. A student is considered an undergraduate student for at least the first three years of a dual degree program.<sup>1</sup>

**Undue Hardship (Adversary Complaint) Petition:**

A motion to have a loan discharged in a bankruptcy case on the grounds of undue hardship. See [subsection 13.8.A](#).

**Unknown Telephone Number:** The lack of any telephone number assigned to a particular borrower, endorser, or reference.

**Unsubsidized Loan:** A non-need-based loan such as an unsubsidized Federal Stafford loan or a Federal PLUS loan. The borrower is responsible for paying the interest on an unsubsidized loan during in-school, grace, and deferment periods, in addition to repayment periods.

**U.S. Citizen or National:** The term “citizen” includes all native or naturalized persons who owe allegiance to the United States and are entitled to protection by it. The U.S. includes the fifty states, the District of Columbia, Guam, Northern Mariana Islands, Puerto Rico, and the Virgin Islands. The term “national” includes all U.S. citizens and citizens of American Samoa and Swain’s Island.

## V

**Variable Interest Rate:** An interest rate that changes, usually annually, according to prescribed methods (see [sections 7.4](#) and [7.5](#)).

**Variable Interest Rate Conversion:** The conversion of a fixed interest rate to an annually variable interest rate, which carries a federally mandated cap.

**Verbal Request:** A request that is made orally, as opposed to in writing.

**Verification:** A school’s procedure for checking the accuracy of information reported by the student on the FAFSA. Verification may include requesting a copy of the tax returns filed by the student and, if applicable, the student’s parents. See [subsection 6.6.A](#).

## W

**Week of Instruction:** Any period of 7 consecutive days in which the school provides at least one day of regularly scheduled instruction or examinations, or, after the last scheduled day of classes for a term or payment period, at least one day of study for final examinations. Instructional time does not include periods of orientation, counseling, vacation, or homework.

**Windfall Profits:** Rebate of excess interest for Stafford loans first disbursed before July 1, 1992, or first disbursed to a “new borrower” on or after July 23, 1992, and before October 1, 1992, as required by the [Technical Amendments of 1993](#). If a loan’s fixed interest rate exceeds the current average of bond equivalent rates of 91-day Treasury bills plus a factor (3.25% or 3.10%) for a particular quarter, the lender must calculate an adjustment to excess interest and rebate the difference to the borrower’s account based on a federally prescribed formula. See “Handling Excess Interest Rebates” in [subsection 10.9.C](#), and [section H.2](#) of appendix H.

**Withdrawal Date:** The date the student withdraws, as determined by the school. The requirements that the school must follow for determining the student’s withdrawal date depend upon whether the school is required to take attendance. See [section 9.4](#).

**Write-Off:** A loan amount for which there has been a total cessation of collection activity.

<sup>1</sup> Policy 1035 (Batch 149), approved April 17, 2008

## H.1 History of the FFELP and the *Common Manual*

Today's education loan program is the result of a long evolutionary process that began with the enactment of the Higher Education Act in 1965. By law, the Act must be reviewed and reauthorized every 5 years, and the review often results in changes (amendments) to the law. Some [reauthorizations](#) have resulted in subtle changes; others have dramatically revised the program. Following is a chronology of milestones in the evolution of education loans. This information pertains to Federal Stafford (once called GSL) loans unless otherwise specified.

### 1965

November 8, 1965

The Higher Education Act of 1965 is signed into law. The Act requires the periodic reexamination and reauthorization of its congressional mandate. Reauthorizations must occur every 5 years, or loans may no longer be made under the program.

*Interest subsidy:* The new law provides an in-school [interest](#) subsidy of 5%, paid by the federal government for families with annual incomes less than \$15,000. A 3% interest subsidy is paid for periods during which the loan is in repayment. [Nonsubsidized loans](#) are available for students with annual family incomes of more than \$15,000.

### 1967

July 2, 1967

*Aggregate loan limit:* Aggregate loan limits are increased to \$9,000.

*Annual loan limit:* Annual loan limits are increased to \$1,500.

August 10, 1967

*Interest rates:* Interest rates increase to 6% for families earning less than \$15,000 in annual income.

*Loan guarantee:* The [guarantee](#) amount is increased from 80% to 90% of unpaid principal and interest.

### 1968

August 3, 1968

*Interest rates:* Interest rates increase from 6% to 7% for families with less than \$15,000 annual income.

October 16, 1968

*Eligibility – lender:* Interstate [lenders](#) are permitted to make loans under the Federally Insured Student Loan Program (FISLP).

December 15, 1968

*Interest subsidy:* Interest subsidy for loans in repayment is eliminated.

### 1969

August 1, 1969

*Special allowance:* Special allowance is authorized for lenders to ensure they receive a market-rate yield on their student loans. Special allowance yields no more than 3% per year based on the outstanding [principal balance](#) of eligible loans.

### 1972

June 23, 1972

[Amendments to the Higher Education Act](#) are signed into law. The Student Loan Marketing Association (Sallie Mae) is authorized.

July 1, 1972

*Interest subsidy:* Interest subsidy is determined based on an evaluation of family income and resources.

*Need analysis:* A needs test is established.

August 18, 1972

*Interest subsidy:* Interest subsidy is reinstated for students whose families have annual incomes of \$15,000 or less.

October 1, 1972

*Repayment terms:* The maximum [repayment period](#) of 63 months is increased to 120 months.

## 1973

**March 1, 1973**

*Interest subsidy:* Eligibility for interest subsidy is determined by an evaluation of family income and resources.

*Need analysis:* [Need analysis](#) is required again.

**June 1, 1973**

*Aggregate loan limit:* Aggregate loan limits increase to \$7,500 for undergraduate students and \$10,000 for graduate students (including undergraduate aggregates).

*Annual loan limit:* Annual loan limits increase to \$2,500 for third- and fourth-year [undergraduate students](#) and for [graduate students](#). Loan limits are \$1,000 for first-year students and \$1,500 for second-year students.

## 1974

**June 2, 1974**

*Eligible borrower:* Undergraduate students [enrolled](#) at least half time, but less than full time, are eligible borrowers.

*Interest subsidy:* Eligibility for [interest](#) subsidy is returned to students whose families have annual incomes of \$15,000 or less.

*Need analysis:* Need analysis is required for families earning more than \$15,000 and for loan amounts exceeding \$2,000.

## 1976

**March 1, 1976**

*Annual loan limit:* Graduate students may receive a student loan of up to \$2,500.

*Eligibility – borrower and student:* Graduate students enrolled at least half time, but less than full time, are eligible borrowers.

**October 1, 1976**

*Deferment:* “New borrowers” are eligible for a one-year unemployment [deferment](#), which is subsidized if the borrower otherwise qualifies for interest subsidy.

*Disbursement rules:* [Disbursement checks](#) must be endorsed by the borrower. [Lenders](#) may make checks copayable to both the borrower and the [school](#). Multiple disbursement of loan [funds](#) is encouraged.

*Interest subsidy:* Lenders are permitted to bill for interest subsidy on the full loan amount from the date of the first disbursement (even if the second disbursement was not made yet), provided the lender has signed a Multiple Disbursement Agreement with the [Department](#).

*Special allowance:* Lenders are permitted to bill for [special allowance](#) on the full loan amount from the date of the first disbursement (even if the second disbursement was not made yet), provided the lender has signed a Multiple Disbursement Agreement with the Department.

**October 12, 1976**

Amendments to the Higher Education [Act](#) are signed into law, with provisions effective January 1, 1977.

**November 12, 1976**

*Need analysis:* For loan terms beginning on or after November 11, 1976, [need analysis](#) is required only for [subsidized loans](#) for borrowers whose families report adjusted gross incomes of \$25,000 or more, regardless of the loan amount being requested.

## 1977

**January 1, 1977**

*Special allowance:* Special allowance is authorized for all loans disbursed between November 8, 1965, and August 1, 1969, for which balances remained outstanding. Special allowance payments for these loans are in addition to payments for other loans previously considered eligible for special allowance.

**May 20, 1977**

*Aggregate loan limit:* For [loan periods](#) beginning on or after July 1, 1977, aggregate limits are increased to \$7,500 for undergraduate borrowing and \$15,000 for cumulative graduate and undergraduate borrowing.

*Annual loan limit:* For loan periods beginning on or after July 1, 1977, [annual loan limits](#) are increased to \$2,500 for [undergraduate students](#) and \$5,000 for graduate and [professional students](#).

**September 30, 1977**

*Bankruptcy:* **Bankruptcy discharge** of student loans is prohibited for the first 5 years after the borrower graduates or withdraws from school, unless the borrower proves that payment of the loan would present an undue hardship.

**December 1, 1977**

*Special allowance:* Special allowance payments become a derivative of the Treasury-bill formula, yielding no more than 5% annually based on a quarterly determination.

**1978****November 1, 1978**

*Deferment:* The rehabilitation deferment is established for borrowers in rehabilitation training programs for disabled individuals.

*Interest subsidy:* All loans disbursed on or after November 1, 1978, qualify for interest benefits regardless of family income.

*Special allowance:* Special allowance is paid on both the subsidized and unsubsidized loans.

**November 6, 1978**

*Bankruptcy:* The prohibition against the bankruptcy discharge of student loans that have been in repayment for less than 5 years is repealed.

**1979****July 1, 1979**

*Special allowance:* The annual cap on special allowance is eliminated. Yield floats with the Treasury-bill (**T-bill**) formula (T-bill plus 3.5%).

**October 1, 1979**

*Bankruptcy:* **Bankruptcy Reform Act** is effective. The prohibition against the discharge of a student loan in bankruptcy during the first 5 years of repayment is reinstated. Loans may be discharged in the first 5 years of repayment only if the repayment of the loan would present an undue hardship to the borrower.

**1980****November 3, 1980**

**Education Amendments of 1980** are signed; provisions are effective January 1, 1981.

*Special allowance:* Special allowance paid on loans made or purchased with tax-exempt **funds** is reduced by half, effective for loans disbursed on or after October 1, 1980.

**1981****January 1, 1981**

*Aggregate loan limit:* Aggregate loan limits are revised to \$15,000 for independent **undergraduate students**, \$12,500 for dependent undergraduate students, and \$25,000 for **graduate students** (including undergraduate loans).

*Annual loan limit:* Annual loan limits increase to \$3,000 per year for independent undergraduate students, \$2,500 for dependent undergraduate students, and \$5,000 for graduate students.

*Deferment:* **Deferments** are authorized for medical internship or residency, service in a nonprofit agency, service as an officer in the Commissioned Corps of Public Health, and temporary total **disability**.

*Grace period:* Loans to “new borrowers” with loan periods beginning on or after January 1, 1981, and applicable interest rates of 9% are eligible for a 6-month grace period.

*Interest rates:* The **applicable interest rate** is 9% for “new borrowers” with **loan periods** beginning on or after January 1, 1981. New PLUS and ALAS loans have an applicable interest rate of 9%.

*Loan types:* Parental Loans for Undergraduate Students (PLUS loans) and Auxiliary Loans for Students (**ALAS**) loans are established.

*Post-deferment grace period:* Loans with a deferment end date on or after January 1, 1981, are eligible for a 6-month **post-deferment grace period**.

**August 23, 1981**

*Origination fee:* Effective for **subsidized loans** on which the **lender** provided the **borrower’s promissory note** on or after August 23, 1981, an **origination fee** of 5% is assessed. The

fee may be deducted from the loan's proceeds by the lender and must be paid to the [Department](#) quarterly via the ED Form 799.

### October 1, 1981

*Post-deferment grace period:* Post-deferment grace periods are eliminated for loans first disbursed on or after October 1, 1981.

*Need analysis:* Need analysis is reinstated for borrowers with annual family incomes exceeding \$30,000.

### October 1, 1981

*Aggregate loan limit:* Aggregate loan limits are \$12,500 for undergraduate students and \$25,000 for graduate students (including undergraduate loans).

*Annual loan limit:* Annual loan limits are revised to remove the difference between independent and dependent borrowers. Limits of \$2,500 and \$5,000 apply for undergraduate and graduate students, respectively. ALAS loan limits for undergraduate students permit an annual maximum of \$2,500 through combined GSL and ALAS borrowing. Graduate and professional students may borrow up to \$3,000 annually in ALAS, in addition to their \$5,000 GSL maximum.

*Interest rates:* PLUS/ALAS interest rate increases to 14%.

*Repayment terms:* The minimum monthly payment amount increases from \$30 to \$50 for loans first disbursed on or after October 1, 1981.

*Special allowance:* [Nonsubsidized loans](#) disbursed on or after October 1, 1981, are no longer eligible for [special allowance](#). Special allowance for loans first disbursed on or after October 1, 1981, is calculated without rounding up to the nearest eighth of a percent.

## 1982

### November 1, 1982

*Interest rates:* PLUS/ALAS interest rates are reduced to 12% for loans first disbursed on or after November 1, 1982.

## 1983

### July 24, 1983

*Eligibility – borrower and student:* Students must meet Selective Service Registration requirements to receive [Title IV](#) funds on or after July 24, 1983.

### August 1, 1983

*Eligibility – borrower and student:* For [applications](#) certified on or after August 1, 1983, the [financial aid administrator](#) may not certify an application for any student unless the Statement of Registration Compliance is presented with the application.

### August 15, 1983

*Deferment:* PLUS borrowers with loans first disbursed on or after August 15, 1983, are not eligible for deferment of their loans.

### September 13, 1983

*Interest rates:* The applicable interest rate for new GSL borrowers with loan periods beginning on or after September 13, 1983, is reduced to 8%.

## 1986

### March 1, 1986

*Origination fee:* Loans first disbursed on or after March 1, 1986, and before October 1, 1986, are subject to the provisions of sequester. Origination fees are increased to 5.5% of the loan's [principal balance](#).

*Special allowance:* Due to the sequester, [lenders](#) must collect a reduced [special allowance](#) on new loans for four consecutive reporting quarters beginning with the quarter in which the loan was first disbursed.

### April 7, 1986

The [Consolidated Omnibus Budget Reconciliation Act \(COBRA\) of 1985](#) is signed into law.

*Consolidation loans:* Consolidation loans are authorized to permit a borrower to combine multiple obligations into a single debt.

*Credit bureau reporting:* Credit bureau reporting is required for all lenders and [guarantors](#).

*Disbursement rules:* GSL and ALAS disbursement checks must be mailed directly to the school.

*Default:* The statutory default date is extended from 120 days delinquent to 180 days delinquent.

*Eligibility – borrower and student:* Schools must determine a student's eligibility for Pell grant funding before certifying a GSL application.

*Interest rates:* The interest rate for the newly authorized Consolidation loans is the greater of 9% or the weighted average interest rate of the loans being consolidated, rounded to the nearest whole percent, effectively establishing a 9% minimum interest rate.

*Lender of Last Resort:* Guarantors must ensure that a Lender of Last Resort Program is available to borrowers in each state.

### May 15, 1986

*Eligibility – borrower and student:* Schools, lenders, and guarantors are prohibited from certifying, approving, or guaranteeing an application if the borrower advises that he or she has a student loan in default.

### July 1, 1986

*Disbursement rules:* All GSL and ALAS loans first disbursed on or after July 1, 1986, must be multiply disbursed if the loan amount is \$1,000 or more and there are more than 180 days remaining in the loan period after the date of first disbursement.

*Eligibility – borrower and student:* Students may not receive additional Title IV assistance if they have defaulted on a Title IV loan.

*Origination fee:* The origination fee must be deducted proportionately from each disbursement of a GSL loan.

### October 17, 1986

The Higher Education Amendments of 1986 are signed into law and reauthorize the program through 1991.

*Aggregate loan limit:* The aggregate loan limit for PLUS or SLS loans is \$20,000.

*Annual loan limit:* The annual loan limit for PLUS or SLS loans is \$4,000.

*Deferment:* Eligibility for an unemployment deferment is extended from 12 to 24 months for GSL, SLS, and PLUS loan borrowers.

*Disbursement rules:* Multiple disbursements are no longer required for SLS loans. GSL multiple disbursement requirements are revised. Lenders must disburse loans in two or more installments if the loan amount is more than \$1,000 or if the loan period for which the loan is intended ends more than 180 days from the scheduled date of the first disbursement. The second disbursement may not be made before the midpoint of the period of enrollment, except as necessary to coincide with the start of the next quarter, trimester, or semester. Loans to borrowers attending foreign schools are exempt from multiple disbursement requirements.

*Eligibility – borrower and student:* Parents may borrow PLUS funds for dependent undergraduate or dependent graduate students.

*Exit counseling:* Schools must perform exit counseling for all student borrowers.

*Interest payment and capitalization:* Interest accruing during in-school or other deferred periods on PLUS and SLS loans is payable in monthly or quarterly installments or may be capitalized no more frequently than quarterly.

*Interest rates:* The PLUS/SLS interest rate becomes a variable rate, not to exceed 12%.

*Loan types:* The ALAS Program is replaced with the SLS Program. PLUS and SLS loans are to be administered under separate programs.

*Need analysis:* GSL applications are subject to uniform methodology and need analysis, regardless of family income.

*Refinancing (PLUS and SLS loans):* A borrower may refinance a fixed interest rate PLUS or ALAS/SLS loan that is disbursed prior to July 1, 1987, to obtain a variable interest rate. If the lender denies the borrower the option of refinancing his or her eligible PLUS or SLS loan(s) to secure a variable interest rate, the borrower may apply to another lender for a new loan that pays the loan held by the original lender in full. Under this option, the lender making the new loan must send the proceeds of the new loan to the current holder to retire the borrower's original debt.

*Reinsurance:* Guarantors are required to pay the Department a reinsurance fee on loans guaranteed to help defray the cost of defaults.

*Repayment terms:* The 15-year limit on the repayment term of a GSL loan is eliminated.

### November 16, 1986

*Special allowance:* Special allowance for loans with periods of enrollment beginning on or after November 16, 1986, is reduced to the [T-bill](#) plus 3.25%.

### December 26, 1986

*Deferment:* Unemployment [deferment](#) requests must list three contacts and be reaffirmed every 3 months. An unemployment deferment may be backdated no more than 60 days from the date on which the lender receives the form. Other deferments may be backdated no more than 6 months from the date the lender receives the form.

*Delivering loan funds:* Schools may credit a student's loan proceeds to his or her account no more than 21 days before the first day of the period of enrollment for which the funds are intended. [Checks](#) may be released to the [borrower](#) no more than 10 days before the start of the period of enrollment for which the funds are intended.

*Origination fee:* [Lenders](#) must refund [origination fees](#) for [disbursements](#) on which the [loan proceeds](#) are returned or the disbursement is paid in full within 120 days of the date on which the [funds](#) are disbursed.

*Refunds:* A school must make refunds to students within 30 days of the date the school determines that the student is last [enrolled](#) at least half time.

## 1987

### January 1, 1987

*Aggregate loan limit:* Aggregate loan limits increase to \$17,250 for undergraduate borrowing and \$54,750 for combined undergraduate and graduate borrowing.

*Annual loan limit:* Annual loan limits increase to \$2,625 for the first two years of undergraduate study, \$4,000 for any subsequent years of undergraduate study, and \$7,500 for graduate study.

### March 10, 1987

*Bankruptcy:* Lenders must file a [bankruptcy claim](#) no more than 30 days after learning that a borrower has filed for bankruptcy protection.

*Disclosure requirements:* Lenders must provide a "Plain English Disclosure" to borrowers before disbursing loan funds for periods of enrollment beginning on or after January 1, 1987.

*Due diligence:* New [due diligence](#) requirements are effective for loans with a first day of [delinquency](#) on or after March 10, 1987.

### June 3, 1987

The [Higher Education Technical Amendments of 1987](#) are signed into law.

*Disbursement rules:* Disbursements for students attending [foreign schools](#) may be made directly to the borrower. Multiple disbursement requirements are returned to previous levels, so that the lender must disburse any loan of \$1,000 or more in two or more installments.

### June 26, 1987

*Interest rates:* Interest may not be calculated on any loan entering repayment using the [Rule of 78s](#).

### July 1, 1987

*Deferment:* New deferment provisions are introduced for "new borrowers" with loans made for periods of enrollment beginning on or after, or for loans disbursed on or after, July 1, 1987. Deferments are made available for periods of at least half-time enrollment (for borrowers with another GSL or SLS loan for the [loan period](#) for which they are applying for the deferment), temporary total [disability](#) of dependents or spouses, parental leave, and mothers entering or reentering the work force. PLUS loans may be deferred based on the status of the [dependent student](#) for whom the [parent](#) has obtained a loan. All PLUS loans for that parent may be deferred based on the status of a single dependent student. New PLUS loans disbursed for periods of enrollment beginning on or after July 1, 1987, are eligible for new deferment types: half-time enrollment deferment if the parent or dependent student for whom the parent borrowed is enrolled at least half time, National Oceanic and Atmospheric Administration (NOAA) Corps deferment, teacher shortage deferment, parental leave deferment, and working mother deferment.

*Eligibility – borrower and student:* Students must be enrolled in a degree or certificate program to receive GSL, SLS, or PLUS loan funds if the funds are intended for periods of enrollment beginning on or after July 1, 1987. A student enrolled in a course of study that is a prerequisite to a degree or certificate program is eligible for one loan for a 12-month period. A dependent student is eligible for an

SLS loan if the [financial aid administrator](#) determines that exceptional circumstances preclude the parent(s) from borrowing under the PLUS program.

*Guarantee fee:* All loans are subject to a [guarantee fee](#) of no more than 3% of the [principal balance](#), collectable by the [guarantor](#).

*Interest rates:* PLUS and SLS loans first disbursed on or after July 1, 1987, accrue [interest](#) at a variable rate that is subject to change each July 1.

*Special allowance:* Lenders receive [special allowance](#) payments when the [T-bill](#) rate plus applicable factor exceeds 12%.

### October 20, 1987

*Origination fee:* GSL loans are placed under sequester. Origination fees are increased to 5.5%.

*Special allowance:* Due to the sequester, special allowance yields are reduced for new loans for the first four reporting quarters following the one in which the loan was first disbursed.

### December 26, 1987

*Origination fee:* The sequester action is rescinded retroactive to October 20, 1987. [Lenders](#) are required to refund to [borrowers](#) the additional 0.5% [origination fee](#) that was collected under the terms of the sequester.

## 1988

### March 11, 1988

*Cure:* The [Department](#) publishes [cure](#) procedures for violations of [due diligence](#) or timely filing provisions.

### July 1, 1988

*Excess interest rebate:* For loans accruing interest at the new “split 8%/10%” interest rates, if the [T-bill](#) rate plus 3.25% is less than the applicable 10% rate, the lender is required to return (rebate) earnings to the borrower at the end of the year in which those “excess” earnings are received.

*Interest rates:* [Interest](#) rates for “[new borrowers](#)” with Stafford loans first disbursed for periods of enrollment beginning on or after July 1, 1988, are 8% for the [in-school](#) and [grace periods](#), and for the first 48 months of repayment. Interest rates increase to 10% on the first day of the 49th month of repayment.

*Interest subsidy:* Lenders may no longer use the average quarterly balance in billing for [interest benefits](#).

*Loan types:* The GSL program is renamed the Stafford Loan Program.

*Special allowance:* Lenders may no longer use the average quarterly balance in billing for [special allowance](#).

### July 18, 1988

*Eligibility – borrower and student:* Students [enrolled](#) at least half time in a teacher certificate program are eligible to borrow up to \$4,000 per year in Stafford loans.

### August 17, 1988

*Eligibility – borrower and student:* For loans on which the [application](#) is certified on or after August 17, 1988, [schools](#) must determine the applicant’s eligibility for [Pell grants](#) and Stafford loans before certifying an SLS application. If the borrower is eligible for a Pell grant or Stafford loan, he or she must apply for it.

### October 1, 1988

*Disbursement rules:* SLS loans first disbursed on or after October 1, 1988, must be multiply disbursed if the loan balance is more than \$1,000 or the [loan period](#) ends more than 180 days after the date of the first loan [disbursement](#).

*Repayment start:* SLS loan repayment begins no more than 60 days after the date the loan is fully disbursed.

## 1989

### July 20, 1989

*Delivering loan funds:* Schools with [cohort default rates](#) of more than 30% must delay delivery of loan funds to “[new borrowers](#)” for at least 30 days following the first day of the [period of enrollment](#) for which the loan is intended.

*Refunds:* A school must make refunds within 60 days of the date the school determines that the student has dropped to less-than-half-time attendance.

### August 24, 1989

*Entrance counseling:* Schools must provide [entrance counseling](#) for all first-time borrowers.

**October 1, 1989**

*Origination fee:* Loans first disbursed on or after October 1, 1989, but before January 1, 1990, are subject to sequester. Origination fees of 5.5% must be paid to the Department.

*Special allowance:* Due to the sequester, special allowance is reduced for new loans for the first four reporting quarters, beginning with the quarter in which the loan was first disbursed.

**November 21, 1989**

Department of Labor, Health and Human Services, Education, and Related Agencies Appropriations Act of 1990 is signed into law.

*Refunds:* Schools with cohort default rates exceeding 30% must implement a pro rata refund policy for all Title IV aid recipients.

**December 19, 1989**

The Omnibus Budget Reconciliation Act of 1989 (OBRA) is signed into law.

*Delivering loan funds:* Schools must withhold and return to the lender any disbursement exceeding the amount of the assistance for which the student is eligible. Provisions are applicable to Stafford and SLS loan proceeds not delivered to students as of December 19, 1989, for periods of enrollment beginning on or after January 1, 1990. Schools must delay the delivery of SLS proceeds to first-time borrowers who are first-year students until 30 days after the start of the loan period for which they are intended.

*Late disbursement/post-withdrawal disbursement:* For disbursements made on or after December 19, 1989, for loan periods beginning on or after January 1, 1990, late second disbursements of Stafford and SLS loans are prohibited. For loans delivered on or after December 19, 1989, for periods of enrollment beginning on or after January 1, 1990, schools may not deliver late first disbursements of SLS proceeds if the student did not complete the first 30 days of the period of enrollment for which the funds are intended.

**1990****January 1, 1990**

*Annual loan limit:* Annual loan limits for SLS loans are reduced for first-time borrowers. SLS annual loan limits of \$4,000 are restricted to periods of one academic year or 9 months, whichever is longer. SLS annual limits are

prorated at \$2,500 for borrowers who attend at least two-thirds of an academic year but less than a full academic year; \$1,500 for borrowers who attend between one-third and two-thirds of an academic year; and to \$0 for borrowers who attend less than one-third of an academic year.

*Deferment:* Individuals serving in medical internships and residencies, except those serving in dental programs, are ineligible for in-school deferments.

*Disbursement rules:* Lenders must delay the disbursement of SLS funds. For loans guaranteed on or after January 1, 1990, lenders must make Stafford and SLS loans in multiple disbursements, regardless of the loan amount or the length of the period of enrollment for which the funds are intended.

*Eligibility – borrower and student:* Borrowers may no longer borrow Stafford or SLS loans for enrollment in an internship or residency program.

*Federal reporting:* Lenders must use the newly revised ED Form 799 to file for special allowance and interest benefits, pay origination fees, and provide information that previously was included in the annual Call Report. Any filing for benefits on or after January 1, 1990, must be on the new form and in the new format, regardless of the quarter for which it is applicable.

*Forbearance:* Lenders must grant forbearance to interns and residents.

*Loan certification:* Schools with cohort default rates of 30% or more may no longer certify SLS loan applications.

**March 1, 1990**

*Disbursement rules:* For loans certified on or after March 1, 1990, with loan periods beginning on or after January 1, 1990, schools must determine the disbursement dates for the loans, and lenders may not disburse funds before the first date on which the school has requested disbursement of the funds.

**June 5, 1990**

*Refunds:* Schools with cohort default rates of 30% or more must institute a pro rata refund policy.

**November 5, 1990**

The Omnibus Budget Reconciliation Act (OBRA) of 1990 is signed into law.

**Bankruptcy:** Student loans are determined to be nondischargeable for borrowers filing for protection under Chapter 7 or 13 [bankruptcy](#) within 5 years of the date the loan entered repayment, excluding periods of deferment and forbearance.

**Due diligence:** For delinquencies beginning on or after November 5, 1990, [guarantors](#) must provide [preclaim assistance](#) on accounts that are less than 120 days delinquent and must provide supplemental preclaim assistance (SPA) on loans that are more than 120 days delinquent. The [Department](#) compensates the guarantor for each loan on which SPA is requested and for which the [default claim](#) is not filed within 150 days.

**Loan certification:** The minimum loan period for SLS loans is reduced to 7 months or the length of the school's academic year, whichever is longer.

## 1991

### January 1, 1991

**Delivering loan funds:** Schools must delay for 30 days the release of Stafford loan funds to borrowers who are entering the first year of an undergraduate program and who have not previously obtained a Stafford or SLS loan.

**Eligibility – borrower and student:** Students applying for [Title IV](#) funds must have a high school diploma or GED, or must pass an independently administered [ability-to-benefit](#) test for periods of enrollment beginning on or after January 1, 1991.

**Post-deferment grace period:** Military personnel serving in Operations Desert Shield/Desert Storm are authorized to receive a 6-month post-deferment grace period following either a period of military deferment, or a period of in-school deferment if the borrower previously received a military deferment for such service. This one-time benefit is available for the period from April 9, 1991, to September 30, 1997.

**Statute of limitations:** The statute of limitations for enforcement of guaranteed student loans is eliminated.

### April 9, 1991

**Deferment:** For active duty status in connection with a military mobilization, 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 Operation Desert Shield or Desert Storm, the lender is permitted to grant the deferment retroactive to the date the borrower was mobilized—even if that results in backdating the deferment more than 6 months. Furthermore, if a borrower has used the entire 36-month Armed Forces deferment eligibility before being mobilized, the borrower or a close family member has the option of requesting an emergency administrative forbearance.

### May 28, 1991

**Bankruptcy:** Student loans that are in repayment for 7 years or less from the date the loan first entered repayment through the date of a bankruptcy action—excluding periods of deferment and/or forbearance—are considered to be nondischargeable under bankruptcy provisions.

### July 1, 1991

**Eligibility – school:** [Schools](#) with [cohort default rates](#) of 35% or more for the most recent three fiscal years for which rates are available are ineligible to participate in the GSL Program. In Fiscal Year 1993, the rate drops to 30%.

### November 15, 1991

The [Emergency Unemployment Compensation Act of 1991](#) is signed into law. However, provisions are never enforced based on guidance received from the [Department](#), pending regulations. The [Higher Education Amendments of 1992](#) later repeal all but two provisions applicable to student loans.

## 1992

### July 23, 1992

The [Higher Education Amendments of 1992](#) are signed into law.

**Aggregate loan limit:** Aggregate loan limits on Stafford loans are revised to \$23,000 for undergraduates and \$65,500 for graduate students (including undergraduate loans). SLS aggregate loan limits are revised to \$23,000 for undergraduate borrowing and \$73,000 for combined graduate and undergraduate borrowing. These provisions became effective October 1, 1992.

**Annual loan limit:** The [annual loan limit](#) on Stafford loans of \$2,625 for the first year of full-time undergraduate study must be prorated for some students. Annual loan limits for SLS loans of \$4,000 for first- and second-year full-time enrollment must be prorated for some students. These provisions became effective October 1, 1992.

*Audit:* **Guarantors** must require an annual compliance audit from each lender in the FFELP. The lender's first audit under this requirement is to have covered the lender's first fiscal year that began after July 23, 1992. Submission of the audit report is required within six months after the end of the audit period.

*Closed school loan discharge:* Loans may be forgiven if the school for which the borrower obtained the loan closed before the borrower's program of study was complete.

*Common forms:* The Department, in cooperation with industry participants, is required to develop common loan applications and **promissory notes**, **deferment** forms, and reporting formats.

*Exceptional performance:* A program to encourage superior servicing performance for lenders, servicers, and guarantors is initiated. For lenders and servicers that receive an **exceptional performer** designation, guarantors pay 100% of the principal and **interest** due on loans filed as **claims** during the period the lender or servicer is designated. Lenders or servicers are not penalized for inadvertent omissions of **due diligence** or timely filing violations. For guarantors designated as exceptional performers, the Department pays 100% of the applicable rate payable on loans filed for reinsurance during the period the guarantor is designated (note that criteria for exceptional performers are not defined in regulation until July 1995).

*Excess interest rebates:* **Lenders** must rebate excess **interest** on Stafford loans first disbursed at a fixed rate on or after July 23, 1992, regardless of that rate. Rebates to "**new borrowers**" with loans at the 8%/10% rate are applicable when the T-bill rate plus 3.25% is less than the **applicable interest rate**. Rebates are applicable for the new 8%/10% loan only when the loan reaches the 10% accrual period. For loans first disbursed to **borrowers** with outstanding loans on or after July 23, 1992, the rebate is applicable when the T-bill rate plus 3.10% is less than the loan's applicable interest rate. For second or subsequent loans first disbursed at 8%/10% on or after July 23, 1992, the rebate is applicable both to the 8% period and the 10% period.

*False certification:* Loans may be forgiven if the **school** falsely certified the loan **application**.

*Forbearance:* Borrowers participating in medical internship or residency programs may request and the lender must grant a period of **forbearance** when the borrower has expended his or her entire **deferment** period for internship or residency. Lenders may extend forbearance on loans without a borrower's request (grant

**administrative forbearance**) in prescribed instances, such as a period of **delinquency** preceding an authorized period of deferment.

*Interest subsidy:* The lender may not bill for interest on a subsidized Stafford loan that is disbursed by **check** earlier than 10 days before the first **disbursement** of the loan or earlier than 3 days before the first disbursement of **funds** by **EFT**. In this case only, the term "disbursement" is intended to mean delivery to the borrower.

*Loan sales or transfers:* Borrowers must be notified of the sale or transfer of their loan to another **holder** or **servicer** no more than 45 days from the date the new holder or servicer obtains legal right to receive payments on the loan. Specifically defined information must be included in notices to the borrower, and the notice must be provided by both the seller and holder, or by the previous servicer and new servicer. Lenders may not sell or transfer ownership of a loan that is not yet fully disbursed if the transaction would cause a change in the party to which the borrower will send payments.

*Loan types:* The GSL Program is renamed the **Federal Family Education Loan Program (FFELP)**. The Stafford Loan Program is renamed the Federal Stafford Loan Program, the SLS Program is renamed the Federal SLS Program, and the PLUS Loan Program is renamed the Federal PLUS Loan Program.

*Negotiated rulemaking:* The Department is required to develop regulations from these amendments in a negotiated rulemaking process with the student loan industry and other interested participants.

*PLUS credit check:* Lenders must perform a credit check on PLUS loan applicants and may not make loans to borrowers determined to have adverse credit unless they determine that mitigating circumstances apply.

*Rehabilitation of defaulted loans:* All **guarantors** must provide for the **rehabilitation of defaulted loans** by the **borrower's** making 12 consecutive, on-time, reasonable and affordable payments. In addition, the borrower's defaulted loans must be purchased by an **eligible lender**. There are no federal restrictions that prohibit a loan from being rehabilitated more than once.

*Reinstatement of Title IV eligibility:* A borrower may have his or her eligibility for additional **Title IV** funding reinstated if the borrower makes six consecutive, on-time, reasonable and affordable payments on his or her defaulted loan.

*Repayment terms:* The \$600 joint minimum annual payment amount for married couples is deleted. A new clause advises that the minimum payment is the amount of interest that is due and payable. Lenders must offer to borrowers who have both Stafford and SLS loans the option of deferring the [repayment start date](#) of the SLS loans to coincide with the repayment start date of the Stafford loans. Interest on the SLS loans continues to accrue and is payable by the borrower in monthly or quarterly installments, or may be capitalized.

*Third-party servicer:* The [Department](#) is authorized to regulate [third-party servicers](#).

### October 1, 1992

*Consummated loan:* For subsidized Stafford loans first disbursed on or after October 1, 1992, lenders may not bill the Department for interest or [special allowance](#) payments on loans for which the disbursement check is not cashed or the funds delivered by EFT are not delivered to the student within 120 days of the date of disbursement. Such loans are considered unconsummated.

*Delivering loan funds:* The school must confirm the eligibility of the [dependent student](#) for whom the [parent](#) is borrowing before delivering PLUS loan funds.

*Disbursement rules:* PLUS loans must be disbursed by EFT or by a check that is copayable to the borrower and the school and must be sent to the school.

*Interest rates:* Interest rates on Stafford loans are revised to a [variable interest rate](#) based on the 91-day [T-bill](#) rate plus 3.1%, capped at 9% for loans first disbursed to “new borrowers” who have no outstanding balance on any [FFELP](#) loan on or after October 1, 1992. Interest rates on SLS loans are revised to a variable rate, calculated at the 52-week T-bill rate plus 3.1%, capped at 11%. Interest rates on PLUS loans are revised to a variable rate based on the 52-week T-bill plus 3.1%, capped at 10%.

*Loan types:* Effective for periods of enrollment beginning on or after October 1, 1992, unsubsidized Stafford loans are authorized with provisions paralleling those for subsidized Stafford loans, except that interest during [in-school](#), [grace](#), and deferred periods is not paid by the Department. The program provides loans for students who do not qualify for a subsidized Stafford loan or who qualify for only a part of the annual [subsidized loan](#) amount. Borrowers pay a combined [origination fee/guarantee fee](#) of 6.5%, all of which is paid to the Department. Guarantors are prohibited from collecting guarantee fees on unsubsidized Stafford loans.

*Origination fee:* Lenders must charge SLS and PLUS loan borrowers an origination fee of 5% on all loans with first disbursements on or after October 1, 1992, with the fee being deducted proportionally from each loan disbursement.

## 1993

### January 1, 1993

*Consolidation loans:* Married couples may consolidate their loans into a single Consolidation loan if they agree to be jointly and severally liable for the obligation, regardless of future marital status. Effective for applications received on or after January 1, 1993, the Consolidation minimum loan amount is increased to \$7,500 and periods during which the borrower qualifies for a deferment are subsidized. A Consolidation loan borrower may add other eligible loans to a preexisting Consolidation loan for a period of up to 180 days from the date the Consolidation loan is made.

*Repayment terms:* Lenders must offer Consolidation loan borrowers the option of repaying their loans with graduated or income-sensitive repayment provisions.

### February 1, 1993

*Special allowance:* Provisions for loans made or purchased with tax-exempt obligations are modified.

### April 16, 1993

*Common forms:* The Department issues a Dear Guaranty Agency Director Letter announcing the approval of the common application and promissory note that combines the Federal Stafford and Federal Unsubsidized Stafford or Federal SLS loan into a single form. Schools are required to use the common application and promissory note for loans certified on or after January 1, 1994.

### July 1, 1993

*Aggregate loan limit:* Aggregate loan limits for PLUS loans are effectively negated.

*Annual loan limit:* Stafford [annual loan limits](#) are revised to \$3,500 for the second year of study. SLS annual loan limits for subsequent years of undergraduate enrollment (beyond the second year) are increased to \$5,000 effective July 1, 1993. SLS annual limits for graduate and [professional students](#) are \$10,000. Annual limits for PLUS loans are revised to the [cost of attendance](#) minus other aid, effective for loans first disbursed on or after July 1, 1993.

*Deferment:* For “new borrowers” on or after July 1, 1993, **deferments** are limited to in-school (including periods during which the **borrower** is **enrolled** at least half time), graduate fellowship or **rehabilitation** training, unemployment (not to exceed 36 months), and periods during which the borrower is experiencing **economic hardship** that would preclude making student loan payments. For PLUS loans first disbursed to “**new borrowers**” on or after July 1, 1993, borrowers may no longer defer their PLUS loan based on the status of the **dependent student**.

*Eligibility – schools:* For fiscal year 1993, **schools** with **default** rates exceeding 30% for the three most recent fiscal years for which data is available are not eligible to participate in the **FFELP**. For subsequent years, the default rate may not exceed 25%.

*Repayment terms:* **Lenders** must offer new SLS and Stafford loan borrowers graduated or income-sensitive repayment schedules.

### August 10, 1993

The Student Loan Reform Act of 1993, a part of the **Omnibus Budget Reconciliation Act**, is signed.

*Interest subsidy:* Consolidation loans made from **applications** received on or after August 10, 1993, are eligible for **interest** subsidy during authorized periods of deferment only if all underlying loans are subsidized Stafford loans.

*Loan types:* The Federal Direct Loan Demonstration Program authorized under the **Higher Education Amendments of 1992** is replaced with an expanded pilot.

### October 1, 1993

*Annual loan limit:* Stafford annual loan limits are increased to \$8,500 for graduate and professional students.

*Disbursement rules:* PLUS loans first disbursed on or after October 1, 1993, must be multiply disbursed under the same conditions as SLS loans.

*Lender fee:* Lenders must pay a 0.5% fee for all FFELP loans disbursed on or after October 1, 1993. This fee may not be passed on to the borrower. Lenders of Consolidation loans must pay the **Department** monthly consolidation fees of 1.05% of the total outstanding loan balance of Consolidation loans (principal and interest) made on or after October 1, 1993. This fee may not be passed on to the borrower.

*Loan guarantee:* Loans first disbursed on or after October 1, 1993, are insured at 98% of the principal and outstanding interest filed as a **claim** by the lender.

*Reinsurance:* The reinsurance fee paid by guarantors to the Department is eliminated for loans first disbursed on or after October 1, 1993. Loans first disbursed on or after October 1, 1993, are reinsured at a maximum of 98% of the principal and interest filed with the Department by the **guarantor**.

## 1994

### April 29, 1994

*Closed school loan discharge:* A borrower may be eligible for a closed school loan discharge as long as the borrower did not transfer any portion of the academic credits or clock hours earned at the closed school through a teach-out at another school.

### July 1, 1994

*Additional unsubsidized Stafford funding:* If a school certifies a PLUS loan for an eligible parent and the parent dies during the loan period, the parent’s death creates a sufficient “exceptional circumstance” to permit the school to certify additional unsubsidized Stafford loan funds for the student for the current academic year, not to exceed the student’s additional unsubsidized Stafford loan limit. Any eligible PLUS loan proceeds delivered prior to the date of the parent borrower’s death must be included in the estimated financial assistance used in determining the student’s eligibility for the additional unsubsidized Stafford loan funds.

*Annual loan limit:* Loan limits for unsubsidized Stafford loans for **independent students** (and students whose parents are unable to receive a PLUS loan) are increased to \$6,625 for first year enrollment (a \$4,000 increase), \$7,500 for second year enrollment (a \$4,000 increase), and \$10,500 for subsequent years of undergraduate enrollment (a \$5,000 increase). Graduate **annual loan limits** are increased to \$18,500 (a \$10,000 increase). Borrowers are eligible for these increased limits to the extent that they exceed the amount of funds received under the subsidized Federal Stafford Loan Program.

*Consolidation loans:* Consolidation loans are no longer subject to a minimum loan amount.

*Interest rates:* Interest rates for Stafford loans first disbursed on or after July 1, 1994, are variable rates, calculated at the **T-bill** rate plus 3.10%, capped at 8.25%. Stafford loan interest rates for “repeat borrowers” are no

longer tied to the rate at which the borrower previously received his or her loan. Interest rates for PLUS loans are revised to the T-bill rate plus 3.1%, capped at 9%. The annual [interest](#) rate for Federal Consolidation loans made on or after July 1, 1994, and for which the lender received the consolidation application prior to November 13, 1997, is the weighted average rate of all loans included in the consolidation rounded up to the nearest whole percent. The 9% minimum annual interest rate is no longer applicable.

*Leave of absence:* Students in an approved leave of absence are considered to be withdrawn for purposes of calculating refunds and determining continuous in-school status. For deferment purposes, students are considered to be enrolled during the leave.

*Loan types:* The Federal SLS Loan Program is eliminated. As a result, independent [undergraduate students](#) (and dependent students whose [parents](#) are unable to obtain PLUS loans) are offered additional unsubsidized Stafford loan eligibility equal to the prior SLS annual and [aggregate loan limits](#).

*Origination fee:* Origination fees for all FFELP loans first disbursed on or after July 1, 1994, are 3%. Guarantors are prohibited from collecting [guarantee fees](#) exceeding 1%. The combined origination/guarantee fee for unsubsidized Stafford loans is revoked.

*Repayment terms:* Repayment schedules for loans with original balances of less than \$7,500 may not exceed 10 years.

## October 20, 1994

President Clinton signs into law the [Improving America's School Act of 1994 \(P.L. 103-382\)](#), which allows Nursing Student Loans to be included in a Consolidation loan and changes the [record](#) retention requirements for schools.

*Consolidation loans:* Borrowers are able to consolidate Nursing Student Loans into a Consolidation loan that is made on or after October 20, 1994. A borrower may not retroactively add those loans to a Consolidation loan made before October 20, 1994.

*Record retention:* All required records relating to a student or parent borrower's eligibility for, and participation in, the FFELP must be kept for 3 years after the end of the award year in which the student last attended the school. An award year is the period between July 1 of a given calendar year and June 30 of the following calendar year. In addition, a school must keep copies of all reports (such as its SSCRs) and forms used by the school to administer FFELP loans for 3 years after the end of the award year in which those

records were submitted. Any records relating to a loan, [claim](#), or expenditure questioned in an audit, [program review](#), investigation, or other review must be retained until the later of the resolution of the question or the end of the retention period applicable to the record. Schools are encouraged to keep records longer than the minimum 3-year period to aid in their defense of [cohort default rate](#) appeals, claims of false certification, or other borrower defenses. These requirements are effective for any record that meets the 3-year retention requirement on or after October 20, 1994.

## 1995

### March 1995

*Audit:* The Department publishes an audit guide on annual compliance audits. The following provisions are included in the initial instructions published with the audit guide for lenders:

- For initial audits, a lender with a fiscal year ending July 23 through December 31 is required to choose between having separate audits for fiscal years 1993 and 1994 or a combined audit for the two years.
- The initial audit for a lender with a fiscal year ending January 1 through July 22 must cover fiscal year 1994.
- A lender with a fiscal year ending January 1 through March 31 may choose to have a combined initial audit for fiscal years 1994 and 1995.

### July 1, 1995

*Bankruptcy:* Borrowers who have had previous [FFELP](#) loans [discharged](#) in [bankruptcy](#) are no longer required to reaffirm the old debt to be eligible to borrow additional FFELP funds.

*Deferment:* Eligibility criteria for the [economic hardship deferment](#) are revised. Regulations require that deferments be administered as borrower-specific provisions so that the borrower may use those deferment entitlements on which time limits are placed only for the maximum time frame on all their FFELP loans, regardless of when those loans are made. Thus, a borrower who receives a loan and defers it based on internship for 20 months, then takes a second loan, is eligible for only 4 months of internship deferment on that second loan.

*Eligibility – school:* When a school begins participation in any Title IV program, the school is required to send at least two representatives, including both its president or chief

executive officer (CEO) and financial aid administrator (FAA), to the Department's Fundamentals of Title IV Administration Training workshop. Also, if a school changes ownership, structure, or governance, its representatives must attend the training. The training must be completed up to 12 months prior to but no later than 12 months after the school executes its Program Participation Agreement (PPA) or experiences a change in ownership, structure, or governance.

The CEO may designate another school executive-level officer to attend the training in lieu of the CEO. The school may request from the Department a waiver of the training requirement for the FAA and/or the CEO. The Department may grant or deny the waiver for the required individual, require another official to take the training, or require alternative training.

A school seeking to participate for the first time in a Title IV program must not have a withdrawal rate during its latest completed award year that exceeds 33% of its regular, undergraduate students. The school must include in its withdrawal calculation every regular student who was enrolled during the latest completed award year except a student who, during that period, meets established criteria.

*Exceptional performance:* **Exceptional performer** criteria are defined, permitting some lenders and lender **servicers** to obtain a performance rating that will result in their receiving 100% reimbursement on **claims** submitted—regardless of the **disbursement date** of the loans included in the claims.

*Interest rates:* Interest rates on Stafford loans are revised; lenders earn interest at one rate (**T-bill** plus 2.5%) during **in-school**, grace, and deferred periods, and a higher rate (**T-bill** plus 3.1%) during periods of repayment.

*Leave of absence:* **Leave of absence** provisions are reinstated, but are limited to no more than a 60-day period. The student is considered to be **enrolled** for purposes of enrollment **verification** and **refunds**. For a one-year period—July 1, 1994, through July 1, 1995—students in an approved leave of absence were considered to be withdrawn for purposes of calculating refunds and determining continuous in-school status. For **deferment** purposes, students were considered to have remained enrolled during the leave.

*PLUS credit check:* A PLUS loan applicant with adverse credit history may obtain a creditworthy **endorser** to receive a PLUS loan. A PLUS loan applicant is considered to have adverse credit if, among other conditions, the applicant had any debt discharged in bankruptcy during the 5-year period before the date of the applicant's credit report.

*Origination fee:* Loans on which **origination fees** are not paid promptly by the originating lender are deemed to be non-reinsured. The lender or **holder** may not collect **interest benefits** or special allowance on the loans.

*Repayment start:* **Lenders** may offer a postponement of repayment start on SLS loans that is consistent with the grace on a **borrower's** Stafford loan. Previously, borrowers with both Stafford and SLS loans entering repayment could postpone the beginning of their SLS repayment only for 6 months without requesting a **forbearance** for the additional months that coincided with their Stafford **grace period**.

*Special allowance:* **Special allowance** rates on Stafford loans are revised; lenders earn interest at one rate (**T-bill** plus 2.5%) during **in-school**, grace, and deferred periods, and a higher rate (**T-bill** plus 3.1%) during periods of repayment.

## September 30, 1995

*Audit:* A lender must complete its initial audit (or audits) by September 30, 1995. If the lender is required to submit an audit report, the report must be submitted to the Department by September 30, 1995. The deadline for the completion of the audit is extended to June 30, 1996, for any audit period in which a lender originated or held FFELP loans totaling \$5 million or less.

## November 29, 1995

The **Department** publishes final regulations on the **Equity in Athletics Disclosure Act**, effective July 1, 1996.

## December 1, 1995

The Department publishes **final regulations** on default prevention, **parity with the FDLP**, the **Student Right-To-Know Act**, **regulatory reform**, and **ability-to-benefit**, effective July 1, 1996.

## 1996

### March 1, 1996

*Dear Colleague Letter* 96-G-287/96-L-186 lifts the Department's waiver of enforcement of the lender due diligence provisions in **34 CFR 682.411**, published in the December 18, 1992, **Federal Register** and clarifies policy changes pertaining to lender due diligence.

## April 1, 1996

The *Common Manual—Unified Student Loan Policy*, which contains both federal and [guarantor](#) policies, is adopted by 23 guarantors. The *Common Manual* was developed from inception to publication in less than one year.

Acknowledgment for this accomplishment is due to many individuals and their organizations:

- To the staff of participating guarantors for their time, patience, and long hours spent going through several drafts and compromising on sensitive issues.
- To National Student Loan Program (NSLP), the Montana Guaranteed Student Loan Program (MGSLP), and the Northwest Education Loan Association (NELA) for providing administrative leadership and support throughout the development of the manual.
- To the Iowa College Student Aid Commission for guiding the manual through the various draft stages, receiving numerous edits from the guarantors involved, and compiling and inserting the edits into a readable format.
- To TG and the Oregon Student Assistance Commission for performing final editing on the manual.
- To USA Funds, Inc., for providing its December 1994 manual as the foundation for this manual, performing final editing on the text, and preparing the manual for publication.

It is in the spirit of partnership and cooperation that this manual was created.

## July 1, 1996

*Ability to benefit:* [Ability-to-benefit \(ATB\)](#) students may receive [Title IV funds](#) if they obtain passing scores on independently administered tests approved by the Department; obtain passing scores on Department-approved [state](#) tests; or enroll in schools that participate in state processes that have been approved by the Department. This provision is effective for loan applications certified for the 1996–97 award year and thereafter.

*Aggregate loan limit:* For purposes of determining if a borrower has exceeded the [aggregate loan limit](#), a school or lender may make certain assumptions about the underlying Stafford loans (subsidized vs. unsubsidized) in a Consolidation loan.

*Annual loan limit:* For loan periods beginning on or after July 1, 1996, certain health profession students who attend eligible HEAL participating schools and who have not borrowed under the HEAL program prior to October 1, 1995, are eligible to borrow unsubsidized Stafford loans in excess of annual and aggregate limits. To be eligible, a school must have disbursed HEAL loans in federal fiscal year 1995 (October 1, 1994, through September 30, 1995) and must not have subsequently withdrawn from the HEAL program.

*Bankruptcy:* If a borrower files for [bankruptcy](#), a lender should not make any disbursement on any loan for which the borrower applied and that is approved before the borrower's bankruptcy filing. Any funds disbursed but not yet delivered by the school should be recalled. Loans scheduled to be disbursed after the date of the bankruptcy filing should be canceled. These changes apply to disbursements made on or after July 1, 1996.

Any period of administrative forbearance that is applied in conjunction with a [cure](#) period must be included in the calculation of the 7-year [repayment period](#) for the purpose of determining dischargeability of a loan in [bankruptcy](#). If a bankruptcy [claim](#) is not filed in a timely manner, a lender need not perform cure activities. The lender may consider a loan to have regained reinsurance if the lender is resuming servicing after receiving notice that the loan was not discharged in bankruptcy or that the bankruptcy action was reversed or dismissed. These changes apply to bankruptcy notifications received by the lender on or after July 1, 1996.

*Claim payment:* For a non-default claim, the [guarantor](#) purchases all interest that accrues from the interest-paid-through date through the date the guarantor pays a claim (if the lender does not incur any penalties for [due diligence](#) violations or for failure to meet timely filing or refiling deadlines). This applies to claims received by the guarantor on or after July 1, 1996.

*Claims – returned and refilled:* Resubmission of a claim on the 31st day through the 60th day, inclusive, after the guarantor returns the claim to the lender will result in loss of eligibility for interest, [interest benefits](#), and special allowance payments beyond the 30th day after the return. This applies to returned claims received by the lender on or after July 1, 1996.

*Cohort default rates:* The defaulted loan of a student who attended and borrowed at more than one [school](#) is attributed to the respective schools at which the student received a loan that entered repayment for the fiscal year. A weighted average [cohort default rate](#) is required for schools with borrowers entering repayment in both FFELP and FDLP in the same fiscal year; the formula used to calculate the rate

depends on the type of school and the number of students entering repayment. Rehabilitated FFELP or FDLP loans are not considered to be in default for purposes of cohort default rate calculations. “Enclosure B,” which outlines cohort default rate appeal procedures, is renamed the “Official Cohort Default Rate Guide.” Schools are no longer required to notify the Department of their intent to appeal cohort default rates. The criteria for appealing a school’s cohort default rate were expanded. A school’s chief executive officer (CEO) must provide a [certification](#), under penalty of perjury, that all information submitted by the school in support of its cohort default rate appeal is true and correct. For a cohort default rate appeal based on exceptional mitigating circumstances, a school must submit an independent auditor’s opinion regarding the CEO’s assertion that the information contained in the school’s appeal is complete and accurate. Implementation of a default management plan or [Appendix D](#) is no longer a requirement for schools with cohort default rates greater than 20%. Implementation of [Appendix D](#) may not be used as a defense to loss of eligibility for [schools with FFELP cohort default rates](#) greater than 40%.

*Consolidation loans:* A borrower may consolidate [defaulted](#) loans by agreeing to repay the Consolidation loan under an income-sensitive repayment schedule. This applies to Consolidation loan [applications](#) received on or after July 1, 1996.

*Credit bureau reporting:* Lenders are strongly encouraged to wait until a borrower is at least 60 days delinquent before reporting a [delinquency](#) to a credit bureau. This applies to credit bureau reporting on or after July 1, 1996.

*Cure:* These changes are enforced for loans on which the first day of delinquency on the “oldest outstanding due date” is after July 1, 1996.

- Defines the earliest unexcused violation based on the type of violation causing the loss of the loan’s [guarantee](#).
- Codifies that a [lender](#) must complete the prescribed [cure](#) activities and reinstate a loan’s guarantee within a specific 3-year time frame.
- The lender must complete the intensive collection activities (ICA)/location cure procedure (that is, the default claim must have been filed) by the 3-year deadline.

*Data matches:* The Department will perform a data match with the Social Security Administration to confirm claims of U.S. citizenship made on the FAFSA. The Department also will conduct a data match with the Selective Service to

verify a male student’s registration status. These provisions are applicable to loans certified for periods of enrollment beginning on or after July 1, 1996. For loan [applications](#) certified for the 1996–97 award year and after, the Department will conduct a data match with the Social Security Administration to verify the [Social Security number](#) a student provides on the FAFSA.

*Deferment:* A borrower who has [defaulted](#) on a loan is not eligible for a deferment unless the borrower makes payment arrangements acceptable to the lender to resolve the default prior to payment of the default [claim](#) by the guarantor. This applies to deferment requests received by the lender on or after July 1, 1996.

To obtain an unemployment [deferment](#), a [borrower](#) may provide the titles (in lieu of the names) of the six persons contacted in an attempt to secure employment. This applies to unemployment deferments granted by the [lender](#) on or after July 1, 1996.

*Delivering loan funds:* The following changes apply to [funds](#) credited to the student’s account on or after July 1, 1996:

- A [school](#) may use Stafford or PLUS [loan proceeds](#) to pay minor prior-year charges that do not exceed \$100; loan proceeds can be applied to prior-year charges that exceed \$100 if doing so will not prevent the student from paying his or her current year costs.

*Disability discharge (total and permanent):* Within 30 days of receiving payment of a [disability discharge](#) claim, the lender is required to return to the sender any payments received from, or on behalf of, a borrower after the date a physician certifies that the borrower is totally and permanently disabled. This applies to total and permanent disability claims filed by the lender on or after July 1, 1996.

*Disclosures:* Beginning with the 1996–97 [award year](#) schools must disclose completion/graduation and transfer-out rates to current and prospective students. Correspondence schools are no longer required to provide prospective students with a schedule for submission of lessons for courses of study beginning on or after July 1, 1996.

*Due diligence:* A lender must give the borrower 30 days from the date the [final demand](#) letter is mailed to repay principal and [interest](#), plus interest and [special allowance](#) paid by the [Department](#), on any portion of a loan that is ineligible. This applies to final demand letters mailed on or after July 1, 1996.

The following changes are enforced for loans on which the first day of delinquency on the “oldest outstanding due date” is after July 1, 1996. The “oldest outstanding due date” is the date from which the current 180-day due diligence counter is based and is sometimes referred to as the “latest,” “current,” or “next” due date. The following provisions are included:

- Permits lenders to substitute forceful collection letters for telephone contacts with borrowers who are [incarcerated](#) or live outside a [state](#), Mexico, or Canada.
- Replaces 30-day buckets with new [due diligence](#) windows of 1–10 days delinquent and 11–180 days delinquent.
- Requires a [final demand](#) letter—which gives the borrower 30 days to bring the loan out of [default](#)—on or after 151st day of delinquency (was day 151–180). An exception is permitted if the borrower’s address is unknown and remains unknown after the lender has exhausted all required [skip tracing](#) activities. In such instances, the lender is excused from sending the borrower a final demand letter, unless a valid address for the borrower is obtained on or before the 150th day of delinquency (the 210th day for loans payable in installments less frequent than monthly).
- Establishes collection rules for a [rolling delinquency](#) or [special occurrence](#) if 1–10 days delinquent, 11–90 days delinquent, 91–120 days delinquent, or more than 120 days delinquent, as a result of the event.
- Permits a lender to continue collection efforts required in the 11–180 days of delinquency after sending the final demand letter to the borrower. Specifies that those collection efforts should be restricted to diligent telephone efforts.
- Requires a lender to perform telephone [skip tracing](#) activities if the lender discovers—even on the last required attempt to make a [diligent effort](#) to contact the borrower—that the telephone number is invalid.
- Clarifies that at least one diligent effort to contact the borrower by telephone must occur on or before the 90th day of delinquency.
- Defines [gap](#) in collection activity.
- Defines [diligent effort](#) for telephone contacts.
- Defines telephone and address [skip tracing](#) requirements and establishes time frames.
- Prescribes [due diligence](#) requirements for [endorsers](#).
- Preempts any [state](#) law conflicting with lender collection requirements.
- Defines “made-up” collection activity.
- If a lender determines that it does not know the current telephone number for a delinquent endorser, the lender must diligently attempt to obtain a valid telephone number through the use of normal commercial skip tracing techniques. If the lender determines that a delinquent endorser’s telephone number is incorrect after it sends the final demand letter, the lender need not attempt to find a valid telephone number.
- For delinquent borrowers, a lender’s skip tracing techniques must include an inquiry to directory assistance or a comparable service.
- A due diligence gap starts the day after the date the lender receives a new correct telephone number for a delinquent borrower.

*Eligibility – borrower and student:* For loans certified for periods of enrollment beginning on or after July 1, 1996:

- A stepparent is eligible for a PLUS loan if the stepparent’s income and assets have been taken into account when calculating a [dependent student’s EFC](#).
- Secondary confirmation of an applicant’s eligible noncitizen status is not required if the status was confirmed in a previous award year or if the school does not have conflicting information or reason to believe that the applicant’s claim of citizenship is incorrect.
- If a [parent](#) is denied a PLUS loan due to adverse credit, this denial can be considered “exceptional circumstances.” Only one parent need be denied a PLUS loan and the student’s family must be otherwise unable to provide the expected family contribution in order for a dependent student to be eligible for an additional unsubsidized Stafford loan; however, if any of the student’s parents subsequently becomes eligible for a PLUS loan, undelivered [disbursements](#) of the additional unsubsidized Stafford loan must be canceled.

For loan [applications](#) certified for the 1996–97 award year and after, students who enroll in service academies but withdraw before graduating (under any circumstances except a dishonorable release) are considered veterans for purposes of determining dependency status.

For loan applications certified on or after July 1, 1996, a student borrower seeking a Stafford loan or a student for whom a PLUS loan is being obtained must not have property subject to a judgment lien for a debt owed to the United States.

A student may self-certify that he or she has at least a high school diploma or the recognized equivalent of a high school diploma, or has completed a secondary school education in a home-schooled setting.

A student is required to update his or her dependency status if it changes during the award year regardless of whether the student is selected for verification. The only exception is if the student's dependency status changes as the result of a change in marital status. If the student's last remaining parent dies after the student submits the FAFSA, the student must update his or her dependency status on the Student Aid Report (SAR) and report income and assets as an independent student.

A borrower is ineligible for a FFELP loan if the borrower has had a prior FFELP loan partially or totally written off by a guarantor. To become eligible to receive a new FFELP loan, a borrower must reaffirm the written-off loan, provide confirmation of that reaffirmation to the school, and be otherwise eligible for the loan. A borrower whose prior FFELP loan has been partially or totally written off by a lender is not required to reaffirm the written-off loan as a condition of eligibility.

*Eligibility – school:* A school will lose FFELP eligibility 30 calendar days after the date it receives notification that its three most recent cohort default rates are 25% or greater—unless an appeal is filed. [Limitation](#), [suspension](#), and [termination](#) actions may be taken against a school with any combination of a FFELP, [FDLP](#), or a weighted average cohort default rate that is equal to or greater than 25%.

*Endorser:* An [endorser](#) is released from his or her repayment obligation if (1) the borrower dies or (2) on or after July 23, 1992, the student for whom a [parent](#) received a PLUS loan dies, or (3) the loan is discharged for any other reason. This applies to death certificates received by the [lender](#) on or after July 1, 1996.

*FAFSA:* The [Statement of Educational Purpose](#) has been added to the [FAFSA](#).

*Forbearance:* A lender may apply an [administrative forbearance](#) if a borrower requests repayment alignment of his or her Stafford and SLS loans. This change applies to loans that are eligible for repayment alignment on or after July 1, 1996.

A lender may grant an [administrative forbearance](#) to a borrower to cover any period of [delinquency](#) that exists after the close of a period of deferment or [mandatory forbearance](#). This applies to all deferments and mandatory forbearances with end dates on or after July 1, 1996.

*Foreign school:* Foreign schools must comply with federal regulations, unless exempted by the [Department](#).

*Guarantee fee:* A lender must refund a prorated portion of the [guarantee fee](#) to the borrower's account if a loan or a portion of a loan is returned by the school to the lender on or after July 1, 1996. Lenders are encouraged to use a standard refund formula.

*Late disbursement/post-withdrawal disbursement:* If a lender makes a [late disbursement](#) 61–90 days after the borrower is no longer [enrolled](#) at least half time, it is the school's responsibility to determine and document that exceptional circumstances exist. This applies to loan funds delivered by the school on or after July 1, 1996.

*Loan amount:* Once a prorated loan amount has been certified, the school need not recalculate the [borrower's](#) eligibility if the number of hours for which the student is [enrolled](#) changes. This change is applicable to loans certified for periods of enrollment beginning on or after July 1, 1996.

*Loan certification:* For loan applications certified on or after July 1, 1996:

- A school may certify a loan for the entire [academic year](#) in which a borrower regains Title IV eligibility after [default](#).
- A school may certify a PLUS application before the [FAT](#) or equivalent data is received.

A school is prohibited from charging a fee for completing or certifying any FFELP document or for providing any information necessary to receive a FFELP loan or program benefit.

After a school has certified a Stafford loan, the loan certification cannot be changed to reflect a change in dependency status. However, the school may use the updated status to recalculate the expected family

contribution and certify additional loans if the student qualifies. The school is liable for any overpayment of Stafford loan funds due to recalculation errors.

*Notices and authorizations:* When a school notifies a [borrower](#) by electronic means that loan funds were credited to the student's account, the borrower must confirm receipt of that notice.

*NSLDS:* The Department issues [Dear Colleague Letter GEN-96-13](#) to announce the availability of the National Student Loan Data System (NSLDS) to meet the regulatory requirements for obtaining financial aid transcript (FAT) information for purposes of determining student eligibility for Federal Title IV student assistance. Effective with the implementation of NSLDS reporting, applicable procedures may be included by the guarantor in a school program review. Beginning with the 1996–97 award year, schools may access the [NSLDS](#) to obtain [financial aid transcript](#) data.

For each transfer student applying for Title IV aid, a school must obtain and evaluate financial aid transcript (FAT) data from the National Student Loan Data System (NSLDS) for each school the student attended previously. A school is required to complete and return paper FATs when requested to do so by another school. A school may certify or decline to certify a Stafford or PLUS loan application and promissory note, but may not release the proceeds of any Stafford or PLUS loan before receiving and evaluating data from NSLDS or a paper FAT, as applicable. This change is effective for FAT data requested by schools for the 1996–97 award year and after.

In determining whether a student has ever defaulted on any Title IV loan, schools may rely on NSLDS financial aid history information (or transcripts from other schools in the case of a mid-year transfer student) and on information provided by the student or parent borrower during the application process, unless the school receives conflicting information. The school must reconcile all conflicting information before delivering any funds. This change is effective for FAT information requested by schools for the 1996–97 award year and after.

*Origination fee:* A lender must refund a prorated portion of the [origination fees](#) to the borrower's account if a loan or a portion of a loan is returned by the school to the lender on or after July 1, 1996. Lenders are encouraged to use a standard refund formula.

*Payment application:* A lender may credit an entire payment first to any [late charges](#) or collection costs, then to any outstanding [interest](#), and then to outstanding principal. Unless the borrower requests otherwise, a payment that

equals or exceeds the regularly scheduled payment amount must be applied to future installments. A borrower's due date may be advanced if the payment received is within \$5.00 of the amount due; this tolerance cannot be applied to a curing payment. These changes apply to payments received on or after July 1, 1996.

*Record retention:* Schools must retain any [records](#) related to unresolved audits that begin or are in progress on or after July 1, 1996.

*Refunds:* A school must pay [refunds](#) to [lenders](#) within 60 days of the date that the student withdraws or is expelled. If a student does not return to school at the expiration of an approved [leave of absence](#), the refund must be sent within 30 days of the date the leave of absence expires or the student notifies the school that he or she will not be returning, whichever is earlier. This applies to refunds for students who withdraw, are expelled, or do not return from leaves of absence on or after July 1, 1996.

*Repayment start date:* A 30-day extension of the first payment due date for a SLS loan is permitted if an extension is necessary for the lender to comply with the requirement that the payment disclosure be sent to the borrower no less than 30 days before the first payment is due. The 30-day extension had previously only applied to Stafford loans. This change applies to loans that enter or reenter repayment on or after July 1, 1996.

Changes codify the [Dear Colleague Letter 88-G-138](#) rule to set the first due date within 45 days or within 75 days for late notification or early withdrawal.

*Repayment terms:* A lender may apply an [administrative forbearance](#) if a borrower requests repayment alignment of his or her Stafford and SLS loans. To align repayment of Stafford and SLS loans, the borrower need only have one Stafford loan that has not yet entered repayment. The length of the postponed SLS [repayment period](#) is determined by the Stafford loan with the longest applicable [grace period](#). These changes apply to loans that are eligible for repayment alignment on or after July 1, 1996.

*Status changes and reporting:* Upon request, a school must promptly provide the [Department](#), a lender, or a [guarantor](#) with any information it has regarding the address, name, employer, and employer address of any borrower who attends or has attended the school. This applies to changes reported to the school by the student or another reliable source on or after July 1, 1996.

For [deferment](#) and enrollment status reporting purposes, if a student does not return for the next scheduled term following a summer break or summer bridge deferment, the

school must determine the student's [withdrawal date](#) within 30 days after the first day of the next scheduled term. This applies to scheduled terms that begin on or after July 1, 1996, for students who fail to return from a summer break.

### August 22, 1996

*Eligibility – borrower and student:* Noncitizen eligibility requirements are modified based on the [Personal Responsibility and Work Opportunity Reconciliation Act of 1996](#) (effective August 22, 1996). Further guidance was subsequently provided by the Department of Education in [DCL GEN-98-2](#). The new eligibility criteria for FFELP borrowers includes noncitizens with a Departure Record (I-94) from the U.S. Immigration and Naturalization Service (INS) indicating one of the following statuses:

- Alien paroled into the U.S. for at least one year.
- Alien granted a stay of deportation [pursuant to [8 U.S.C. section 1253\(h\)](#)] due to fear of persecution on account of race, religion, or political opinion.
- Conditional Entrant (valid if I-94 was issued before April 1, 1980).

The changes indicate the elimination of eligibility for certain categories of noncitizens previously determined to be eligible: Temporary Resident, Indefinite Parolee, Humanitarian Parolee, and Cuban-Haitian Entrant. Acceptable documentation for determining U.S. citizenship status includes a U.S. passport.

*Delivering loan funds:* A school may deliver funds to an otherwise eligible student pending INS response to secondary confirmation, provided at least 15 business days have elapsed since the school submitted the documentation to INS. Citizens of the Federated States of Micronesia, the Republic of the Marshall Islands, and Palau are not eligible for FFELP funds at any participating school, but may be eligible for other types of Title IV aid. These changes are effective for loan applications certified by the school on or after August 22, 1996.

### September 1, 1996

*Bankruptcy:* If the late refiling of a [bankruptcy claim](#) results in a guarantor's missing any court-established deadlines, the result will be permanent [cancellation](#) of the guarantee on the loan, except in limited circumstances. This applies to returned claims received by the lender on or after September 1, 1996, unless implemented earlier by the guarantor.

*Consolidation loans:* A PLUS borrower may consolidate his or her PLUS loans if the [dependent student](#) for whom the [parent](#) has borrowed is [enrolled](#) at least half time. This applies to Consolidation loan applications received by the lender no later than September 1, 1996.

*NSLDS:* The Department issues [Dear Colleague Letter GEN-96-17/96-L-189/96-G-291](#) that describes the implementation of the Student Status Confirmation Report (SSCR) function of the National Student Loan Data System (NSLDS). The guarantor is no longer responsible for the distribution and collection of SSCRs once the school receives a letter from the Department confirming the school's successful SSCR testing with the NSLDS. The Department, via the NSLDS, is responsible for ensuring that SSCR information is distributed to the appropriate guarantor and, in some cases, lenders. This change is effective on and after the date the school receives a letter from the Department indicating that the school has successfully tested its SSCR process through the NSLDS.

*Status changes and reporting:* A [guarantor](#) will assume that the lender's receipt date of enrollment information is the day a guarantor successfully transmits such information electronically to the lender. If an [enrollment update report](#) is generated in the last 7 days of the month, the lender receipt date is assumed to be no later than 5 days after the end of the month. These changes apply to enrollment information generated by the guarantor on or after September 1, 1996.

Enrollment information must be reported whenever the enrollment status for an individual student changes. The enrollment status changes that must be reported include any change that the school is required to report through enrollment reporting. Examples of enrollment changes that a school is required to report include a change from full-time to half-time status, a change from half-time to less-than-half-time status, a withdrawal, a graduation, or an approved leave of absence that complies with Title IV requirements. If a student's enrollment status changes and the school does not expect its NSLDS enrollment reporting to be completed within the next 60 days, the school must submit an ad hoc report within 30 days. These changes apply to school enrollment reporting beginning in September 1996.

*Reinstatement of Title IV eligibility:* A [borrower](#) who requests [reinstatement](#) of [Title IV](#) eligibility, but is not requesting a new loan, is allowed to make the six required payments either before or after requesting reinstatement; at least one payment must be made by the borrower at or after the time of the request. This applies to loan [applications](#)

certified by the [school](#) or requests for reinstatement of Title IV eligibility received from the borrower on or after September 1, 1996.

### November 1996

*Audit:* The Department announces the deadline for the completion of the lender audit is extended to June 30, 1998, for any audit period in which a lender originated or held FFELP loans totaling \$5 million or less.

### November 27, 1996

The [Department](#) publishes [final regulations](#) on regulatory relief, [record retention](#), [conflict of interest](#), and [guarantor and lender due diligence](#), effective July 1, 1997.

### November 29, 1996

The Department publishes [final regulations on cash management](#) and [financial responsibility for schools](#), effective July 1, 1997.

### December 31, 1996

*Audit:* A [lender](#) is required to submit the compliance audit report to the [Department](#) if, for the fiscal year being audited, it made or held:

- [FFELP](#) loans totaling \$10 million or more.
- More than \$5 million but less than \$10 million in FFELP loans and its compliance audit report identifies findings of noncompliance.

A lender who made or held FFELP loans totaling more than \$5 million but less than \$10 million for the fiscal years being audited and whose report does not disclose findings of noncompliance must retain those reports for a period of 5 years and submit them to the Department only if requested. Historically, meeting the requirement to submit an annual compliance audit for a lender who made or held less than \$5 million in FFELP loans has been delayed. This is effective for fiscal years ending on or after December 31, 1996.

## 1997

### January 16, 1997

*Annual loan limit:* The criteria for determining annual loan limits for students taking preparatory coursework are revised:

- A 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 may borrow at the first-year undergraduate loan level.
- A 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 may borrow at the fifth-year undergraduate loan level.

These changes are effective for loan applications certified by the school on or after January 16, 1997.

### February 1, 1997

*Due diligence:* If all four required [diligent efforts](#) to contact the [borrower](#) by telephone have been completed and the lender subsequently becomes aware it does not have a correct telephone number for the borrower, the lender is not required to perform telephone [skip tracing](#) activities. This change is effective for borrower telephone numbers determined by the lender to be invalid on or after February 1, 1997.

If a lender learns that a reference does not know the borrower's current whereabouts, does not anticipate contact with the borrower in the future, or that the reference is not acquainted with the borrower, the lender must note this information in the loan's servicing history and is not required to contact that reference again. This change is effective for borrower addresses or telephone numbers determined by the lender to be invalid on or after February 1, 1997.

*Endorser:* If the PLUS loan applicant is required to obtain an [endorser](#) in order to be eligible for the PLUS loan, the student for whom the PLUS loan is being obtained cannot serve as the endorser. This applies to PLUS loan [applications](#) received by the lender on or after February 1, 1997.

**March 1, 1997**

*Interest rates:* A lender who offers discounted [interest](#) rates must notify the borrower that the lower interest rate ends on the date a [default](#) or [ineligible borrower claim](#) is purchased by the guarantor. A lender is required to provide [documentation](#) of this notice if a borrower challenges the guarantor or the Department of Education for charging the applicable statutory maximum interest rates during postclaim interest accrual. If the issue goes to court and the court's decision in favor of the borrower makes the loan unenforceable at the maximum [statutory interest rate](#), the lender will be required to repurchase the loan and the guarantee will be withdrawn permanently. The lender may be required to reimburse the guarantor for any court costs or court-imposed fines or penalties. This applies to loans beginning repayment at a reduced interest rate on or after March 1, 1997.

*NSLDS:* Schools that have received a letter from the Department confirming successful submission of a Student Status Confirmation Report (SSCR) roster file to the National Student Loan Data System (NSLDS) are exempt from the requirement to process SSCR rosters received directly from guarantors. Schools that have not received a letter from the Department confirming successful submission of an SSCR roster file to the NSLDS must respond both to SSCR roster files received from the NSLDS and SSCRs received from guarantors until otherwise notified by the Department. These changes are effective for SSCR roster files received by a school from the Department on or after March 1, 1997.

A school may be required to report a change in the student's enrollment status that affects the grace period, repayment responsibility, or deferment privileges of a borrower through an ad hoc report. An ad hoc report must be submitted within 30 days unless the school expects to submit a Submittal File within the next 60 days.

*Reinstatement of Title IV eligibility:* A [guarantor](#) will review the most recent 6-month period to determine whether a borrower qualifies for [reinstatement of Title IV eligibility](#). Each of the six required payments must be received within 15 days of the due date for the 6 months immediately preceding the date the guarantor receives the borrower's new loan application and [promissory note](#) or request for reinstatement. This applies to loan applications or requests for reinstatement received by the guarantor on or after March 1, 1997.

*Repayment start:* For a Stafford loan converted to repayment on or after March 1, 1997, the lender must use the day-specific method for converting the loan to repayment.

*Social Security Number documentation/reporting:* A passport is no longer accepted as a valid source document for initiating and reporting a [Social Security number](#) change. A state driver's license or a state-issued identification card for those states in which the Social Security number is listed on the license or identification card has been added as a resource document for the initiating and reporting an Social Security number change. This applies to Social Security number changes initiated or reported on or after March 1, 1997.

If a school becomes aware of any Social Security number (SSN) change, the school is expected to verify the correct SSN by obtaining a copy of an acceptable source document from the following list:

- Social Security card or other Social Security Administration document.
- Income tax return or W-2 form.
- Official military orders, documents, or papers.
- Loan application (if the discrepancy resulted from a data input error).
- State driver's license or state-issued identification card on which the SSN is listed.

Changes to a student's SSN must be reported to the guarantor through NSLDS using the SSCR or an equivalent process. If the change is to a parent borrower's SSN, the school must continue to notify the guarantor directly. If the guarantor requires the supporting documentation for any SSN change, the school must provide it. Schools may contact individual guarantors for more information on procedures for reporting SSN changes. This change is effective for student SSN changes identified by a school on or after March 1, 1997.

**April 1, 1997**

*Closed school loan discharge:* If a closed school claim includes FFELP loans that have been paid in full as a result of a Consolidation loan, the consolidating lender must submit the original application and promissory note for the underlying FFELP loan(s) assigned to the guarantor. However, if the loan(s) that qualifies for [discharge](#) is paid in full as a result of consolidation, or consists solely of FFELP loans paid in full by or on behalf of the borrower and the original or the true and exact copy of the application and promissory note cannot be located, the guarantor and the [lender](#) must examine their [records](#) and any [documentation](#)

submitted by the [borrower](#) to determine if the borrower qualifies for a [discharge](#) or [refund](#). This applies for [claims](#) filed by the lender on or after April 1, 1997.

*Eligibility – borrower and student:* A baptismal certificate or voter registration card may not be used as acceptable documents for secondary confirmation of a student's or parent's citizenship. This applies to citizenship verifications requested by the school on or after April 1, 1997.

*False certification loan discharge:* If a false certification claim includes FFELP loans that have been paid in full as a result of a Consolidation loan, the consolidating lender must submit the original application and promissory note for the underlying FFELP loan(s) assigned to the guarantor. However, if the loan(s) that qualifies for [discharge](#) is paid in full as a result of consolidation, or consists solely of FFELP loans paid in full by or on behalf of the borrower and the original or the true and exact copy of the application and promissory note cannot be located, the guarantor and the [lender](#) must examine their [records](#) and any [documentation](#) submitted by the [borrower](#) to determine if the borrower qualifies for a [discharge](#) or [refund](#). This applies for [claims](#) filed by the lender on or after April 1, 1997.

*Forbearance:* A lender may grant a [forbearance](#) retroactively to resolve the borrower's [delinquency](#), provided the duration of each forbearance [agreement](#) does not exceed the maximum 12-month limit. This change is effective for forbearances granted by the lender on or after April 1, 1997.

### May 1, 1997

*Bankruptcy:* If the lender receives a Notice of the First Meeting of Creditors (the Notice) or other confirmation from the [bankruptcy](#) court (directly either from the court or from another source) that a borrower has filed for relief under any chapter of the [bankruptcy code](#), the lender must cease collection activities and may not file a [preclaim assistance](#) request with the [guarantor](#). Further, if the lender has already filed for preclaim assistance and receives notice of any bankruptcy action, the lender must immediately, within 5 business days of the lender's receipt of the Notice, notify the guarantor to cancel preclaim activities based on a bankruptcy action filed on the borrower's loans. If the lender's failure to comply results in the court determining the loan to be unenforceable, the [guarantee](#) on the loan will be permanently canceled. Further, the lender will be required to reimburse the guarantor for costs associated with defending itself against contempt of court charges on the account if those charges are based solely on the lender's failure to comply with these provisions and can be demonstrated accordingly. In the event the lender receives notice that the bankruptcy action has ended and the loan

remains enforceable and is deemed nondischargeable; the bankruptcy case is dismissed; or [discharge](#) is reversed, the lender must treat the loan as though it were in forbearance. This change is effective for loans on which the lender receives the bankruptcy notification on or after May 1, 1997.

*Consolidation loans:* A guarantor will guarantee a Consolidation loan only if the borrower (or borrowers in the case of spouses applying to consolidate their loans) has one or more active loans currently held by the guarantor except as otherwise agreed on a case-by-case basis by the lender and guarantor. This is effective May 1, 1997.

*Status changes and reporting:* A lender must not adjust the borrower's anticipated graduation date (AGD) if the lender receives enrollment information as part of an in-school [deferment](#) request that is certified for an academic period that ends earlier than the borrower's AGD of record and no conflicting AGD information is included on the enrollment certification. The lender must document that it received information from the [school](#), but need not report to the guarantor any information regarding the loan's status, except to fulfill the [NSLDS](#) lender manifest reporting requirements. If the lender receives enrollment information that is certified for an academic period that ends after the borrower's AGD of record, the lender should adjust the borrower's AGD to agree with the information provided on the enrollment certification. The lender may process the deferment through the academic period end date certified by the school or the AGD of record, whichever is later, if the enrollment verification information used to certify the borrower's deferment eligibility does not include an AGD. This change is effective for in-school deferment requests received by the lender on or after May 1, 1997.

### May 31, 1997

*Audit:* Delays in the publication of the servicer audit guide resulted in the Department allowing servicers to submit the first audit by May 31, 1997. Periods covered by the initial audit depend on when the lender servicer's fiscal year ends:

- If the fiscal year ends June 30 through October 31, the lender servicer may combine the annual compliance audit for fiscal years 1995 and 1996, or may have separate audits performed for each of those years.
- If the fiscal year ends November 1 through December 31, the lender servicer is required to have its initial compliance audit performed for fiscal year 1995.
- If the fiscal year ends January 1 through June 29, the lender servicer is required to have its initial compliance audit performed for fiscal year 1996.

If a lender's servicer had an independent audit of its servicing functions performed for fiscal year 1995 and 1996 to support the lender audit requirement, the servicer may submit those audits to the Department as meeting its servicer audit requirement for those fiscal years, provided that those audits meet certain standards. These changes reflect guidance given in *Dear Colleague Letter (DCL) LS-97-01* and the "Audit Guide: Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program," published December 1996.

### June 1, 1997

*Eligibility – borrower and student:* Effective for loans certified by the school on or after June 1, 1997, independent undergraduate borrowers, dependent borrowers whose parents are unable to borrow PLUS loans, and graduate and professional student borrowers may continue to borrow up to their individually applicable subsidized and unsubsidized aggregate loan limits, regardless of the "base" or "additional" unsubsidized loan amounts borrowed. Special calculations are required if a student's status changes from independent to dependent or if a dependent student borrower's parent, who initially was unable to borrow a PLUS loan, is later determined eligible. In these cases, the school must calculate the student's remaining aggregate loan eligibility by totaling only those portions of loans that represent the student's "base" Stafford loan amounts. These changes reflect guidance given in *Dear Colleague Letter GEN-97-3*.

### July 1, 1997

*Final regulations* on regulatory relief, *record retention*, *conflict of interest*, *guarantor and lender due diligence*, and *cash management* take effect.

*Audit:* Schools are required to perform both annual compliance and financial audits based on their fiscal year. These audits must be submitted within 6 months of the end of their fiscal year. The financial statement must include a detailed description of related *entities* and should list parties related to the school and details that enable the Department to readily identify the related entities. A proprietary school must disclose in a footnote to its financial state the percentage of its revenues derived from Title IV programs during the covered fiscal year. Each compliance audit must cover all Title IV transactions in that fiscal year and all transactions that occurred since the period covered by its last compliance audit. The school must permit the Department or its authorized representative access to any records or *documentation* that would assist in the review of the school's third-party servicer's compliance or financial statement audit. *Foreign schools* also must

submit an audited financial statement of the most recently completed fiscal year. If a school receives less than \$500,000 (U.S.) in Title IV program funds during that fiscal year, its audited financial statement for that year may be prepared under the auditing standards and accounting principles of the school's home country. If a foreign school receives \$500,000 (U.S.) or more in Title IV program funds during its most recently completed fiscal year, the school must submit its audited financial statement in accordance with U.S. federal regulation and satisfy the general standards of financial responsibility outlined for schools in the United States or must qualify under an alternate standard of financial responsibility specified in regulation. These requirements are effective July 1, 1997.

A *third-party servicer* that contracts with more than one *lender* must have performed a compliance audit that covers the servicer's administration of *Title IV* programs for all the lenders for which it services. This requirement may be satisfied with a single audit of all the servicer's functions if the audit encompasses all the services provided for the lenders for which it provides such services. These provisions are effective July 1, 1997.

*Authorizations and certifications:* The following changes are effective for authorizations obtained by a school to carry out the activities described under *34 CFR 668.165(b)(1)* beginning on or after July 1, 1997:

- Schools must obtain written authorization from the student or parent borrower to perform certain activities.
- Guidelines for authorization modifications and cancellations are established.

*Consolidation loans:* A Federal Consolidation loan is considered to be disbursed on the date of the first individual or *master check*, payment advice, or noncash transfer that transfers funds from the consolidating lender to the *holder* of the loans to be consolidated. For *funds* disbursed by *EFT*, the Consolidation loan is considered disbursed on the first date that funds are transferred. If the loan funds for multiple underlying loans are disbursed on multiple days, including funds issued through the end of the 180-day add-on period, those disbursements are considered "subsequent disbursements." The loan's first *disbursement date* is used to determine its terms and conditions. This change is effective for Consolidation loans with first *disbursements* on or after July 1, 1997.

Lenders must report the making of a Consolidation loan to the *guarantor* not more than 60 days following the date on which the funds are disbursed. If a lender adds a loan within the 180-day add-on period, the lender must report the new

Consolidation loan information to the guarantor within 60 days of the date on which the additional loan funds are disbursed or the adjustment is made. Failure to report the loan timely may result in the loss of the loan's [guarantee](#). This is effective for Consolidation loans made by the lender on or after July 1, 1997.

*Credit balance:* Requirements for delivering of credit balances are defined effective for loan periods on or after July 1, 1997. If a student dies and there is a Title IV credit balance on his or her account, the school must eliminate the credit balance by paying outstanding authorized school charges, repaying any Title IV grant overpayments that the student owes for previous withdrawals, and/or returning any remaining credit balance to the Title IV programs.

*Delivering loan funds:* The following changes are effective for [loan proceeds](#) received by the school on or after July 1, 1997. Schools must deliver loan proceeds within specific time frames after receipt. For [EFT](#) or [master check](#) proceeds, the school must deliver the funds directly to the student, or credit the student's account at the school within 10 business days after the school's receipt of the proceeds.

- Latest delivery date and time frame for returning undelivered proceeds to the lender is defined.
- Examples of latest delivery date and deadline for returning proceeds are provided.
- Schools must return loan proceeds to the lender within specific time frames after receipt.
- Delivery date for students who return from a [leave of absence](#) is defined.
- Delivery restrictions for schools on the reimbursement payment method are defined.

The following changes apply to schools that receive loan proceeds under the reimbursement payment method on or after July 1, 1997:

- Criteria for school [certification](#) of the [application](#) and [promissory note](#) is explained.
- Schools must receive approval from the [Department](#) before delivering loan proceeds.

The following change applies to the date, on or after July 1, 1997, that the [Department](#) notifies a [school](#) that it must obtain approval from the Department to certify loan applications:

- [Certification](#) restrictions for schools on the reimbursement payment method are defined.

The following changes apply to [loan proceeds](#) that are either credited to the student's account or paid directly to the student or parent [borrower](#) on or after July 1, 1997:

- The delivery date when the school is applying school funds in advance of receipt of [FFELP](#) proceeds is defined.
- The requirements for the notice to the borrower of the right to cancel are defined.

The following changes apply to students who become ineligible under [34 CFR 668.164\(g\)\(1\)](#) (i.e., student is no longer enrolled as at least a half-time student for the [loan period](#)) on or after July 1, 1997:

- Schools may deliver loan proceeds after the end of the loan period or the date on which the student ceased to be enrolled at least half time.
- Schools must deliver a [late disbursement](#) no later than 90 days after the earlier of the end of the loan period or the date the student ceased to be enrolled at least half-time.

The following change is effective for [payment periods](#) beginning on or after July 1, 1997:

- Earliest date the school may directly pay the borrower or credit the student's account if the student is in a [clock-hour](#) program or credit-hour program that is not offered in semester, trimester, or quarter academic terms is defined.

The following changes are effective for loan periods on or after July 1, 1997:

- Requirements for the receipt and maintenance of loan proceeds are revised.
- School requirements for delivery of loan proceeds are revised.
- School delivery methods are defined.
- Delivery restrictions are defined.

- Requirements for delivering of credit balances are defined.
- Requirements for holding credit balances are defined.
- Requirements for crediting student accounts are explained.
- The first and second [disbursement date](#) must be scheduled on a payment-period basis rather than on the basis of period of enrollment.
- Required notices a school must send to a student are defined.

The following change is effective on or after July 1, 1997, for any balances of loan proceeds:

- A school must pay any remaining loan balance to a student or parent borrower no later than the end of the loan period.

***Due diligence:*** Lenders are required to send the first [delinquency](#) notice no later than the 15th day of delinquency. The content of this first delinquency notice has been modified to include, at a minimum; lender/servicer contact information and a telephone number (e.g., the name and telephone number of the customer service department). It also must include a prominent statement informing the borrower that assistance may be available if the borrower is experiencing difficulty in making a scheduled payment. Because of the change in the timing of the first delinquency notice, the time frame for the second “window” of collection activity will change from the current 11–180 days delinquent period to 16–180 days (16–240 days delinquent for a loan repayable in installments less frequent than monthly). At least one of the four written notices or collection letters sent during this period must include, at a minimum, information regarding [deferment](#), [forbearance](#), [income-sensitive repayment](#), loan consolidation, and other available options to avoid [default](#). The content of at least two of the four collection letters sent during the 16–180 day period has also been modified to add language to inform the borrower that the guarantor may also offset other payments made by the federal government to the borrower and that the guarantor may assign the loan to the federal government for litigation against the borrower. This change is effective for loans on which the first day of delinquency on the oldest outstanding due date is after July 1, 1997. The oldest outstanding due date is the date from which the current 180-day due diligence counter is based and is sometimes referred to as the “latest,” “current,” or “next” due date. The timing of when a lender

may assess a [late charge](#) has been changed from 10 days to 15 days after a payment is due. This change is effective for late charges assessed by the lender on or after July 1, 1997.

***Electronic processing requirements:*** A [school](#) must participate in the electronic processes that the [Department](#) provides at no substantial charge to the school. Schools are not restricted to using only software and services provided by the Department. This standard is effective July 1, 1997.

***Late disbursement/post-withdrawal disbursement:*** Late disbursement by the lender and late delivery by the school is defined for students who become ineligible under [34 CFR 668.164\(g\)\(1\)](#) (i.e., student is no longer enrolled as at least a half-time student for the [loan period](#)) on or after July 1, 1997.

***Payment period:*** Because of possible differences in interpretation of the term “first day of classes,” (i.e., first day of classes for an individual student or first day of regularly scheduled classes) the *Common Manual* definition of “[payment period](#)” is amended to clarify that the payment period begins on the first day of regularly scheduled classes. This applies to loan periods beginning on or after July 1, 1997.

***Record retention:*** A lender is permitted to store [records](#)—except for the [promissory note](#)—for each FFELP loan it holds in hard copy or on microform (e.g., microfilm or microfiche), computer file, optical disk (e.g., electronic optical image), CD-ROM, or other imaged media formats capable of reproducing an accurate, legible, and complete copy in approximately the same size as the original document. This change is effective for records retained on or after July 1, 1997.

The [Department](#) has consolidated and clarified existing school [record](#) retention rules to reduce the administrative burden. A [school](#) is required to maintain program records, which document the school’s eligibility administration of the FFELP, and fiscal records relating to each FFELP transaction. The school also must keep loan-related records as follows:

- A copy of the loan [application](#)—or application data, if submitted electronically to a [lender](#) or a [guarantor](#)—including the name of the [borrower](#) and, for PLUS loans, the name of the student on whose behalf the loan was made.
- The name and address of the lender.

- **Documentation** of each student or parent borrower's receipt of FFELP funds, including, but not limited to, the loan amount, the **payment period**, and the **period of enrollment** for which the loan was intended; calculations used to determine the loan amount; the date(s) and amount(s) of each delivery of loan proceeds by the school to the student or parent borrower; the date and amount of any **refund** paid to or on behalf of the student and the method by which the refund was calculated; and the payment of any refund to a lender of the Department.
- The **Student Aid Report (SAR)** or the **Institutional Student Information Record (ISIR)**.
- Documentation of each student or parent borrower's eligibility for FFELP funds, such as documentation of need, **cost of attendance**, **verification**, enrollment status, financial aid history, satisfactory academic progress (SAP), etc.
- The school's receipt date for each **disbursement** of the loan.
- For loans disbursed to the school by copayable check, the date the school endorsed the check.
- For loans disbursed by **electronic funds transfer (EFT)** or **master check**, the student or parent borrower's authorization to the school to transfer the initial and subsequent disbursements of each FFELP loan to the student's school account.
- Proof that requirements for **entrance and exit loan-counseling** are met.
- Any required reports or forms and any records needed to verify data reported in those reports or forms.
- Documentation supporting the school's calculations of its completion and graduation rates.

These provisions are effective July 1, 1997.

*Refunds:* In calculating a pro rata refund for a student who withdrew from a clock-hour program, the school may include excused absences in the number of clock hours completed by the student as of his or her withdrawal date if both of the following conditions exist:

- Under the school's written policy the absences do not have to be made up to complete the program.

- The school documents that the hours actually were scheduled and missed prior to the student's withdrawal.

In addition to the required conditions noted above, the number of excused absences included as hours completed during the period of enrollment for which the student was charged must be limited to the least of the following:

- The number of clock hours permitted under the excused absence policy of the school's nationally recognized accrediting agency.
- The number of clock hours permitted under the excused absence policy of the state agency that licenses or authorizes the school to operate in the state.
- 10% of the number of clock hours in the period of enrollment for which the student was charged.

This change is effective for students eligible for pro rata refunds on or after July 1, 1997.

*Reissued disbursements:* The following changes are effective for **disbursements** reissued by the lender on or after July 1, 1997:

- Circumstances in which lenders will reissue loan proceeds are defined.
- Requirements schools must follow when requesting loan proceeds be reissued are defined.

*Status changes and reporting:* A school or the school's designated servicer must provide information about borrowers upon request by the Department, a lender, or a guarantor. Schools or the school's designated servicer should respond to such a request within 30 days. In addition to providing any information the school has regarding the last known address, full name, employer, and employer address of a borrower who attends or has attended the school, the school now must also provide the borrower's telephone number and enrollment information. This applies to requests for information received by the school on or after July 1, 1997.

### August 5, 1997

President Clinton signs into law the **Taxpayer Relief Act of 1997**, providing for the Hope Scholarship Credit, the Lifetime Learning Credit, and a deduction on **interest** paid on student loans and creating the Education Individual Retirement Accounts (Education IRAs).

**September 18, 1997**

*Consolidation loans:* If there is a data discrepancy on a Consolidation loan, the **lender** will be granted an additional 60 days from the date the **guarantor** rejects the **application** (plus 5 days' mail time) to provide additional or corrected information. The guarantor reserves the right to take appropriate corrective action (including the imposition of **interest** penalties) if the lender fails to report the making of a Consolidation loan, fails to report the **disbursement** of additional **funds**, or fails to report any other adjustment of the outstanding original balance within 60 days after that activity occurs. Repeated or intentional noncompliance (including failure to reconcile) may result in the withdrawal of the loan **guarantee**. This change is effective for Consolidation loans made by the lender on or after September 18, 1997.

**September 19, 1997**

*Electronic processing requirements:* The Department publishes in the *Federal Register* a notice of new requirements that institutions must follow to be in compliance with the Department's administrative standard for electronic processes.

**November 1, 1997**

*Deferment:* To obtain an unemployment deferment or an extension of an unemployment deferment, a **borrower** must request the deferment or extension. If requesting an extension, this description must document at least six attempts to secure employment during the period to be covered by the deferment. An Internet address for the firm or place of employment (e.g., Website or electronic mail) is an acceptable address if the borrower applied electronically for employment. As an alternative to certifying employer contacts, a lender may accept comparable **documentation** that the borrower has used to meet the requirements of the Unemployment Insurance Service, provided the documentation shows the same number of contacts and contains the same information required from the borrower. In addition, an Internet address for the public or private employment agency at which the borrower is registered (e.g., Website or electronic mail) is an acceptable address if the borrower registered electronically with the agency. It may not be presumed that a borrower has access to an employment agency based on the borrower's providing a firm's Internet address as part of the documentation that the borrower attempted to secure full-time employment. This change is effective for unemployment deferment requests received by the lender on or after November 1, 1997.

*Endorser:* An **endorser** may be released from his or her repayment obligation on a loan if the endorser dies and the lender receives evidence of the endorser's death, such as a copy of the death certificate or other proof of the endorser's death that is acceptable under applicable **state** law. This change is effective for death certificates or other acceptable documentation received by the lender on or after November 1, 1997.

**November 13, 1997**

President Clinton signs into law the **Emergency Student Loan Consolidation Act (ESLCA) of 1997 (P.L. 105-78)**.

*Consolidation loans:* The following provisions of the **Emergency Student Loan Consolidation Act of 1997 (ESLCA)** are effective for Consolidation loan applications received by the consolidating lender between November 13, 1997, and September 30, 1998, inclusive:

- **Withdrawal of Direct Consolidation Loan Application**

A borrower with a pending application for a Direct Consolidation loan may apply for a Federal Consolidation loan, provided that the application for the Direct Consolidation loan is canceled by the borrower prior to the date on which the Federal Consolidation loan is made. The FFELP lender may rely on the borrower's statement that any pending Direct Consolidation loan application has been or will be canceled.

- **Direct Loans Eligible for Federal Consolidation**

Direct loans may be included in a Federal Consolidation loan.

- **Non-discrimination in Making Federal Consolidation loans**

Federal Consolidation loan lenders are prohibited from discriminating against a Federal Consolidation loan applicant based on any of the following criteria:

- The number or types of eligible student loans the **borrower** wishes to consolidate.
- The type or category of school the borrower attended.
- The interest rate the **lender** is required to charge the borrower on the Consolidation loan.

- The types of [repayment schedules](#) the lender must offer the borrower.

These provisions are effective for *all* Consolidation loan applications received by the consolidating lender on or after November 13, 1997.

*Interest rates:* For Federal Consolidation loans for which applications are received by the consolidating lender on or after November 13, 1997, the variable interest rate, adjusted annually on July 1, is calculated as follows:

- For portions of the Consolidation loan attributable to FFELP, FDLP, FISL, Perkins, HPSL, or NSL loans, the variable rate is based on the bond equivalent rate of the 91-day Treasury bill, auctioned at the final auction prior to the preceding June 1st, plus 3.1%, not to exceed 8.25%.
- For portions of the Consolidation loan attributable to HEAL loans, the variable rate is based on the 91-day Treasury bill, auctioned for the quarter ending June 30th, plus 3.0%. (There is no interest rate cap on the HEAL portion.)

If a lender initially calculated the interest rate on Consolidation loans, made during the subject period, at a fixed weighted average rate, the lender must convert the loans from the fixed to the variable rate prior to April 1, 1998, and make appropriate adjustments to the borrower's loan. In the conversion process, lenders must recalculate, at the variable rate, the amount of interest which would have been owed by the borrower on the Consolidation loan from the date on which the loan was made to the date of rate conversion and apply any credits to the borrower's account.

The [interest](#) rate applicable on an eligible loan added to a Federal Consolidation loan during the 180-day add-on period (except HEAL) is the variable interest rate applicable to the [FFELP](#), [FDLP](#), FISL, Perkins, HPSL, or NSL portion of the Federal Consolidation loan. The interest rate on HEAL loans added to a Federal Consolidation loan during the 180-day add-on period is the variable interest rate applicable to the HEAL portion of the Federal Consolidation loan.

*Interest subsidy:* Effective for all Consolidation loan applications received by the consolidating lender on or after November 13, 1997, during a period of authorized [deferment](#), interest subsidies will be paid by the [Department](#) on the portion of a Federal Consolidation loan that repaid a subsidized Federal Stafford or subsidized Federal Direct Stafford loan.

## November 25, 1997

*Financial responsibility standards – school:* The Department publishes [final regulations on the standards and provisions of financial responsibility for schools](#). Changes will be effective July 1, 1998.

## November 28, 1997

The Department publishes [final “parity” regulations](#) to eliminate certain differences in the requirements of the FFELP and FDLP and to reduce the regulatory burden on schools. Changes will be effective July 1, 1998.

## December 17, 1997

*Common forms:* The Department formally grants approval of the “Addendum to the Federal Family Education Loan (FFEL) Program Consolidation Application and Promissory Note.” This addendum reflects the changed terms and conditions of the [ESLCA of 1997](#).

## 1998

### January 1, 1998

*Aggregate loan limit:* A Stafford [aggregate loan limit](#) does not include the amount of [capitalized interest](#) or [collection costs](#) that were added to the balance of any of the borrower's prior loans. This applies to loan applications certified by the school on or after January 1, 1998.

*Deferment:* An in-school deferment will remain in effect until the student ceases to be [enrolled](#) full time, or for “new borrowers on or after July 1, 1993,” enrolled at least half time. In the event that the lender receives new enrollment verification information that indicates the borrower has been or will be continuously enrolled, a new deferment request is not required to extend the period of in-school deferment. A new deferment request is required only if the borrower has not been continuously enrolled or if a previous deferment is terminated at the borrower's request. This change is effective for enrollment verification information received by the lender on or after January 1, 1998.

If a borrower, residing on a U.S. military base or embassy compound in a foreign country because his or her spouse is stationed there, requests an unemployment deferment, he or she must provide documentation, equivalent to that required of borrowers residing in the U.S., describing the borrower's conscientious search for full-time employment. However, when identifying employment contacts, the “name of the firm” may be, for example, the U.S. military base employment office or U.S. embassy personnel office.

These borrowers are not required to comply with the requirement that they document further attempts to secure employment during the period of certification, if the borrower has sought employment with the U.S. military base employment office, the U.S. embassy personnel office, or the equivalent. This applies to unemployment deferment requests received by the lender on or after January 1, 1998.

A borrower who is newly self-employed may not be able to provide traditional documentation of income for an [economic hardship](#) deferment. Instead, the borrower must provide the lender with a self-certifying statement of projected monthly income from all sources. In addition, the borrower must provide documentation of the newly formed business and documentation of the borrower's involvement in that business. This change is effective for deferment requests received by the lender on or after January 1, 1998.

*Due diligence:* For loans with a monthly repayment obligation, lenders must send the borrower at least four written notices or collection letters during the 16–180 days [delinquency](#) period, informing the borrower of the delinquency and urging the borrower to make payments. The required notices or collection letters sent during this period must include, at a minimum, information regarding deferment, [forbearance](#), [income-sensitive repayment](#), loan consolidation, and other available options to avoid [default](#). This change became effective on January 1, 1998.

*Electronic processing requirements:* All schools that participate in the [Title IV](#) programs must also participate in the Title IV Wide Area Network (TIV WAN). Also, for the 1998–99 processing year and beyond, schools must achieve a specified level of electronic on-line access to the [National Student Loan Data System \(NSLDS\)](#).

*Forbearance:* If a [lender](#) grants a [deferment](#) based on the borrower's [certification](#) and [documentation](#) received and, after approving the deferment, the lender receives information indicating that the [borrower](#) did not qualify for all or a portion of the deferment, the portion of the deferment for which the borrower did not qualify must be canceled. The lender may grant [administrative forbearance](#) to cover delinquent payments resulting from the cancellation of all or part of the deferment. This change is effective for deferment requests received by the lender on or after January 1, 1998.

*Loan amount – adjustment:* After the loan is guaranteed, the school may identify a need to change (increase or decrease) a borrower's loan amount or to revise the allocation of the student's loans between subsidized Stafford funds and unsubsidized Stafford funds. Changes in the loan amount may be made without obtaining a new [application](#) and [promissory note](#), provided any increased

loan amount will not exceed the amount requested by the borrower on the application and promissory note. Reallocations of subsidized and unsubsidized funds may be made without a new application and promissory note, provided the student requested both subsidized and unsubsidized loan funds. Such loan adjustments or reallocations may occur before any [disbursement](#) is made on the loan, after the first disbursement is made, or even after the final scheduled disbursement is made. In some instances a loan adjustment, made after the first or subsequent disbursements have been made, may result in a single disbursement that exceeds half of the total loan amount. When that excess is clearly documented as a loan increase or reallocation of funds, it is permissible. This policy is effective for adjustment requests received by the [guarantor](#) on or after January 1, 1998, unless the guarantor implements this policy earlier.

*Record retention:* All lender [records](#) must be retrievable in a coherent hard copy format or in other media formats such as microform, computer file, optical disk, or CD-ROM. Any imaged media format used must be capable of reproducing an accurate, legible, and complete copy in approximately the same size as the original document, and must not permit additions, deletions, or changes without leaving a record of such additions, deletions, or changes. The media format must record and maintain the original document so that it can be certified as a true copy of the original in order to be admissible in a court of law, if such becomes necessary. If a document contains a signature, seal, [certification](#), or any other validating mark, it must be maintained in original hard copy or in another media format that can produce a copy of the document (e.g., microform, optical disk, CD-ROM). This applies to records recorded by the lender on or after January 1, 1998.

### March 1998

*Audit:* [The Department](#) announces the deadline for the completion of the lender audit is extended to June 30, 1999, for any audit period in which a lender originated or held [FFELP](#) loans totaling \$5 million or less.

### May 15, 1998

*Annual loan limit:* For loan periods beginning on or after May 15, 1998, the absence of borrowing under the HEAL program prior to October 1, 1995, was eliminated as an eligibility requirement for certain health profession students attending HEAL participating schools to be considered for unsubsidized Stafford loans exceeding standard annual and aggregate loan limits.

## June 9, 1998

The president signs into law the [Transportation Equity Act for the 21st Century](#), which enacts the Temporary Student Loan Provisions to amend the Higher Education Act with respect to the applicable [interest](#) rate and [special allowance](#) formula for Stafford and PLUS loans with a first [disbursement](#) on or after July 1, 1998, and before October 1, 1998.

*Interest rates: The following interest rate formulas for Stafford and PLUS loans first disbursed on or after July 1, 1998, were not implemented as a result of this legislation:*

- A Stafford loan has an annual [variable interest rate](#), not to exceed 8.25%, regardless of the [period of enrollment](#) or the interest rate on the borrower's previous loans. The rate is calculated by adding 1.0% to the bond equivalent rate of securities with a comparable maturity as established by the Department.
- A PLUS loan has an annual variable interest rate, not to exceed 9%. The rate is calculated by adding 2.1% to the bond equivalent rate of securities with a comparable maturity as established by the Department.

*Special allowance: The following special allowance formulas for Stafford and PLUS loans first disbursed on or after July 1, 1998, were not implemented as a result of this legislation:*

- The [special allowance](#) rate for both Stafford and PLUS loans is calculated using the following formula:

$$(\text{Bond Equivalent Rate of Securities with a Comparable Maturity as Established by the Department} + 1.0\% - \text{Applicable Interest Rate of the Loan}) \div 4$$

## July 1, 1998

*Cure:* In cases when a lender performs an [ICA/location cure](#) procedure on a loan for which a [preclaim assistance](#) request has not been submitted in the most recent 180-day [delinquency](#) period, the lender is no longer required to submit a request for preclaim assistance after the borrower has been located and before sending the final collection letter. This applies to borrowers located on or after July 1, 1998, unless implemented earlier by the [guarantor](#).

*Disability discharge (total and permanent):* A borrower must be certified [totally and permanently disabled](#) according to [FFELP discharge](#) criteria for all underlying loans included in the Consolidation loan—including any

non-FFELP loans. This applies to Temporary Total and Permanent Disability Certification Request Forms and Total and Permanent Disability Cancellation Request Forms received by the lender on or after July 1, 1998.

*Disclosure requirements:* The Department of Education removed the interest rate formula for Stafford and PLUS loans first disbursed on or after July 1, 1998, from the Borrower's Rights and Responsibilities section of the common Stafford and PLUS loan application materials. Lenders are now required to provide the actual interest rate, including information on the rate's calculation, in the initial disclosure to the borrower at or before the time of the first disbursement of a Stafford or PLUS loan. This change is enforced for Stafford and PLUS loans first disbursed on or after January 1, 1999, unless implemented earlier.

*Electronic processing requirements:* All participating institutions must have access to the Department's Information for Financial Aid Professionals Website (<http://ifap.ed.gov>) in order to receive regulations, *Dear Colleague Letters*, and other important communications. Also, institutions must be able to submit the Application for Approval to Participate in Federal Student Aid Programs (recertification, reinstatement, and changes) through the Internet and to electronically submit the Fiscal Operations Report and Application to Participate (FISAP) to the [Title IV](#) Wide Area Network (TIV WAN). Diskettes are eliminated.

*Eligibility – borrower and student:* Stafford loan eligibility is clarified that if a student is eligible for a subsidized Stafford loan in an amount that exceeds \$200, the school must certify an [application](#) for 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 may include the amount of subsidized Stafford eligibility in the unsubsidized Stafford loan. This applies to loan applications certified by the school on or after July 1, 1998.

*Financial responsibility standards – school:* The following changes are effective for schools that submit audited financial statements to the Department on or after July 1, 1998. However, schools that do not meet the composite score standard (see *Composite Score* below) for fiscal years that begin between July 1, 1997, and June 30, 1998, inclusive, may demonstrate that they are financially responsible by meeting the financial responsibility standards specified in [34 CFR 668.175\(e\)](#).

- **General School Financial Responsibility Requirements**

In addition to previous financial standards, schools must also comply with all of the following new financial responsibility requirements:

- The school must provide all services described in its official publications and statements.
- The school must properly administer the Title IV programs in which it participates.
- The school must meet all of its financial obligations.

- **Specific Criteria for Determining School Financial Responsibility**

To fulfill the new cash reserve requirements, a school must meet at least one of the following criteria:

- The school satisfies the financial responsibility standards for public schools.
- The school is licensed to operate in a [state](#) that has a Department-approved tuition recovery fund to which the school contributes.
- The school demonstrates that it has paid its [refunds](#) in a timely manner for both of the school's two most recently completed fiscal years.

A school failing to meet at least one of the criteria listed must submit an irrevocable letter of credit that is acceptable and payable to [the Department](#), equal to 25% of the total dollar amount of [Title IV](#) program refunds paid or that should have been paid by the school in the previous fiscal year.

A public school is considered to be financially responsible if it meets all of the following conditions:

- The school notifies the Department that it is designated as a “public institution” by a government entity that has legal authority to make that designation.
- The school provides a letter from the designating government entity confirming the school's status as a “public institution.”

- The school is not in violation of any past performance requirement.

A proprietary or private nonprofit school is considered to be financially responsible if it meets the following conditions:

- The school is current in its debt obligations.
- The school's financial statements do not contain a statement in which the auditor has expressed doubt about the continued existence of the school.
- The school has not violated a Title IV program requirement or affiliated persons do not owe a liability for Title IV program violations.
- The school has sufficient cash reserves to make required refunds (see *Sufficient Cash Reserves Requirements* above).
- The school's Equity Ratio, Primary Reserve Ratio, and Net Income Ratio yield a composite score of at least 1.5 (see *Composite Score* below).

A proprietary school or private nonprofit school that is not considered to be financially responsible because it failed to meet any of the five standards of financial responsibility listed above may begin or continue to participate in the Title IV programs by qualifying under an alternative standard, as determined by the Department.

- **Composite Score**

One of the factors for determining a school's financial responsibility is a composite score that indicates the overall financial status of a participating proprietary or private nonprofit school. The Department uses the school's audited financial statements to calculate a composite score, which is derived from a combination of the following three ratios:

- The Primary Reserve Ratio, indicating the measure of a school's financial viability and liquidity.
- The Equity Ratio, measuring the amount of total resources financed by an owner's investments, contributions, or accumulated earnings.
- The Net Income Ratio, providing a direct measure of a school's profitability and ability to operate within its means.

The three ratios are adjusted by strength and weighting factors, and are then added together to arrive at a composite score.

Schools must satisfy the standards for a public institution under [34 CFR 668.171\(c\)](#), be located in a [state](#) that has a tuition recovery fund approved by the Department and to which the school contributes, or demonstrate that required refunds by the school have complied with prescribed time periods during the school's two most recently completed fiscal years. This change is effective for [guarantor](#) reviews of a school's compliance with federal financial responsibility standards on or after July 1, 1998.

*Guarantee fee:* A [lender](#) must refund the [guarantee fee](#) or an appropriate prorated amount of the guarantee fee, and apply the [refund](#) as a credit to the borrower's [principal balance](#), if any of the following conditions exist:

- The loan or any portion of the loan is returned by the school to the lender, at any time, to comply with [Title IV](#) program requirements. In the absence of any required notification from the school, the lender may assume that the school is returning funds to comply with these requirements.
- The [disbursement](#) check has not been negotiated within 120 days of disbursement.
- The loan proceeds disbursed by [electronic funds transfer \(EFT\)](#) or [master check](#) have not been released from the school's account within 120 days of disbursement.

*Interest rates:* For Stafford and PLUS loans first disbursed on or after July 1, 1998, but before October 1, 1998, the [interest](#) rate formulas are prescribed by the Temporary Student Loan Provisions of the [Transportation Equity Act for the 21st Century](#). These provisions are as follows:

- A Stafford loan has an annual [variable interest rate](#) not to exceed 8.25%, regardless of the [period of enrollment](#) or the interest rate on the borrower's previous loans. During periods when the loan is in an [in-school](#), [grace](#), or authorized [deferment](#) status, the interest is calculated by adding 1.7% to the bond equivalent rate of the 91-day [Treasury bill](#) auctioned at the final auction before the preceding June 1. During periods when the loan is in repayment or [forbearance](#) status, the interest rate is calculated by adding 2.3% to the 91-day Treasury bill rate.

- A PLUS loan has an annual variable interest rate not to exceed 9%. The variable rate for each July 1 to June 30 period is calculated by adding 3.1% to the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1.

*Origination fee:* A [lender](#) must refund the [origination fee](#) or an appropriate prorated amount of the origination fee, and apply the [refund](#) as a credit to the borrower's [principal balance](#), if any of the following conditions exist:

- The loan or any portion of the loan is returned by the school to the lender, at any time, to comply with [Title IV](#) program requirements. In the absence of any required notification from the school, the lender may assume that the school is returning funds to comply with these requirements.
- The [disbursement](#) check has not been negotiated within 120 days of disbursement.
- The loan proceeds disbursed by [electronic funds transfer \(EFT\)](#) or [master check](#) have not been released from the school's account within 120 days of disbursement.

*Payment application:* If a [borrower](#), who does not have any loans in repayment, repays or returns any portion of the disbursement within 120 days of the disbursement, the lender must apply the funds as a cancellation or partial cancellation of the loan and refund the guarantee fee and origination fee or an appropriate prorated amount of the guarantee fee and origination fee, as applicable. The lender must apply the refund of the guarantee fee and origination fee as a credit to the borrower's principal balance. The lender must comply with any borrower request regarding the application of repaid or returned funds. If a borrower has any loans in repayment, a lender must apply funds that are repaid or returned by the borrower within 120 days of the disbursement according to its normal payment processing procedures. The lender must comply with any borrower request that the repaid or returned funds be applied as a cancellation. This clarification is effective for funds received by the lender on or after July 1, 1998.

*Refunds:* Refunds are considered timely only if both of the following conditions are met:

- The reviewing entity did not find in the sample of student [records](#) audited for either fiscal year that the school made late refunds to 5% or more of Title IV recipients who received or should have received a refund, or did not find that the school made more than one late refund in that sample.

- The reviewing entity did not note for either fiscal year a material weakness or a reportable condition in the school's report on internal controls related to refunds.

*Special allowance:* For Stafford and PLUS loans first disbursed on or after July 1, 1998, but before October 1, 1998, the applicable [special allowance](#) formulas are prescribed by the Temporary Student Loan Provisions of the [Transportation Equity Act for the 21st Century](#). These provisions are as follows:

- For Stafford loans only during the in-school, grace and deferment periods, the annual special allowance rate equals the average of the bond equivalent rates of the 91-day Treasury bills auctioned during the quarter, plus 2.5%, less the applicable interest rate on the loan.
- For Stafford loans, except during the in-school, grace and deferment periods, the annual special allowance rate equals the average of the bond equivalent rates of the 91-day Treasury bills auctioned during the quarter, plus 2.8%, less the applicable interest rate on the loan.
- For PLUS loans, the annual special allowance rate equals the average of the bond equivalent rate on of the 91-day Treasury bills auctioned during the quarter plus 3.1% less the applicable interest rate on the loan. However special allowance shall not be paid unless the calculated interest rate exceeds the 9% cap.

Variable-rate PLUS or SLS loans first disbursed before July 1, 1994, and variable-rate PLUS loans first disbursed on or after July 1, 1998, are eligible for [special allowance](#) only when the following criteria are met:

- The loan is accruing at the maximum interest rate specified in law for such a loan (also called the cap).
- The interest rate for each July 1 to June 30 period, as calculated prior to applying the interest rate maximum (or cap), exceeds the maximum interest rate on the loan.

This change, effective for PLUS loans first disbursed on or after July 1, 1998, incorporates the provisions of the Final Rule changes published in the [Federal Register](#) on November 1, 1999, and subsequent amendments to the Higher Education Act resulting from the [Ticket to Work and Work Incentives Improvement Act of 1999](#).

## August 5, 1998

*Deferment:* A borrower whose first disbursement on his or her oldest outstanding loan is on or after July 1, 1993, is now eligible to receive an [economic hardship deferment](#) by providing the lender with [documentation](#) from the Peace Corps showing that he or she is or will be serving as a Peace Corps volunteer. A lender may grant an economic hardship deferment for up to the full 36-month maximum deferment period from a single request. A borrower who qualifies for an economic hardship deferment based on his or her Peace Corps service is not required to submit income documentation. This change is effective for economic hardship deferment requests submitted by eligible Peace Corps volunteers and received by lenders on or after August 5, 1998.

## September 1, 1998

*Common forms:* The Department released [Dear Colleague Letter ANN-98-10](#), which introduced the [Master Promissory Note \(MPN\)](#) for the Federal Family Education Loan Program.

The Preclaim Request Form or an equivalent electronic format is effective for all requests filed by lenders. The [Claim](#) Form or an equivalent electronic format is effective for all claims filed by lenders on or after March 1, 2000, unless implemented earlier by the [guarantor](#). These new forms require lenders to collect and report data, for loans first disbursed on or after September 1, 1998.

All loans included on the Preclaim Request Form must have the same loan type, due date, and interest-paid-through date. Subsidized and unsubsidized Stafford loans that have been combined into one [repayment schedule](#) may be combined in one preclaim request.

For all loans first disbursed on or after September 1, 1998, the [lender](#) *must* provide the following information when requesting [preclaim assistance](#) on the Preclaim Request Form or in an equivalent electronic format. For loans with first disbursements *prior* to September 1, 1998, if the lender has the following additional information, it must provide the information on the request for preclaim assistance:

- Address and last name, first name, and middle initial of two references.
- Full name of the [endorser](#), [comaker](#), or PLUS student and identifying code.
- Endorser's, comaker's, or PLUS student's [Social Security number](#).

- Endorser's or comaker's last-known complete address and validity of the address, and home telephone number and validity of the number.
- Servicer's 6-digit [servicer](#) ID assigned by the [Department](#).

The lender must provide other information only if it is available. The lender may or may not have this information in its servicing records. A lender that cannot provide this information is not required to establish a reporting mechanism.

*Due diligence:*

- **Common Skip Tracing Requirements**

Unless otherwise noted, the following policies will be implemented for loans on which a notice of invalid address or telephone number, as applicable, is received on or after September 1, 1998, unless implemented earlier by the guarantor.

- Simultaneous Address [Skip Tracing](#) and Telephone [Due Diligence](#)

During the period the lender is attempting to obtain a valid *address* for a borrower, the lender must continue to perform all *telephone* due diligence requirements. The lender may cease making such calls only if it determines that a borrower's telephone number is invalid, in which case the lender must perform telephone skip tracing.

- “Commercial” Skip Tracing Activities

The lender's [skip tracing](#) activities must include other normal commercial skip tracing activities that the [lender](#) would conduct in pursuit of information on any other loan in its consumer loan portfolio. Lenders must perform at least two additional normal commercial skip tracing activities but are encouraged to pursue all available sources of information to obtain a valid address.

- Address Skip Tracing Requirements

The lender is not required to perform skip tracing activities if *both* of the following conditions are met:

- The lender has mailed a timely [final demand](#) letter.

- The borrower's loan becomes delinquent 151 or more days (211 or more days for loans payable in installments less frequently than monthly) as a result of the reversal of a payment.

- Repeating Skip Tracing Activities Not Required

If any address skip tracing activities have been performed prior to the lender becoming aware of an invalid telephone number for the borrower, the lender is considered to have begun telephone skip tracing activities and need not repeat any activities already completed. Similarly, if any telephone skip tracing activities have been performed prior to the lender becoming aware of an invalid address for the [borrower](#), the lender must initiate additional address skip tracing activities within 10 days of making the determination that it does not have a valid address for the borrower, but need not repeat any activities already completed when performing required address skip tracing activities.

- Telephone Diligent Effort Exceptions Modified

A lender is not required to make diligent efforts to contact a borrower by telephone in the following cases:

- The lender is advised that the borrower has no telephone number or that there is no telephone service in the general geographic area where the borrower resides and the lender verifies and documents this information in the borrower's file or in the servicing history of the loan.
- The borrower's telephone number is invalid and all required skip tracing activities have been performed.

- Relationship between Endorser Due Diligence and Borrower Skip Tracing Requirements Clarified

A [diligent effort](#) to contact an [endorser](#) on a delinquent account is sufficient to satisfy both an endorser [due diligence](#) requirement and a borrower skip tracing requirement, provided the activity is documented as both in the lender's servicing history. If the endorser is contacted, the lender must discuss both the [delinquency](#) of the

account and the endorser's obligation to repay the debt, and must confirm the borrower's location and telephone number.

- **Final Demand Letter**

Lenders must send a final demand letter to each delinquent borrower in accordance with appropriate due diligence requirements. If a lender fails to mail a final demand letter to a borrower in accordance with due diligence requirements and a “special occurrence” or rolling delinquency occurs, the lender is still required—regardless of the aging of the delinquency—to send a final demand letter. There are two exceptions to this requirement:

- The loan becomes 151 days or more delinquent (211 days or more delinquent for loans payable less frequently than monthly) and the borrower's address is invalid and remains invalid after the lender has exhausted all required skip tracing activities and required diligent efforts.
- The lender previously mailed a timely final demand letter prior to a rolling delinquency or a special occurrence (see [subsections 12.3.E](#) and [12.3.F](#)) and the borrower is 151 days or more delinquent (211 days or more delinquent for loans payable less frequently than monthly).

These changes are effective for invalid address notifications received by the lender on or after September 1, 1998, unless implemented earlier by the [guarantor](#).

- **Preclaims**

If a lender submits a request for preclaim assistance on which any required information is missing, incomplete, or inaccurate, the guarantor may attempt to obtain the necessary information from its own system or request the information from the lender. The lender must provide any requested information or resubmit any rejected preclaim request within the time frame established by the guarantor. If a lender is unable to provide the requested information within the guarantor's established time frames, the loan may be subject to an interest penalty if a [claim](#) is later filed and paid. Please refer to additional CCI information under the *August 19, 1999* entry in this appendix.

## October 1, 1998

*Annual loan limit:* The specific prorated subsidized Stafford loan limits of \$1,750, \$875, and \$0, and the specific prorated unsubsidized Stafford loan limits of \$2,500, \$1,500, and \$0, are no longer applicable to first- and second-year undergraduate students whose program, or remainder of the program, is less than one academic year. The prorated limits for these students are determined as a ratio of the student's program or remainder of the student's program (as measured in credit or [clock hours](#)) to a full [academic year](#), multiplied by the applicable [annual loan limit](#) for a full academic year. This change is effective for loan [applications](#) certified by the school on or after October 1, 1998.

*Audit:* Generally, a lender is exempt from the annual audit requirement for any fiscal year subject to audit in which the lender made or held \$5 million or less in FFELP loans. On October 1, 1998, any lender that made or held more than \$5 million in [FFELP](#) loans during the fiscal year being audited is required to submit a compliance audit report to the Department no later than 6 months after the close of the audit period—regardless of whether the report identifies findings of noncompliance. This change is enforced as determined by the Department.

*Blanket guarantee:* A blanket certificate of loan [guarantee](#) (blanket guarantee) permits a lender to make Stafford and PLUS loans to eligible borrowers without receiving prior approval from the [guarantor](#). Lenders may contact individual guarantors for information on the availability of, and participation in, a blanket guarantee program. This change is effective for loans originated under a Blanket Certificate of Loan Guarantee approved by the Department on or after October 1, 1998.

*Cohort default rates:* The [Higher Education Amendments of 1998](#) modified [cohort default rate](#) appeal criteria, as follows:

- If a school's cohort default rate or loss of FFELP eligibility appeal based on exceptional mitigating circumstances, erroneous data, or improper loan servicing or collection is unsuccessful, the school is required to pay to the [Department](#) the amount of interest, [special allowance](#), reinsurance, and any related payments made by the Department (or which the Department is obligated to make) with respect to FFELP loans made to students attending or planning to attend the school during the pending appeal.

- A school may appeal its loss of FFELP eligibility on exceptional mitigating circumstances by demonstrating that its participation rate index is equal to or less than 0.0375 for any one of the three most recent fiscal years for which data is available.
- A school may appeal its loss of FFELP eligibility on exceptional mitigating circumstances based on educating low-income students by providing documentary evidence that, for a 12-month period that ended during the 6 months immediately preceding the fiscal year for which the cohort of borrowers used to calculate the school's cohort default rate is determined, at least two-thirds of the students, enrolled on at least a half-time basis meet either of the following criteria:
  - The student is eligible to receive a [Pell grant](#) that is at least equal to one-half of the maximum available Pell grant based on the student's enrollment status.
  - The student has an adjusted gross income that is less than the poverty level, as determined by the Department of Health and Human Services.
- If a school appeals its loss of [FFELP](#) eligibility on exceptional mitigating circumstances based on educating economically disadvantaged or low-income students, both degree- and non-degree-granting schools can add students who entered active duty in the U.S. Armed Forces to the numerator in the calculation of their respective completion and placement rates. For non-degree-granting schools, students or former students for whom the school is the employer should not be included in the numerator of the placement rate calculation.
- In a [cohort default rate](#) or loss of FFELP eligibility appeal based on improper loan servicing or collection, [the Department](#) must ensure that a school has access for a reasonable period of time, not to exceed 30 days, to a representative sample of the relevant loan servicing and collection [records](#) used by a [guarantor](#) in paying [default claims](#) or by the Department in determining a school's default rate in the loan program under part D of this title. If a school proves, during the appeal process, that a loan or loans defaulted due to improper loan servicing or collection, the Department will adjust the numerator and denominator of the school's FFELP, [FDLP](#), or weighted average cohort default rate based on statistical inference from the appropriate representative sample.

Except for school appeals of FDLP and weighted average cohort default rates on the basis of improper loan servicing or collection which take effect on July 1, 1999, all of the above changes are effective for school cohort default rates published on or after October 1, 1998.

*Consolidation loans:* The following provisions of the [Higher Education Amendments of 1998](#) are effective for Consolidation loan [applications](#) received by the consolidating lender on or after October 1, 1998:

- A consolidating lender may decline to consolidate Health Professions Student Loans (HPSL), including Loans for Disadvantaged Students (LDS), Nursing Student Loans (NSL), and Health Education Assistance Loans (HEAL).
- Direct loans may be included in a Federal Consolidation loan, making permanent the provision in the [Emergency Student Loan Consolidation Act \(ESLCA\)](#).
- A Consolidation loan borrower may receive another Federal Consolidation loan if the borrower obtains a new eligible loan after the date of the original Consolidation loan. All outstanding eligible loans may be consolidated, including loans made prior to any previous Consolidation.
- A [borrower](#) with loans in a [default](#) status must not be subject to a judgment secured through litigation or an order of [administrative wage garnishment](#) on a [Title IV](#) loan.
- A borrower or married couple with [FFELP](#) loans held by multiple [holders](#) may request consolidation from any participating consolidation [lender](#), regardless of whether the consolidating lender is a holder of any of the borrower's loans.

[Borrowers](#) must use an addendum to the Loan Consolidation Application and Promissory Note. This addendum incorporates changes that resulted from the [Emergency Student Loan Consolidation Act of 1997](#), and that were carried forward with the enactment of the [Higher Education Amendments of 1998](#).

For Consolidation loans made from [applications](#) received during the period beginning October 1, 1998, through January 31, 1999, inclusive, the interest payment rebate fee is equal to 0.62% per annum of the unpaid principal and accrued [interest](#) of the loans.

*Cost of attendance:* Effective for loans certified by the school for periods of enrollment beginning on or after October 1, 1998, the specific minimum allowances to be used for the room and board component of the [cost of attendance \(COA\)](#) were removed. Schools are also now authorized to include a reasonable allowance for the documented rental or purchase of a personal computer. Additionally, the COA for students receiving instruction by telecommunications may include the documented cost of renting or purchasing equipment required for them to complete their educational programs. Previously, the COA for telecommunication students was generally limited to tuition and fees. These changes reflect provisions of the [Higher Education Amendments of 1998](#).

*Deferment:* A new borrower from July 1, 1987, to June 30, 1993, is no longer required to obtain a new loan for a half-time period of enrollment that is to be covered by an in-school [deferment](#). This change is effective for in-school deferments granted by the [lender](#) on or after October 1, 1998.

A lender must determine the eligibility of a borrower—or, as applicable, the [dependent student](#)—for an in-school deferment based upon the receipt of documentation indicating that the borrower is enrolled on at least a half-time basis. The lender may use documentation from an appropriate source (e.g., the borrower, school, guarantor, National Student Clearinghouse, or NSLDS)—provided the documentation supplies sufficient information to ensure that the borrower meets all eligibility criteria. A borrower is not required to request an in-school deferment. If the lender grants an in-school deferment and the borrower has not requested the deferment, the lender must notify the borrower of the in-school deferment and of the option to continue paying on the loan. This change is effective for in-school deferments granted by the lender on or after October 1, 1998.

*Delivering loan funds:* A school with a [cohort default rate](#) of less than 10% for each of the three most recent fiscal years for which data is available are exempt from [delayed delivery](#) provisions. An eligible home school is exempt from the requirements to delay delivery of funds to first-year undergraduate students who are first-time borrowers enrolled in a study-abroad program if the school has a published cohort default rate of less than 5% for the most recent fiscal year for which information is available. A home school must cease to certify loans based on this exemption no later than 30 days after the date it receives notification from the Department of a FFELP cohort default rate, FDLDP cohort default rate, or dual-program cohort default rate that causes the school to no longer qualify for this exemption. These changes are effective for disbursements scheduled by the school to be made on or after October 1, 1998.

*Disbursement rules:* A school with a cohort default rate of less than 10% for each of the three most recent fiscal years for which data is available may schedule loans to be disbursed in single installments, if the loan is for a [period of enrollment](#) that is not more than a single semester, trimester, quarter, or for a school without standard terms, not more than 4 months. A loan made to a student [enrolled](#) in a study-abroad program may be made in a single [disbursement](#) if the eligible [school](#) at which the student will receive course credit for the study-abroad program has a cohort default rate of less than 5%. These exceptions are applicable to disbursements scheduled by the school to be made on or after October 1, 1998.

*Disclosures:* Initial and repayment disclosure information must include the lender's telephone number and, at the lender's option, an electronic address from which the borrower can obtain additional loan information. This change is effective for initial and repayment disclosures issued by the lender on or after October 1, 1998.

*Eligibility – borrower and student:* The [Higher Education Amendments of 1998](#) changed some borrower and student eligibility requirements, effective for loan applications certified by the school on or after October 1, 1998, as follows:

- A student must certify, as part of the [Free Application for Federal Student Aid \(FAFSA\)](#), a [statement of educational purpose](#). A PLUS loan borrower must continue to certify a statement of educational purpose by signing and submitting the application and [promissory note](#) to the lender or school.
- A student who has completed in a home school setting a secondary education that is recognized as equivalent to a high school diploma under applicable [state](#) law is considered to have completed high school for purposes of Title IV eligibility.
- A student enrolled in coursework, offered in part or totally through [telecommunications](#) by a school, will be considered to be enrolled in [correspondence](#) courses *unless* all of the following criteria are met:
  - The school offers less than 50% of all courses by telecommunications or correspondence, and the student's coursework is part of a one-year or longer program leading to a recognized certificate or part of a recognized associate, baccalaureate, or graduate degree program.

- The school offers recognized associate, baccalaureate, or graduate degrees for 50% or more of its programs.
- The school is not an institution or school described in section 521(4)(C) of the [Carl D. Perkins Vocational and Applied Technology Education Act](#).
- Citizens of any one of the Freely Associated States (i.e., The Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau) are not eligible for FFELP funds at *any* participating school, but may be eligible for other types of Title IV aid.

*Eligibility – lender:* A bank [as defined in [section 3\(a\)\(1\) of the Federal Deposit Insurance Act](#)] that is a wholly-owned subsidiary of a tax-exempt, nonprofit foundation [as described in [section 501\(c\)\(3\) of IRS Code of 1986](#), and exempt from taxation under [section 501\(c\)\(1\) of the Code](#)], for purposes of making FFELP loans only to [undergraduate students](#) age 22 or younger, provided the bank's FFELP portfolio does not exceed \$5 million, is considered eligible to participate in the FFELP.

*Estimated financial assistance:* [Estimated financial assistance \(EFA\)](#) now includes national service education awards or postservice benefits, except when determining eligibility for a subsidized Stafford loan. In addition, veterans' educational benefits paid under [Title 38, Chapter 30 \(Montgomery GI Bill–Active Duty\)](#) must be excluded from a student's EFA when determining eligibility for a subsidized Stafford loan. This change is effective for Stafford loans certified by the school on or after October 1, 1998.

*Forbearance:* A borrower is not required to request a [mandatory forbearance](#) in writing. This change is effective for mandatory forbearances granted by the lender on or after October 1, 1998.

A lender may grant a [forbearance](#) for a period that does not exceed 60 days if the lender determines it is warranted in order to collect or process supporting [documentation](#) following a borrower's request for deferment, forbearance, a change in repayment plan, or loan consolidation. If such supporting documentation is not received within 60 days, the lender must resume servicing activities on the 61st day. The lender must not capitalize [interest](#) that accrues on the borrower's loan during this period of [administrative forbearance](#). However, the lender may receive documentation or information that results in the granting of a deferment or other forbearance type that would be concurrent with this

period and for which [capitalization](#) is permitted. These changes are effective for administrative forbearance granted by the lender on or after October 1, 1998.

*Grace period:* A Stafford borrower with a loan in a [grace period](#), or with a loan in an in-school status that would subsequently enter a grace period, who is called or ordered to active duty, is entitled to a military extension of the grace period for a period not to exceed 3 years. To qualify for this extension, the borrower must be called or ordered to active duty, on or after October 1, 1998, from a reserve component of the U.S. Armed Forces for a period in excess of 30 days.

*Interest rates:* The [interest](#) rate formulas are prescribed by the Temporary Student Loan Provisions of the [Transportation Equity Act for the 21st Century](#) for Stafford and PLUS loans first disbursed on or after July 1, 1998, but before October 1, 1998, are carried forward with the enactment of the [Higher Education Amendments of 1998](#).

For portions of the Consolidation loan attributable to:

- [FFELP](#), [FDLP](#), [FISL](#), [Perkins](#), [HPSL](#), or [NSL](#) loans, the interest rate is a weighted average of the interest rates on the loans being consolidated, rounded up to the nearest one-eighth of a percent, not to exceed 8.25%.
- [HEAL](#) loans, the interest rate is variable and is based on the 91-day [Treasury bill](#), auctioned for the quarter ending June 30, plus 3%. (There is no interest rate cap on the [HEAL](#) portion.)

*Interest subsidy:* The portion of a Federal Consolidation loan that repays a subsidized Federal Stafford or subsidized Federal Direct Stafford loan is eligible for interest subsidy during periods of authorized [deferment](#), making permanent the provision in the [ESLCA](#).

*Origination fee:* Lenders are permitted to pay [origination fees](#) on both subsidized *and unsubsidized* Stafford loans on the borrower's behalf. This change is effective for unsubsidized Stafford loans first disbursed by the lender on or after October 1, 1998.

*Repayment terms:* All [FFELP borrowers](#)—regardless of the date on which their first funds were disbursed or their outstanding indebtedness—are permitted to change their selection of [repayment schedule](#) annually. A lender must comply with an eligible borrower's request at least once every 12 months. The change is effective for borrower requests received by the lender on or after October 1, 1998.

*Teacher loan forgiveness:* The [Higher Education Amendments of 1998](#) implemented the Loan Forgiveness Program for Teachers. Under this program, effective for “new borrowers” with Stafford loans on or after October 1, 1998, [the Department](#) repays a portion of an eligible borrower’s Stafford loan obligations (and in some cases, Consolidation loan obligations). Unless otherwise instructed by the borrower, the lender must apply the payments received on the borrower’s behalf for teacher loan forgiveness first to any outstanding unsubsidized Federal Stafford loan balances, next to any outstanding subsidized Federal Stafford loan balances, and then to any eligible outstanding Federal Consolidation loan balances.

### October 7, 1998

President Clinton signed into Law the [Higher Education Amendments of 1998](#), which reauthorize the federal student financial assistance programs.

*Eligibility – lender:* A consumer finance company subsidiary of a national bank that acted as a small business lending company (as defined in regulations prescribed by the Small Business Administration) through one or more subsidiaries, is eligible to participate in the [FFELP](#), provided the bank’s direct and indirect subsidiaries together must not have as their primary consumer function the making or holding of education loans.

*Interest payment and capitalization:* A lender may capitalize interest on an unsubsidized Stafford loan first disbursed from October 7, 1998 to June 30, 2000, inclusive, only when the loan enters repayment, the [grace period](#) ends, a [deferment](#) ends, a [forbearance](#) ends, or the loan defaults.

*Repayment terms:* Extended repayment is available to a new borrower on or after October 7, 1998, who has more than \$30,000 in outstanding principal and interest on FFELP loans. An [extended repayment schedule](#) may provide for standard or graduated installments over a period not to exceed 25 years, an exception to the 10-year [repayment period](#) maximum. The \$600 minimum annual payment requirement does not apply to extended repayment schedules.

*Voluntary Flexible Agreement:* An explanation of Voluntary Flexible Agreements (VFAs), approved by the Department of Education for implementation on or after October 7, 1998, advises that guarantors participating under VFAs must work with their school and lender partners to explain any unique requirements.

### October 8, 1998

*Bankruptcy:* [Title 11 of the U.S.C.](#) (the bankruptcy code) is revised to eliminate [bankruptcy discharge](#) on chapter 7, 11, 12, and 13 bankruptcies for FFELP borrowers in repayment for 7 years. The bankruptcy code continues to allow discharge for [undue hardship](#). This change is effective for loans on which a borrower files a petition for bankruptcy on or after October 8, 1998.

*Child care provider loan forgiveness:* The [Higher Education Amendments of 1998](#) implemented the Loan Forgiveness Demonstration Program for Child Care Providers. If funding is made available under this program, effective for “new borrowers” with loans first disbursed on or after October 8, 1998, [the Department](#) repays up to 100% of a borrower’s Stafford loan obligations.

### November 1998

*Common forms:* The Department released [Dear Colleague Letter GEN-98-25](#), which provided detailed information regarding the introduction of the [Master Promissory Note \(MPN\)](#) for Federal Stafford Loans in the [Federal Family Education Loan Program](#). The MPN form will be first available for the 1999–2000 [academic year](#) (for loan periods beginning on or after July 1, 1999), and, beginning with the 2000–2001 academic year, will be the only [promissory note](#) approved for FFELP Stafford Loans. The MPN is a promissory note under which the borrower may receive loans for either a single period of enrollment or multiple periods of enrollment.

## 1999

### January 1, 1999

*Disclosure requirements:* The term “Treasury offset” has been added to clarify that federal offsets managed by the U.S. Treasury Department’s Financial Management Service may include the offset of federal payments other than tax refunds, such as Social Security benefits or federal retirement benefits. References to “state offsets” have been revised to eliminate specific mention of “state income taxes” or “taxes” and will be more generic since states may offset funds other than tax refunds. Guarantors will delay enforcement of FFELP disclosure requirements until such time as the amended provisions are reflected in common application documents. However, lenders should be aware that changes to federal processes have been in place for some time and default consequences to borrowers may be more comprehensive than lenders are currently disclosing to their clients.

*Disclosures:* The Department of Education removed the interest rate formula for Stafford and PLUS loans first disbursed on or after July 1, 1998, from the Borrower's Rights and Responsibilities section of the common Stafford and PLUS loan application materials. Lenders are now required to provide the actual interest rate, *including information on the rate's calculation*, in the initial disclosure to the borrower at or before the time of the first disbursement of a Stafford or PLUS loan. This change is enforced for Stafford and PLUS loans first disbursed on or after January 1, 1999, unless implemented earlier.

*Summer bridge extension:* A borrower who is enrolled through the end of the spring [academic period](#) and who qualifies for an extension of the in-school deferment may advise a lender of his or her intent to reenroll for the fall academic period. The lender must document the borrower's request and the date on which the borrower anticipates the fall academic period to begin. If the lender does not receive a notice from the borrower regarding his or her intent to reenroll for the fall academic period, but subsequently receives documentation of the borrower's in-school deferment eligibility for the fall period, the lender may retroactively process the summer bridge extension. This change is effective for summer bridge extensions processed by the lender on or after January 1, 1999, unless implemented earlier.

## February 1999

*Annual loan limit:* The Department issued *Dear Colleague Letter GEN-99-7*, which discussed the extension of eligibility for increased unsubsidized loan amounts due to the phase-out of the Health Education Assistance Loan (HEAL) program.

*Common forms:* The Department issued *Dear Colleague Letter GEN-99-9*, which discussed the [Master Promissory Note](#) and related instructions and the use of these forms.

## March 8, 1999

*NSLDS:* The National Student Loan Data System (NSLDS) no longer requires a school to report directly to the NSLDS any changes to a student's permanent address. Instead, the school must report these changes to the guarantor.

## April 1, 1999

*Exceeding loan limits:* If a borrower inadvertently exceeds an [annual](#) or [aggregate loan limit](#), the borrower may regain eligibility by repaying the excess funds in full, making [satisfactory repayment arrangements](#) with the lender, authorizing the school to adjust the excess loan amount, or

authorizing the school to reallocate funds between a subsidized Stafford loan and an unsubsidized Stafford loan for which the borrower is eligible. Borrowers who exceed the annual or aggregate loan limit as a result of providing false or misleading information must repay such loans in full to regain Title IV eligibility. These revisions are effective for loan applications certified by the school (or in the case of a Consolidation loan application, received by the lender) on or after April 1, 1999, unless implemented earlier by the guarantor.

*Interest subsidy:* If a student fails to check the box on the loan application indicating his or her request for a subsidized Stafford loan, but the school certifies subsidized Stafford loan eligibility for the student, the guarantor will guarantee the subsidized Stafford loan for the lesser of the amount certified by the school or requested by the student. In addition, a student's failure to request a subsidized Stafford loan no longer precludes the reallocation of subsidized and unsubsidized funds (provided the student requested an *unsubsidized* Stafford loan). These changes are effective for loan applications and promissory notes received by the guarantor on or after April 1, 1999, unless implemented earlier by the guarantor.

## April 16, 1999

The Department published corrections and other technical changes to the final regulations in [34 CFR Part 682](#). The regulations govern the [Federal Family Education Loan Program](#).

*Authorizations and certifications:* For Stafford and PLUS loans made using a common application and promissory note, the school continues to be required to obtain written authorization from the borrower to permit the release of loan proceeds received by EFT or master check from the school's account. The authorization may be obtained on the common application and promissory note or a separate form, and it must be obtained at or before the release of the loan's first disbursement.

Effective for EFT or master check disbursements delivered by the school on or after April 16, 1999, schools are no longer subject to the 30-day time restriction for obtaining EFT or master check authorizations on forms other than the common application and promissory note. For Stafford loans made using the Master Promissory Note (MPN), the school is not required to obtain separate borrower authorization to permit the transfer of loan proceeds received by EFT or master check to the student's account.

**Bankruptcy:** The borrower's attorney has been added as an acceptable source for providing proof of a borrower's [bankruptcy](#) filing. In addition, a lender must react to the Notice of the First Meeting of Creditors or "other proof of filing" of the bankruptcy from the borrower's attorney or the bankruptcy court. This is effective for bankruptcy notices received by the lender from the borrower's attorney or other proof of filing received by the lender on or after April 16, 1999, unless implemented earlier by the guarantor.

**Claims – returned and refiled:** If a default or [ineligible borrower](#) claim is returned to the lender solely due to inadequate documentation, the lender's eligibility for interest, [interest benefits](#), and [special allowance](#) payments is triggered from the date the lender received the returned claim. This change is effective for returned default and ineligible borrower claims received by the lender on or after April 16, 1999, unless implemented earlier.

**Consolidation loans:** The eligibility requirement to either make [satisfactory repayment arrangements](#) or agree to repay a Consolidation loan under an [income-sensitive repayment schedule](#) is not applicable to defaulted loans other than Title IV loans. If a lender elects to consolidate defaulted Title IV loans, the borrower must first make satisfactory arrangements with the loan holder to repay the defaulted loans, or agree to repay the Consolidation loan under an income-sensitive repayment schedule. This is effective for applications received by the consolidating lender on or after April 16, 1999, unless implemented earlier by the guarantor.

**Credit balance:** A school may hold a borrower's Stafford or PLUS loan proceeds as a fiduciary for the benefit of not only the student but also the guarantor and the Department, if those proceeds represent a credit balance that would otherwise have been paid directly to the student or parent borrower. This revision does not apply to schools that are prohibited by the Department, under reimbursement payment methods, from holding credit balances. This is effective for credit balances held by a school on or after April 16, 1999.

**Deferment:** A borrower's defaulted loan is not eligible for a [deferment](#) that begins after the date of [default](#), unless the borrower makes payment arrangements that are acceptable to the lender and that resolve the default prior to the payment of a default claim by the guarantor. Prior guidance was borrower-specific with respect to deferment of a defaulted loan prior to claim payment. This change is effective for deferment requests on defaulted loans granted by the lender on or after April 16, 1999.

**Disbursement rules:** Unless [disbursement](#) occurs by [EFT](#) or [master check](#), Stafford loans must be disbursed by individual checks that are either payable to the student or copayable to the student and the school. Lenders must send individual checks for Stafford and PLUS loan borrowers directly to the school (except in the case of a student enrolled at an eligible [foreign school](#)). A Federal PLUS loan for a student enrolled in an eligible foreign school must be disbursed by an individual check that is made copayable to the parent borrower and the school. The check must be sent directly to either the parent borrower or the school. These changes are effective for loan proceeds disbursed by individual checks on or after April 16, 1999.

**Eligibility – borrower and student:** Each parent seeking a PLUS loan must not have property subject to a judgment lien for a debt owed to the United States. PLUS loans can no longer be made to two parents as comakers. This is effective for PLUS loans certified by the school on or after April 16, 1999.

**Entrance counseling:** Touch-tone telephone technology has been added to the list of methods by which schools may conduct [entrance counseling](#) on or after April 16, 1999.

**Forbearance:** For borrowers who are jointly liable for repayment of a PLUS loan or Consolidation loan, a lender may grant a [forbearance](#) on repayment of the loan only if the ability of each individual to make scheduled payments has been impaired based on the same or different conditions. Lenders may grant a forbearance to a borrower or endorser to permit the resumption of payments following the date of default only if the forbearance is granted prior to the lender's receipt of the claim payment. These changes are effective for forbearances granted by the lender on or after April 16, 1999.

**Interest subsidy:** Lenders may not bill for interest benefits on a loan from the date the lender determines or receives notice of the guarantor's determination that the borrower is eligible for a [discharge](#) due to closed school or false certification provisions. This is effective for loans determined by the lender to be eligible for discharge due to closed school or false certification on or after April 16, 1999, or for which the lender receives notice of the guarantor's determination of discharge eligibility on or after such date, unless implemented earlier by the guarantor.

**Loan certification:** The minimum [period of enrollment](#) for which the school may certify a loan for a defaulted borrower who has regained eligibility during the [academic year](#) is the academic year during which the borrower has regained eligibility. This change is effective for loans certified by the school on or after April 16, 1999.

*Repayment start:* On Stafford, SLS, and PLUS loans, a borrower's first payment due date must be no later than 45 days after the last day of the [post-deferment grace period](#), unless the borrower makes a [prepayment](#) that advances the due date during this period. Exceptions to the establishment of a first payment due date no later than 45 days after the last day of a deferment or forbearance period may occur as a result of a borrower making a prepayment that advances the due date. These changes are effective for deferment, forbearance, and post-deferment grace periods ending on or after April 16, 1999, unless implemented earlier by the guarantor. For Consolidation loans, the lender must establish a first payment due date that is no more than 60 days after the date on which the last disbursement discharging underlying loans is made. This change is effective for Consolidation loans disbursed by the lender on or after April 16, 1999, unless implemented earlier by the guarantor.

*Repayment terms:* For [repayment schedules](#) issued by the lender on or after April 16, 1999, lenders must combine, to the extent practicable, all of a borrower's FFELP loans into a single account to be repaid under a single repayment schedule.

*Special allowance:* The lender may bill for [special allowance](#) on a loan only through the 60th day following the date of default, unless the lender files a [claim](#) on the loan on or before the 60th day following that default. This change is effective for claims filed by the lender on or after April 16, 1999, unless implemented earlier by the guarantor.

### May 1, 1999

*Annual loan limit:* For [loan periods](#) beginning on or after May 1, 1999, schools offering eligible health profession programs are eligible to award the increased unsubsidized loan amounts to students enrolled at least half time in those programs, regardless of the school's past participation in the HEAL Program. Foreign schools are not eligible to award the increased unsubsidized Stafford loan amounts.

### June 1999

*Eligibility – borrower and student:* The Department issued [Dear Colleague Letter GEN-99-16](#), which announces that the provision of the HEA related to student eligibility for Title IV financial aid due to drug convictions will not become effective until July 1, 2000.

### July 1999

*Common forms:* The Department issued [Dear Colleague Letter GEN-99-23](#), indicating their approval of new deferment forms for the following [deferment](#) types:

- Unemployment
- Public Service
- Parental Leave/Working Mother
- PLUS Borrower with Dependent Student
- In-School
- Economic Hardship
- Education Related
- Temporary Total Disability

### July 1, 1999

*Additional unsubsidized Stafford funding:* A school may certify an additional unsubsidized Stafford loan for a student whose parent is unable to obtain a PLUS loan. However, if either parent later becomes eligible for a PLUS loan, 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](#). This change is effective for loans certified on or after July 1, 1999, unless implemented earlier by the guarantor.

*Common forms:* The [Master Promissory Note \(MPN\)](#) must be used for Stafford loans certified by the school for loan periods beginning on or after July 1, 1999, implementing policy guidance provided in [Dear Colleague Letters GEN 98-25](#) and [GEN 99-9](#).

*Delivering loan funds:* For Stafford and PLUS loan proceeds disbursed by [EFT](#) or [master check](#) and received by the school on or after July 1, 1999, the school must deliver the funds directly to the student, or credit the student's account at the school, within three business days after the school's receipt of the loan proceeds.

*Deferment:* [Deferments](#) generally are borrower-specific—not loan-specific. However, if all of the borrower's loans are paid in full and the borrower subsequently obtains a new loan, the borrower is eligible for all deferments applicable to that new loan, despite any previous periods of deferment.

Parental leave deferments are neither borrower-specific nor loan-specific, but are based on occurrence. A borrower is eligible for a parental leave deferment for each newborn or adoption and may obtain a deferment for the maximum period for each occurrence. These changes are effective for deferment requests received by the lender on or after July 1, 1999, unless implemented earlier by the guarantor.

*Eligibility – borrower and student:* For loans certified by the school for periods of enrollment beginning on or after July 1, 1999, legal guardians have been eliminated from the definition of a [parent](#) for the purpose of PLUS loan eligibility.

*Guarantee transfer:* A borrower-requested [guarantee](#) transfer may occur only if the borrower's request is obtained in writing, and the holder and both guarantors agree to the transfer. In the case of a loan made to two borrowers as [comakers](#), both borrowers must request the transfer in writing. A guarantor will not accept a borrower-requested transfer of guarantee on any loan that is 30 or more days delinquent, that is currently filed as a claim with the transferring guarantor, or that reflects or should reflect a stay of collection activities based on the borrower's filing of a [bankruptcy](#) action, or if the lender does not know the current address of the borrower. The lender must provide written certification to the guarantor accepting the transfer that, according to its records at the time of transfer, none of these conditions exists for the loan being transferred. A guarantee may be transferred without the borrower's request only with the prior approval of the Department, the loan's holder, and both guarantors. Prior to any guarantee transfer, the lender of the loan must have an active [agreement](#) with the guarantor accepting the transfer. The lender also must obtain the borrower's written request or the Department's written approval, as applicable, and supply the guarantor accepting the transfer with copies of those documents, if required by the guarantor. [Guarantee fees](#) paid on the loan will not be transferred. This is effective for guarantee transfer requests submitted by the lender on or after July 1, 1999, unless implemented earlier by the guarantor.

*Loan origination:* A lender may elect not to make subsequent loans under an existing Stafford Master Promissory Note (Stafford MPN). The lender's decision may be based on any number of circumstances—for instance, if there is a change in the borrower's circumstances (such as bankruptcy or delinquency) or because the loan is being requested under a Lender of Last Resort Program. This change is effective on exercise of a lender's option to discontinue making loans under an existing Stafford MPN on or after July 1, 1999.

### August 1, 1999

*Closed school loan discharge:* In the case of a closed school discharge request, a borrower must certify under penalty of perjury that all of the information that is provided by the borrower in the request and in any accompanying documents is true and accurate. This change is effective for all new loan discharge forms sent to borrowers on or after

August 1, 1999. Other loan discharge applications sent to borrowers prior to that date may still be processed after that date.

*False certification loan discharge:* A borrower must complete, certify, and submit to the lender the applicable loan [discharge](#) form approved by the Department to qualify for a false certification discharge. For a loan discharge based on a disqualifying status, the borrower must complete, certify, and submit to the lender the Loan Discharge Application: False Certification (Disqualifying Status) form, in which the borrower states that he or she (or the student in the case of a PLUS borrower) was unable to meet the legal requirements for employment in the student's state of residence in the occupation for which the program of study was intended, due to age, physical or mental condition, criminal record, or other reason. The borrower must also provide information about the state legal requirement for employment that the student could not meet, including a reference to—or a copy of—the specific state law or regulation, and provide supporting documentation proving that the borrower had the disqualifying status at the time the loan was made. If the guarantor determines that a borrower is eligible for a loan discharge or a discharge of one or more disbursements on a loan, the discharge cancels the obligation of the borrower to repay the applicable outstanding principal, accrued interest, [collection costs](#), and late fees. It also qualifies the borrower for reimbursement of any amounts paid voluntarily or through forced collection on the amount discharged. The lender or guarantor must ensure that a discharge is reported to credit bureaus, such that adverse credit history associated with the amount discharged is removed. This is effective for all new loan discharge forms sent to borrowers on or after August 1, 1999. Other loan discharge applications sent to borrowers prior to August 1, 1999, may still be processed.

### August 5, 1999

*Forbearance:* A lender may grant an [administrative forbearance](#) to a borrower—or [endorser](#), if applicable—who contacts the lender and requests temporary relief from his or her loan obligation because he or she has been adversely affected by a natural disaster. The lender may grant an administrative forbearance for a period not to exceed 3 months, based on the borrower's or endorser's verbal or written request. Continuation of the [forbearance](#) beyond this 3-month period requires supporting documentation and a written agreement from the borrower or endorser. This change is effective for administrative forbearance granted by the lender on or after August 5, 1999, for a borrower or endorser who has been adversely affected by a natural disaster.

**August 9, 1999**

*Common forms:* The Department issued *Dear Colleague Letter 99-G-319*, which provides information regarding the approved Plain Language Disclosure (PLD) text for Stafford loans made under a *Master Promissory Note (MPN)* in the FFELP.

**August 19, 1999**

*Common forms:* Implementation of the Common Claim Initiative (CCI) policies originally included in chapter <sup>CCI8</sup> (now [chapters 12, 13, and 14](#)) of this manual, and referenced under the *September 1, 1998* entry in this appendix, is delayed.

The new effective date for the implementation of the CCI policies originally in chapter <sup>CCI8</sup> (now [chapters 12, 13, and 14](#)) will be as follows: A guarantor will establish the date on which it is ready to trade CCI electronic records with its trading partners. This date is referred to as the “G” date. All guarantor “G” dates will be established based on the final publication of the CCI electronic formats with one “G” date for preclaims and another “G” date for claims. The earliest “G” date that a guarantor may establish is two months after the final release of the CCI preclaim and claim documentation, respectively. The latest “G” date that a guarantor may use is 12 months following the final release of the CCI documentation. All CCI trading partners will be provided a window of 6 months from each guarantor’s “G” date to start reporting data using the CCI electronic format. Therefore, the preclaims and claims effective dates will be the guarantor “G” date plus 6 months. For example:

July 6, 1999      Preclaims Documentation Released

September 6, 1999      Earliest Guarantor “G” Date

March 6, 2000      Earliest Required  
Implementation Date

July 6, 2000      Latest Guarantor “G” Date

January 6, 2001      Latest Required  
Implementation Date

**September 1999**

*Common forms:* The Department issued *Dear Colleague Letter GEN-99-28*, announcing their approval of the following new PLUS Loan application forms, which must be used for applications issued on or after March 1, 2000:

- Application and Promissory Note for Federal PLUS Loan and instructions.

- Borrower’s Rights and Responsibilities.
- Endorser Addendum to Federal PLUS Loan Application and Promissory Note and instructions.

The Department issued *Dear Colleague Letter GEN-99-30*, announcing their approval of an extension of the expiration date of the Federal Stafford Loan Master Promissory Note (MPN) to August 31, 2002.

**September 9, 1999**

*Disbursement rules:* A lender must cancel all unmade disbursements if it receives reliable information that a federal student loan borrower—or the dependent student for whom a parent borrowed a PLUS loan—died before the disbursement was consummated. A school must return to the lender all loan funds that were disbursed to the school or delivered to the borrower or the student after the date of the borrower or dependent student’s death, as applicable.

*Insurance:* A Stafford or PLUS loan disbursement is not insured if it is unconsummated at the time of the borrower’s or student’s death, as applicable.

**October 22, 1999**

The Department published *Final Rules on student eligibility*.

**October 29, 1999**

The Department published *Final Rules on institutional eligibility and guarantors and FFELP lenders*.

**November 1999**

*Common forms:* The Department issued *Dear Colleague Letter GEN-99-35*, indicating their approval of a new Total and Permanent Disability Cancellation Request Form, which must be implemented no later than January 1, 2000.

**November 1, 1999**

The Department published *Final Rules on refunds (return of Title IV aid), FFELP and Direct Loan program common provisions, consumerism, and cohort default rates*.

*Common forms:* The Department issued *Dear Colleague Letter GEN-99-23* to implement revised common [deferment](#) forms that were approved by the Department in July 1999. Lenders must distribute the new deferment forms to borrowers no later than November 1, 1999.

*Forbearance:* The Department issued *Dear Colleague Letter GEN-99-36* to authorize lenders to grant an [administrative forbearance](#) in order to extend the period of suspension of [due diligence](#) for up to an additional 60 days if it is found, during the initial suspension period, that further time is needed to obtain the required death claim documentation.

## December 2, 1999

*Common forms:* The Department issued *Dear Colleague Letter GEN-99-37*, indicating their approval of four new loan [discharge](#) applications for the following reasons.

- School Closure
- False Certification of Ability to Benefit
- False Certification (Disqualifying Status)
- Unauthorized Signature/Unauthorized Payment

## 2000

### January 1, 2000

*Consummated loans:* For recordkeeping and reporting purposes, rather than making a loan-level determination, a lender must determine whether a [disbursement](#) is consummated or unconsummated. This change is effective for disbursements made by the lender on or after January 1, 2000.

*Special allowance:* The average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in the quarter (also called the 3-month [commercial paper rate](#)) is now a factor in calculating [special allowance](#) payable on the following loans:

- Stafford and PLUS loans first disbursed on or after January 1, 2000.
- Federal Consolidation loans made from [applications](#) received by lenders on or after January 1, 2000.

### January 3, 2000

*Audit:* At the request of a school, [the Department](#) may waive the annual audit submission requirement for schools that meet certain criteria. If the Department grants the

waiver, the school will not need to submit a compliance audit or audited financial statement until six months after one of the following:

- The end of the third fiscal year following the fiscal year for which the school last submitted a compliance audit and audited financial statement.
- The end of the second fiscal year following the fiscal year for which the school last submitted compliance and financial statement audits if the [award year](#) in which the school will apply for recertification is part of the third fiscal year.

This change is effective for annual audit submission waiver requests submitted by the school on or after January 3, 2000, such that the Department may begin granting waivers on or after July 1, 2000.

### February 1, 2000

*Deferment:* For [economic hardship deferment](#) requests received by the lender on or after February 1, 2000, the lender must include defaulted loans on which the borrower has made [satisfactory repayment arrangements](#) with the [holder](#) when determining a borrower's federal education debt burden for purposes of establishing economic hardship deferment eligibility.

### March 1, 2000

*Bankruptcy:* A lender must file a bankruptcy claim if a Chapter 7 or 11 [bankruptcy](#) converts to a Chapter 12 or 13 bankruptcy. This is effective for bankruptcy filing or conversion notifications received by the lender on or after March 1, 2000, unless implemented earlier by the guarantor.

*Deferment:* A borrower who is unemployed, incarcerated, disabled, or on a temporary unpaid leave of absence from work may qualify for an economic hardship deferment if he or she provides the lender with documentation of his or her income. In addition, any borrower who does not have income when applying for an economic hardship deferment must provide to the lender a self-certifying statement, either on the deferment form or in a separate statement, indicating that he or she has no income. This is effective for economic hardship deferment requests received by the lender on or after March 1, 2000, unless implemented earlier by the guarantor.

*Payment application:* A lender is no longer required to document in the [claim](#) file the borrower's instructions regarding the application of [prepayments](#). However, the

**guarantor** may require the lender to provide documentation of any borrower request regarding the application of payments as part of a **program review** or to substantiate a claim in the event of a borrower dispute. This change is effective for claims filed by the lender on or after March 1, 2000, unless implemented earlier by the guarantor.

### March 13, 2000

*Common forms:* Schools located outside of the United States may not use the multi-year feature of the **MPN**. Also, if a school has been deemed eligible by the Department to use the multi-year feature, the feature is applicable to all of the institution's students, even those who are not enrolled in four-year, graduate, or professional programs. This change is effective for loans certified by the school on or after March 13, 2000.

### April 1, 2000

*Deferment:* If the **dependent student** for whom a parent borrower obtained one or more PLUS loans meets the conditions required for an in-school deferment or rehabilitation training deferment, the parent borrower may defer all of his or her PLUS loans based on the status of that one student—provided that the parent borrower, on the date he or she signs the **promissory note**, had an outstanding balance on a FFELP loan disbursed before July 1, 1993. Previously, the manual inadvertently limited such eligibility to borrowers with a loan first disbursed on or after July 1, 1987, but prior to July 1, 1993. In addition, a PLUS borrower is no longer eligible for a graduate fellowship **deferment** based on the status of a **dependent student**. These changes are effective for deferments granted by the lender on or after April 1, 2000, unless implemented earlier by the **guarantor**.

### May 1, 2000

*Forbearance:* When granting a reduced-payment **forbearance**, the lender must provide the following information to the borrower:

- Information on the payment amount due during the forbearance.
- The address to which payments must be sent.
- The consequences, if any, of **delinquency** on payments required during the forbearance.

If a borrower becomes delinquent on required payments during a reduced-payment forbearance, the lender must comply with the terms of the forbearance agreement. Such terms may include the borrower being considered

delinquent and ultimately defaulting if the agreed upon reduced payments are not made. This is effective for forbearances granted by the lender on or after May 1, 2000, unless implemented earlier by the guarantor.

### July 1, 2000

*Additional unsubsidized Stafford 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. This clarification is effective for unsubsidized Stafford loan funds certified by the school beginning no later than July 1, 2000.

*Bankruptcy:* If a borrower files a Chapter 12 or 13 **bankruptcy**, the lender must suspend any collection efforts against any **comaker** or **endorser**. Suspension of collection efforts against any comaker or endorser is optional if the borrower filed a Chapter 7 or 11 bankruptcy. If the lender is notified that a comaker or endorser has filed a petition for relief in bankruptcy, the lender must immediately suspend any collection efforts against the comaker or endorser that are outside the bankruptcy proceeding. If the comaker or endorser filed a Chapter 12 or 13 bankruptcy, the lender must also suspend any collection efforts against the borrower and any other parties to the note. Suspension of any collection efforts against the borrower and any other parties to the note is optional if the comaker or endorser filed a Chapter 7 or 11 bankruptcy. These changes are effective for active bankruptcies on or after July 1, 2000, unless implemented earlier by the **guarantor**.

*Borrower dispute:* If a borrower disputes the terms of a loan in writing, and the lender does not resolve the dispute, the lender must inform the borrower of an appropriate guarantor contact for the resolution of the dispute. This is effective for borrower disputes received by the lender on or after July 1, 2000.

*Claim filing requirements:* When filing a **claim**, a lender must include both the loan **application** (if separate) and the **promissory note** assigned to the guarantor (or a copy of the promissory note certified by the lender as true and accurate). This change is effective for claims filed by the lender on or after July 1, 2000—or prior to July 1, 2000, if the loan was made using the **Master Promissory Note**.

*Claim repurchase/recall:* A lender will be required to **repurchase** a claim if the loan is ruled by a court to be legally unenforceable solely due to the lack of evidence of a **Confirmation** or **Notification** process for loans generated from the Master Promissory Note. This change is effective for loans ruled unenforceable by a court of law on or after July 1, 2000.

A lender must repurchase a default claim if a delay occurred in the processing of a [deferment](#) that began prior to the date of default. This is effective for deferment documentation processed by the lender on or after July 1, 2000, unless implemented earlier by the guarantor.

A lender must [recall](#) a [default](#) claim if the loan is reduced to 210 or fewer days delinquent before the guarantor pays the claim. This change is effective for loans on which the delinquency is reduced to 210 or fewer days on or after July 1, 2000, in cases where the lender has filed a claim based on the 270th day of [delinquency](#) but the guarantor has not yet paid the claim. This change may have been implemented by the guarantor on or after October 7, 1998.

*Closed school loan discharge:* A borrower may qualify for a closed school loan [discharge](#) without submitting a request if the borrower received a closed school discharge on a loan under the Federal Perkins Loan Program or the [Federal Direct Loan Program](#) for the same [program of study](#) at the same school, or if the [Department](#) or the guarantor, with the Department's permission, determines that the borrower qualifies for a discharge based on information in the Department's or guarantor's possession. This change is effective for closed school loan discharge determinations made on or after July 1, 2000.

*Cohort default rate:* Provisions related to the calculation of a school's FFELP [cohort default rate](#), [FDLP cohort default rate](#), or [dual-program cohort default rate](#) are revised as follows:

- A school may become ineligible to participate in the Federal [Pell Grant](#) Program as a result of ineligibility to participate in the FFELP or FDLP due to excessive cohort default rates.
- When the Department notifies a school of its draft cohort default rate, it will also provide a school which has a draft cohort default rate of 10% or more a copy of the supporting data used in calculating its draft rate.
- If a school is planning a challenge to its draft cohort default rate, the school now has 45 calendar days to provide information supporting its challenge to the guarantor(s). If the school is planning to challenge the anticipated loss of participation in the FFELP based on a draft cohort default rate of 25% or more for the three most recent years, the school has 30 calendar days after the date on which the school received its draft cohort rate information from the Department to challenge the data based on exceptional mitigating circumstances.

- If the school continues to participate in the [FFELP](#) during an appeal and the appeal is unsuccessful, the school is required to pay to the [Department](#) the amount of [interest](#), [special allowance](#), reinsurance, and any related payments made by the Department with respect to loans that the school certified and delivered more than 30 calendar days after the date the school received notification of the rate from the Department.
- In addition, the Department may determine that a school's appeal is valid under exceptional mitigating circumstances. In this case, a school's appeal must generally be based on the Participation Rate Index or based upon its service to economically disadvantaged students.

These changes are effective for [cohort default rates](#) issued by the Department on or after July 1, 2000.

*Common forms:* Use of the [common application](#) and [promissory note](#) for Stafford loans is discontinued on July 1, 2000, when use of the Federal Stafford Loan [Master Promissory Note](#) becomes mandatory. This is effective for Stafford loans certified by the school for any [period of enrollment](#) beginning on or after July 1, 2000, and for any loan certified on or after July 1, 2000, regardless of the loan period begin date.

For loans disbursed on or after July 1, 2000, or earlier if the loan was made using the Master Promissory Note (MPN), the following provisions exist:

- The MPN authorizes the lender to defer all of a borrower's [FFELP](#) loans based on information indicating that the borrower is enrolled at least half time.
- The MPN authorizes the lender to capitalize accrued interest on all the borrower's FFELP loans, including those made under the MPN.
- The MPN authorizes the lender to align repayment of the borrower's Stafford and SLS loans.

*Consolidation loans:* A Federal Consolidation loan borrower is not eligible for a subsequent consolidation loan unless the borrower meets one of the following conditions:

- The borrower has obtained a new eligible loan after the date the existing Consolidation loan was made.

- The borrower is consolidating an existing Consolidation loan with at least one other eligible loan, regardless of whether it was made before or after the date the existing Consolidation loan was made.

In either case, if the borrower meets all eligibility requirements, any or all outstanding eligible loans may be consolidated, including existing Consolidation loans and loans made before or after any existing Consolidation loan. However, a borrower or a married couple may not reconsolidate a single Consolidation loan. This change is effective for Consolidation loans made on or after July 1, 2000.

If a borrower, or either spouse in the case of a married couple, has [FFELP](#) loans held by multiple lenders, consolidation may be requested from any participating consolidation lender, regardless of whether the consolidating lender is a [holder](#) of any of the borrower's loans. This is effective for consolidation loan applications received by the lender on or after July 1, 2000, unless implemented earlier by the lender.

*Deferment:* In-school deferments are not bound to the 6-month backdating rule that applies to other types of deferment. The lender must grant an in-school deferment for each eligible period of enrollment and may bill the [Department](#) for [interest benefits](#) on a subsidized Stafford loan, regardless of the date enrollment began. This change is effective for in-school deferments granted on or after July 1, 2000, unless implemented earlier by the lender. Lenders may implement this provision earlier than the regulatory effective date (but not before October 29, 1999, date of the regulatory change published in the [Federal Register](#)) to maximize the benefit to [FFELP](#) borrowers.

A lender must use any information certified by the school indicating that the borrower is enrolled at least half time in determining the eligibility of a borrower for an in-school [deferment](#). If a lender grants an in-school deferment based on other information certified by the school and the borrower did not request the deferment, the lender must notify the borrower of the in-school deferment. The notification must advise the borrower of the option to pay the interest that accrues on an [unsubsidized loan](#), the option to cancel the deferment and continue paying on the loan, and the consequences of these options. This is effective for in-school deferments granted on or after July 1, 2000, unless implemented earlier by the lender.

A lender may grant an unemployment deferment to a borrower who requests an unemployment deferment and provides to the lender evidence of the borrower's eligibility to receive unemployment benefits. In this case, the

borrower need not provide the lender with the common deferment form or other additional information or documentation. This is effective for unemployment deferments granted on or after July 1, 2000, unless implemented earlier by the lender.

For unemployment deferments, a reference to the [Freely Associated States](#) has been added and the reference to the Trust Territory of the Pacific Islands has been deleted, when referring to borrowers residing in and seeking employment in a "state". The Freely Associated States are the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. This is effective for deferments granted on or after July 1, 2000, unless implemented earlier by the lender.

*Disbursement rules:* A school must cease certifying loans based on exemptions to the [multiple disbursement](#) and [delayed delivery](#) requirements no later than 30 days after receiving notice from the Department of a [FFELP cohort default rate](#), [FDLP cohort default rate](#), or [dual program cohort default rate](#) that causes the school to no longer meet the necessary qualifications for these exemptions. In addition, eligible foreign schools are exempt from the requirement to delay delivery of funds to first-year undergraduate students who are first-time borrowers. These changes are effective for loans certified on or after July 1, 2000, by schools that have received notice from the Department that a cohort default rate causes the school to no longer meet the necessary qualifications.

If requested by the school, a lender may make disbursements after a [disbursement](#) has been returned, unless the lender or school has information that the student is no longer enrolled. This change is effective for school requests for disbursements received by the lender on or after July 1, 2000.

#### *Disclosure requirements:*

- Student Consumer Information – The school must provide consumer information on an annual basis and prior to a student enrolling in or entering into any financial obligation with the school. Information may be provided on an Internet Website accessible to the general public. However, an Intranet Website, which is accessible only to persons within the school, may not be used to provide information to prospective students. When providing the required information for student athletes, schools should follow the requirements of [34 CFR 668.48](#). Information provided to these students must also be provided by report to the [Department](#) by July 1 each year. A school's student consumer information must include a description of student

rights and responsibilities specifically addressing financial assistance under the [Title IV](#) programs. Information that schools furnish regarding provisions for [cancellation](#), [deferment](#), or forgiveness of [FFELP](#) loans must now also indicate the availability of deferment for service in the Peace Corps, service under the [Domestic Volunteer Service Act of 1973](#), or comparable volunteer service for a tax-exempt organization. These changes are effective for consumer information provided by the school on or after July 1, 2000.

- Repayment information – At or before the first [disbursement](#) of a Stafford or PLUS loan, the lender must provide the borrower, in a written or electronic format, the following information (in addition to that already required):
  - Information on the availability of income-sensitive repayment. The lender must provide, together or separately, all of the following:
    - A statement that the borrower is eligible for [income-sensitive repayment](#), including through loan consolidation.
    - Procedures by which the borrower may choose income-sensitive repayment.
    - Where and how the borrower may obtain more information on income-sensitive repayment.

The lender meets the preceding disclosure requirement by providing the borrower with the promissory note and associated materials approved by [the Department](#).

These changes are effective for initial disclosure notifications issued by the lender to the borrower on or after July 1, 2000.

A lender may rely on the PLUS promissory note and associated materials approved by the Department to satisfy the requirement to provide the borrower with sample projections of monthly repayment amounts assuming different levels of borrowing and [interest](#) accruals. This change is effective for repayment disclosures issued by the lender on or after July 1, 2000.

A lender must provide to borrowers, at the time repayment options are offered, a telephone number accessible at no cost to the borrower from within the

U.S. from which the borrower can obtain additional loan information. A lender may disclose its own toll-free number or an alternative number (for example, a lender may offer a toll number at which the borrower can call collect; or with the permission of the guarantor, arrange to provide the guarantor's toll-free number). This change is effective for repayment disclosures issued by the lender on or after July 1, 2000.

A lender must offer *all* borrowers the choice of a [standard](#), income-sensitive, [graduated](#), or, if applicable, an [extended repayment schedule](#). In addition, the lender must inform the borrower through repayment notification that he or she is eligible for income-sensitive repayment (including through loan consolidation), the procedures by which the borrower can choose income-sensitive repayment, and where and how more information on income-sensitive repayment may be obtained. These changes are effective for repayment disclosures issued by the lender on or after July 1, 2000.

*Due diligence:* A lender must complete [endorser due diligence](#) requirements before filing a [default claim](#), rather than during the delinquency period of the loan. This is effective for default claims for which the first day of delinquency on the oldest outstanding due date is on or after July 1, 2000, unless implemented earlier by the guarantor.

The following expanded requirements are effective for [skip tracing](#) initiated by the lender on or after July 1, 2001, unless implemented earlier by the guarantor:

- In performing telephone skip tracing with the [financial aid administrator](#) or other school official, lenders must direct written or telephone contact to the school identified on the most recent school certification or the most recent loan [application](#).
- In performing address skip tracing, lenders must contact the schools in the borrower's loan file. This contact should be with the financial aid administrator or other school official who may reasonably be expected to know the borrower's address.

The period during which a lender must submit a request for [default aversion assistance](#) from a guarantor is defined as the Default Aversion Assistance Request (DAAR) period. This period begins no earlier than the 60th day and ends no later than the 120th day of the borrower's [delinquency](#). If a lender fails to request default aversion during the DAAR period, and the lender later submits a [claim](#) on that loan, the lender is subject to an interest penalty. If the lender fails to

file a request by the 330th day, it will not be entitled to receive interest, [interest benefits](#), and [special allowance](#) for the 270 days immediately preceding the date on which the loan defaulted. After initially submitting a default aversion assistance request, a lender must provide any additional information requested by the guarantor or resubmit any rejected default aversion assistance request. This change is effective for loans for which the first day of delinquency on the oldest outstanding due date is on or after July 1, 2000, unless implemented earlier by the guarantor.

[Due diligence](#) requirements for lenders are expanded for loans for which the first day of [delinquency](#) on the oldest outstanding due date is on or after July 1, 2000, unless implemented earlier by the [guarantor](#), as follows:

- The lender must continue due diligence efforts, urging the borrower to make the required loan payments between the 181st and 270th days of delinquency (between the 241st and 330th day of delinquency for loans payable in installments less frequent than monthly). Efforts made after the [final demand](#) letter has been sent must support the final demand, although these efforts are no longer restricted to [diligent efforts](#) to contact the borrower by telephone.
- The lender must mail the final demand letter when the loan becomes 241 or more days delinquent (301 or more days delinquent for loans payable in installments less frequent than monthly).

In at least one of the collection activities required of lenders under [34 CFR 682.411](#), the lender must inform the borrower of the availability of the Department's Student Loan Ombudsman's office. This is effective for loans with a first day of delinquency on the oldest outstanding due date that is on or after July 1, 2000.

*Eligibility – borrower and student:* Students convicted of the possession or sale of an illegal drug may not be eligible for Title IV funds. The Department determines the borrower's eligibility under this subsection based on the student's self-certification on the [Free Application for Federal Student Aid \(FAFSA\)](#). The school is notified of the student's eligibility on the [Institutional Student Information Record \(ISIR\)](#). However, if the financial aid office has conflicting information regarding a drug conviction that affects the student's eligibility, this discrepancy must be resolved. This is effective for student eligibility determinations made for award years beginning on or after July 1, 2000.

A student enrolled in correspondence courses is eligible to receive Title IV assistance only if the correspondence courses are part of a program that leads to an associate, bachelor's, or graduate degree. A student enrolled in a [telecommunications course](#) at an institution of higher education is not considered to be enrolled in a correspondence course, if both of the following criteria apply:

- The student is enrolled in a program that leads to a certificate for a program of study of one year or longer, or to an associate, bachelor's, or graduate degree.
- The number of telecommunications and correspondence courses the school offered during its most recently completed [award year](#) was fewer than 50% of all the courses the school offered during the same year.

These changes are effective for award years beginning on or after July 1, 2000, unless implemented earlier by the school.

*Eligibility – school:* A [branch campus](#) may apply for participation as a main campus or freestanding institution if the branch campus of an eligible school has been in existence for at least two years following its certification by the Department as a branch campus. This is effective for branch campuses that apply for designation as a main campus or a freestanding institution on or after July 1, 2000, unless implemented earlier by the school.

A school no longer meets the definition of an eligible institution if the percentage of regularly enrolled students who are incarcerated is more than 25%, or if the percentage of regularly enrolled students who do not have a high school diploma or its equivalent is more than 50%. The Department may offer a waiver of the limit on the percentage of incarcerated students if the school is a nonprofit institution that provides 2-year or 4-year educational programs for which it awards an associate or bachelor's degree, or a postsecondary diploma. This is effective for school compliance with the definition of an eligible institution on or after July 1, 2000.

A proprietary school must receive no more than 90% of its revenues from [Title IV](#) funds. This calculation must be based on the school's most recently completed fiscal year. This is effective for revenues received by proprietary schools for fiscal years beginning on or after July 1, 2000, unless implemented earlier by the school on or after October 7, 1998.

A school may be prohibited from delivering [Title IV](#) funds to students if a school's Program Participation Agreement (PPA) expires or if a school undergoes a change in ownership resulting in a change of control or when a school changes status as a nonprofit, for-profit, or public school. Provisions regarding the expiration of the school's Program Participation Agreement are effective retroactively to the implementation of the *Common Manual*. Provisions relating to a change of ownership resulting in a change in control are effective for Program Participation Agreements initiated on or after July 1, 2000, and Provisional Certifications granted by the Department on or after October 29, 1999.

*Entrance counseling:* Schools must include an explanation of the use of the [MPN](#) when conducting [entrance counseling](#), and are authorized to use interactive electronic means as a method to conduct entrance counseling. Electronic means must be interactive, which at a minimum require schools to take reasonable steps to ensure that each borrower receives the counseling materials and participates in and completes the counseling. This change is effective for entrance counseling conducted by the school on or after July 1, 2000, unless implemented earlier by the school.

Effective for [entrance counseling](#) conducted by the school on or after July 1, 2000, unless implemented earlier by the school, [the Department](#) stipulates that a school must:

- Explain the use of the Master Promissory Note.
- Emphasize to the student the seriousness and importance of the repayment obligation the student is assuming.
- Describe in forceful terms the likely consequences of [default](#), including adverse credit reports and litigation.
- Except for a student who receives a loan made or originated by the school, the school must emphasize that the student is obligated to repay the full amount of the Stafford loan, even if the student does not complete the program, is unable to obtain employment upon completion, or is otherwise dissatisfied with or does not receive the educational or other services that the student purchased from the school.

In an effort to improve a student's understanding of his or her loan repayment obligation, the Department recommends that the school provide additional information as outlined in [Appendix D of 34 CFR 668](#) and the *Federal Student Aid Handbook* as part of the entrance counseling.

*Exit counseling:* The following are new regulatory requirements for [exit counseling](#) for students who cease half-time attendance on or after July 1, 2000, unless implemented earlier by the school:

- Schools may use audiovisual or interactive electronic means to conduct exit counseling.
- Schools may provide exit counseling materials to study-abroad students by mail.
- Schools may use interactive electronic means for students who withdraw or fail to complete exit counseling.
- Schools are now required to provide the information listed in regulations and in [subsection 4.4.D](#) of the *Common Manual*.
- Schools must inform students with SLS loans that refinancing of SLS loans is available.
- Schools must explain conditions for full [cancellation](#) of the loan, as well as partial cancellation.
- Schools must provide each student with information about the Department's Student Loan Ombudsman's office.
- Schools must explain the use of the [Master Promissory Note](#).
- Schools must take reasonable steps to ensure that the student receives, participates in, and completes exit counseling if it is conducted by interactive electronic means.
- Schools must ensure that the average anticipated monthly repayment amount based on the student's indebtedness is provided to the borrower during exit counseling.

*False certification loan discharge:* When requesting a false certification loan [discharge](#), borrowers are no longer required to certify that a reasonable attempt was made to obtain employment in the occupation for which the program was intended to provide training. This change is effective for false certification loan discharge requests received by the lender on or after July 1, 2000.

*Federal reporting:* If a lender owes [origination fees](#) or lender loan fees, the lender must submit ED Form 799 to [the Department](#) even if the lender is not owed or does not wish to receive [interest benefits](#) or [special allowance](#) payments.

*Forbearance:* A lender may grant an [administrative forbearance](#) to resolve an outstanding [delinquency](#) that precedes an administrative forbearance granted for a natural disaster, and that precedes a [mandatory administrative forbearance](#) granted for military mobilization, local or national emergency, or a designated disaster. This change is effective for disaster-related administrative forbearance and mandatory administrative forbearance granted for military mobilization, local or national emergency, or a designated disaster area on or after July 1, 2000.

A lender may grant subsequent periods of administrative forbearance, not to exceed 60 days each, if the lender determines that it is warranted in order to collect or process supporting documentation following a borrower's request for a deferment, [forbearance](#), change in repayment plan, or loan consolidation. The lender may grant a new administrative forbearance period for each occurrence. The lender must document the reasons for granting each forbearance of this type in the borrower's loan history. This change is effective for subsequent administrative forbearances granted in order to collect and process supporting documentation following a borrower's request for a deferment, forbearance, change in repayment plan, or loan consolidation on or after July 1, 2000.

*Grace period:* A borrower who is called or ordered to active duty may receive multiple extensions of the [grace period](#) and no single extension may exceed 3 years. A borrower's full grace period is restored at the end of this period. This change is effective for second and subsequent notifications of active duty status received by the lender on or after July 1, 2000.

*Holder:* An eligible lender owning a FFELP loan is the new definition of a "holder." This change is effective July 1, 2000.

*Inducements:* Lenders are authorized to provide assistance to schools comparable to the kinds of assistance provided by the Department to schools under, or in furtherance of, the FDLP. This change is effective for assistance provided by lenders to schools on or after July 1, 2000, unless implemented earlier by the lender.

*Interest payment and capitalization:* For subsidized and unsubsidized Stafford loans first disbursed on or after July 1, 2000, the lender may capitalize [interest](#) only when the loan enters repayment, when a deferment ends, when a [forbearance](#) ends, and when the loan defaults.

*Interest subsidy:* For Federal Consolidation loans made from applications received by lenders on or after November 13, 1997, the portion of the loan that is eligible for interest subsidy is the portion that repaid any subsidized [FFEL](#) or Direct loan. This is effective for Consolidation loan applications received by the lender on or after July 1, 2000, unless implemented earlier by the lender.

*Late disbursement/post-withdrawal disbursement:* A [post-withdrawal disbursement](#) is a [disbursement](#) made to a student who has withdrawn, but who has earned more aid than has been disbursed. If the student has earned more [Title IV](#) aid than has been disbursed and is otherwise eligible to receive funds, the school must deliver a post-withdrawal disbursement to the student (or parent, in the case of a PLUS loan). No return of funds is required when the student is eligible to receive a post-withdrawal disbursement. The school may credit all or a portion of the post-withdrawal disbursement to the student's account, up to the amount of outstanding charges. To assist schools, [the Department](#) has provided a Post-Withdrawal Disbursement Tracking Sheet.

A post-withdrawal disbursement is different from a [late disbursement](#) in the following ways:

- The school is required to offer an eligible borrower a post-withdrawal disbursement, and if accepted, to deliver the post-withdrawal disbursement.
- The post-withdrawal disbursement must be made from available Title IV grant funds before available loan funds.
- The 90-day period for the school to deliver the post-withdrawal disbursement is calculated from the date of the school's *determination* that the student withdrew rather than from the student's withdrawal date.

If the student is eligible for a post-withdrawal [disbursement](#), it must be offered to the student within 30 days of the date of determination. If any amount of a post-withdrawal disbursement remains after the student's institutional charges are paid, the school must offer that amount to the borrower within 30 days of determining that the student withdrew. The school must provide a written notice to the borrower regarding the funds to be delivered.

*Leave of absence:* Federal regulations effective July 1, 2000, provide for implementation of these changes on or before October 7, 2000. If a school chooses to implement these regulations prior to October 7, 2000, it must implement them in their entirety.

A [leave of absence](#) is an approved leave if the following conditions are met:

- The school has a written policy regarding leaves of absence that is publicized to students and that requires a written, signed, and dated request from the student prior to the leave of absence.
- The student has requested the leave of absence according to the school's policy, and the school has approved the leave.
- The leave of absence does not involve additional charges by the school to the student.
- Upon return, the student is permitted to complete the coursework he or she began prior to the leave of absence.
- The leave of absence does not exceed 180 days in any 12-month period. The 12-month period begins on the first day of the student's leave of absence (or initial leave of absence, if applicable).
- Prior to granting the leave, the school explains to the student the effects that the student's failure to return from a leave of absence may have on repayment of the student's loans, including the depletion of some or all of the student's [grace period](#).

In any 12-month period, the school should grant no more than one leave of absence to each student, except in the following situations:

- One subsequent leave of absence may be granted if the leave of absence does not exceed 30 days and the school determines that it is necessary due to unforeseen circumstances.
- Subsequent leaves of absence may be granted for jury duty, military reasons, or circumstances covered under the [Family and Medical Leave Act of 1993](#). The school must document the reason for each subsequent leave of absence.

The total number of days of all leaves of absence may never exceed 180 days in any 12-month period.

The [last date of attendance](#) for students who fail to return from an approved leave of absence is based upon whether the school is required to take attendance. For schools required to take attendance, the last date of attendance is the last date of academic attendance reflected in the school's attendance records. For schools not required to take attendance, the last date of attendance is the date the student began the leave of absence.

*Lender of last resort:* A student is entitled to receive Stafford loans under the [Lender of Last Resort \(LLR\) program](#) if the student is eligible to participate in the FFELP and meets all of the following conditions:

- The student qualifies for [interest benefits](#).
- The student is eligible for a combined subsidized and unsubsidized Stafford loan amount of at least \$200.
- The student is otherwise unable to obtain loans from another eligible lender for the same period of enrollment or is attending a school that has been designated an LLR school.

In addition, an LLR may offer unsubsidized Stafford loans and PLUS loans through LLR programs to eligible borrowers who have been otherwise unable to obtain those loans from another eligible lender. Within 60 days of receiving a complete request from the borrower for an LLR loan, the [guarantor](#) must respond to the borrower with an approval or denial. If the LLR loan is approved, the guarantor will either serve as the lender or designate an eligible lender to make the LLR loan. This is effective for loan applications received by the LLR on or after July 1, 2000.

*Loan sales and transfers:* A school may request that the lender assign the original or a true and exact copy of the promissory note to the school in those cases where a school repays the entire loan amount for an ineligible borrower. This revision is effective for all loans made using a Master Promissory Note (MPN) for any period of enrollment beginning on or after July 1, 2000, and for any loan certified on or after July 1, 2000, regardless of the loan period begin date.

*Origination fee:* The lender must ensure that origination fees are assessed equally to all Stafford borrowers who reside in a particular state or who attend school in that state.

The exception 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:

- 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.
- The borrower qualifies for a subsidized Stafford loan.
- The borrower meets a comparable standard approved by the Department.

If a lender charges a lesser origination fee to a Stafford borrower who has been determined by the lender to have a “greater financial need,” the lender must charge all such borrowers who reside in that state or attend school in that state the same origination fee. In addition, if the lender charges the borrower a lesser origination fee on an unsubsidized Stafford loan, the lender must charge the borrower the same fee on a subsidized Stafford loan. These changes are effective for fees owed by the lender on or after July 1, 2000.

*Program Participation Agreement:* The following are additional requirements for schools that are completing a [program participation agreement](#):

- A school located in a state not covered by [section 4\(b\) of the National Voter Registration Act](#) (commonly known as the Motor Voter Registration Act) is required to make a good faith effort to mail a voter registration form to each enrolled student who is physically in attendance at the school and to make the forms widely available. This requirement includes elections for a state’s governor or other chief executive or for federal office elections.
- A school seeking to participate in the [FFELP](#) for the first time must use a default management plan approved by [the Department](#) for at least the first two years of its participation in the FFELP if the owner of the school owns or owned any other school that had a [cohort default rate](#) greater than 10%.
- A FFELP-participating school undergoing a change of ownership that results in a [change in control](#) may be required to use a default management plan approved by the Department for at least the first two years following the change.

A school must submit a default management plan if it is seeking to re-establish eligibility based on a change in ownership that resulted in a change of control or if the school has a cohort default rate greater than 10%. This is effective for program participation agreements initiated on or after July 1, 2000, and provisional certifications granted by the Department on or after October 29, 1999.

*Record retention:* The list of required documentation that must be retained by the lender has been expanded to include all of the following:

- Documentation of any [Master Promissory Note \(MPN\) Confirmation](#) or [Notification](#) process or processes.
- A copy of the loan application, if a separate application was provided to the lender.
- A copy of the signed [promissory note](#). The original or a true and exact copy of the promissory note must be retained until the loan is paid in full or assigned to the Department.

For loans made under a MPN, these changes are effective upon [disbursement](#). For all other loans, changes apply to the lender’s retention of the application and promissory note on or after July 1, 2000.

A lender must retain loan records for a period of not less than:

- 3 years after the date the loan is paid in full by the borrower.
- 5 years after the date the lender receives payment in full from any other source.

When a loan is paid in full by the borrower, the lender must either return the original [promissory note](#) or a true and exact copy of the promissory note to the borrower, or notify the borrower that the loan is paid in full. Revised policy deletes the requirement that any paid-in-full notification to the borrower be made by an alternative procedure acceptable under state law. Revisions regarding [record](#) retention time frames are effective for loan records retained by the lender on or after July 1, 2000. Revisions regarding lender notification that a loan has been paid in full by the borrower are effective for loans paid in full on or after July 1, 2000, unless the lender implements this provision earlier for loans made under an [MPN](#).

Record-keeping requirements for schools are revised as follows:

- A school must retain a copy of the MPN certification, or certification data if submitted electronically.
- A school must retain the [cost of attendance](#), [estimated financial assistance](#), and [expected family contribution](#) (instead of records of the calculations used to determine the loan amount).
- A school must retain a record of any MPN [Confirmation](#) or [Notification](#) process it used.
- The requirement that the school retain the name and address of the lender for each loan certified has been removed.

This change is effective for loan [application](#)/certification-related records maintained for loans certified on or after July 1, 2000, unless implemented earlier by the school as a result of initiating the MPN process.

*Status changes and reporting:* The in-school period end date for students enrolled in correspondence programs is the earliest of:

- The date the student borrower completes the program.
- The date of withdrawal.
- 60 days from the last day for completing the program, as established by the school.

The one-time provision by which a correspondence school was allowed to restore the student's in-school status if the student failed to submit an assignment has been deleted. These changes are effective for in-school period end dates determined by the school on or after July 1, 2000.

Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999, a student who leaves school or fails to return to school as expected is considered to have withdrawn. The school must determine the [withdrawal date](#) and report that date to the lender or [guarantor](#). For the purposes of reporting enrollment status and [deferment](#) information, if a student does not return for the next scheduled term following a summer break or a period of summer bridge deferment (including periods during which classes are offered but attendance is not required), the school must determine the student's withdrawal date within

30 days after the first day of the next scheduled term. For any student for whom the school is required to take attendance, the withdrawal date is the student's last recorded date of academic attendance, as determined by the school from its attendance records. If such a student does not resume attendance by the end of an approved leave of absence at the school, or takes an unapproved leave of absence, the withdrawal date is the student's last recorded date of academic attendance. The school must maintain documentation of the [withdrawal date](#), beginning on the date the school determines that the student withdrew.

A school that is not required to take attendance must describe its withdrawal process to students and designate the persons or offices the student must contact to provide official notification of withdrawal. If the student provides notice of his or her intent to withdraw, the withdrawal date is the earlier of the following:

- The date the student began the school's withdrawal process.
- The date the student provided official notification to the school, in writing or orally, of his or her intent to withdraw.

If the student does not initiate the withdrawal process, the withdrawal date is one of the following:

- The midpoint of the [payment period](#) (or [period of enrollment](#), if applicable).
- The date the student began a [leave of absence](#) if the student fails to return from an approved leave of absence or takes an unapproved leave of absence.
- The school may use certain alternatives to these methods of determining the withdrawal date when a student does not initiate the withdrawal process.

If the student does not provide official notice of his or her intent to withdraw to a school that is not required to take attendance, the school must determine the student's withdrawal date within 30 days after the last day of the earliest of:

- The period of enrollment for which the student has been charged.
- The academic year during which the student withdrew.
- The educational program from which the student withdrew.

The school may allow a student to rescind his or her official notification to withdraw one time if the student signs a written statement that he or she is continuing to participate in academically related activities and intends to complete the payment period or period of enrollment, as applicable. The school must report the withdrawal date to the lender. This date determines the beginning of the student's [grace period](#). A withdrawal date must consist of a month, day, and year.

*Unpaid refund discharge:* If the lender learns that an open school did not pay a required refund, the lender must provide the borrower a discharge request form and an explanation of the qualifications and procedures for obtaining a [discharge](#). The lender must also promptly suspend any collection activities on the loan for at least 60 days or until the lender receives the guarantor's determination, whichever is earlier. To qualify for an unpaid refund discharge, a borrower must complete, certify, and submit to his or her lender or [guarantor](#) a written request and a sworn statement (notarization is not required), made under penalty of perjury. The guarantor may, with the Department's consent, grant an unpaid refund discharge without a borrower's request if the guarantor determines, based on information in the guarantor's possession, that the borrower qualifies for a discharge. If the lender does not receive the borrower's completed discharge request within 60 days of the date on which the lender sent the request to the borrower, the lender must resume collection activities and grant a [forbearance](#) for the period when collection activities were suspended. Any [interest](#) accrued and not paid during this period may be capitalized. If the lender receives the borrower's unpaid refund discharge request more than 60 days from the date on which the lender sent the request to the borrower, the lender may grant an additional [administrative forbearance](#) on any affected loan. The unpaid refund provisions are effective for completed unpaid refund discharge requests received by the lender or guarantor and unpaid refund allegations received by the school on or after July 1, 2000.

For an unpaid refund discharge request for a closed school, the guarantor is required to purchase an approved discharge request or return the request to the lender within 45 days. For an unpaid refund discharge request for an open school, the guarantor may take up to 120 days to resolve the unpaid refund with the school. The guarantor is required to purchase an approved discharge request or return it to the lender within 45 days from the date the eligibility determination is made. These time frames are effective for unpaid refund discharges granted on or after July 1, 2000, for loans disbursed, in whole or in part, on or after January 1, 1986.

## October 2000

*Consolidation loans:* The following changes apply to Consolidation loans made using the common Consolidation loan forms approved for use by [the Department](#) in October 2000:

- Married couples applying for a spousal consolidation loan no longer need to complete a separate form, but must complete all applicable sections of the common Consolidation loan forms, including those that apply to spousal consolidation.
- The borrower's authorization for the release of information is now included on the [application](#) and [promissory note](#).
- A borrower must certify that he or she does not owe an overpayment on a Pell, SEOG or LEAP Grant and that all loans being consolidated were used to finance the education of the borrower, the borrower's spouse, or the borrower's child.
- Borrowers who wish to add eligible loans to a Consolidation loan must complete and return the *Request to Add Loans* form to the lender so that the lender receives it within 180 days of the date the original Consolidation loan was made. In addition, the lender must disclose new repayment terms to the borrower, if the terms of the borrower's Consolidation loan change due to the addition of loans within the 180-day add-on period.

## October 1, 2000

The Department publishes *Dear Partner Letter GEN-01-06*, which provides voluntary standards for lenders to use for electronic signatures in electronic student loan transactions. The voluntary standards protect lenders from loss of guarantee, federal interest benefits, and special allowance payments if a loan is determined to be legally unenforceable based solely on the processes used for the electronic signature or related records. If a lender's processes for electronic signatures and related records do not satisfy these standards and a loan is held by a court to be unenforceable based solely on these processes, the Department will determine on a case-by-case basis whether federal benefits will be denied or paid. A lender is not protected from these losses on loans made using electronic signatures in electronic student loan transactions to students attending foreign schools even if the lender complies with these standards. This guidance is effective for FFELP documents signed electronically by the borrower on or after October 1, 2000.

**October 7, 2000**

*Eligibility – borrower and student:* In addition to having the option of making satisfactory repayment arrangements with the school, borrowers have the option of making satisfactory repayment arrangements with the Department to resolve an overpayment of \$25 or more in order to be considered eligible for additional Title IV funds.

*Leave of absence:* “Leave of absence” is defined as a status in which the student is considered to be continuously enrolled for Title IV program purposes. Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999.

*Payment period:* For an eligible program that combines a series of modules into a semester, trimester, or quarter and measures progress in credit hours, the payment period includes all of the modules the student was scheduled to attend in the semester, trimester, or quarter beginning with the module that included the student’s first day of attendance. Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999.

*Return of Title IV funds:* Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999:

- If a student dies during the loan period, the school must perform a return of Title IV funds calculation and must return all Title IV funds for which it is responsible. However, the student’s estate is not responsible for returning any unearned funds that would be the responsibility of the student to repay.
- If a student is enrolled in a clock-hour program where scheduled hours are used to determine the percentage of aid earned in the return of Title IV funds calculation, then a student does *not* earn 100% of his or her Title IV aid if the percentage of the payment period or period of enrollment completed exceeds 60%.
- The amount of Title IV loan and grant aid earned by the student equals the amount of aid that was delivered to the student plus the amount of aid that could have been disbursed or delivered during the payment period or period of enrollment, multiplied by the calculated percentage of Title IV aid earned. The amount of Title IV loan and grant aid that is unearned and must be

returned is equal to the total amount of disbursed Title IV aid minus the amount of Title IV aid that has been earned.

- Institutional charges used in the return of Title IV funds calculations are always the institutional charges that were initially assessed the student for the payment period or period of enrollment, unless the school adjusted the student’s institutional charges before the student withdrew (e.g., tuition was adjusted for a change in enrollment status). If the school waives all or some of the tuition and fees for certain students, the waiver of tuition and fees under the return of Title IV funds requirements must be consistent with the required treatment of the waiver for purposes of calculating the student’s cost of attendance for Title IV purposes.

A new method of performing withdrawal calculations (replacing the pro rata refund policy), called the “[return of Title IV funds](#)” specifies changes in the granting of leaves of absence, determination of withdrawal dates, and in the order in which funds are to be returned to the [Title IV](#) aid programs. Federal regulations effective July 1, 2000, provide for implementation of these changes on or before October 7, 2000. If a school chooses to implement these regulations prior to October 7, 2000, it must implement them in their entirety.

A school must return [Title IV](#) program funds for which the school is responsible no later than 30 days after the date on which the school makes the determination that the student has withdrawn, or the “date of determination.”

- **Calculations**

For each Title IV aid recipient who withdraws, the school must calculate the amount of Title IV assistance the student has earned. This amount is based on the length of time the student was enrolled. The school must return any portion of unearned Title IV funds for which the school is responsible. The school must also advise the student of the amount of unearned Title IV grant aid that he or she must return, if applicable. The student (or parent, in the case of a PLUS loan) must repay any unearned funds that the school was not responsible to return according to the normal terms of the loan. Upon request, the school must provide to enrolled and prospective students a copy of any [refund](#) policy with which the school is required to comply and that addresses the refund of tuition and fees or other refundable costs paid by the student. The written policy must include the requirements and procedures a

student should follow to officially withdraw from the school. The school must also provide a summary of the federal requirements for the return of Title IV funds.

- **Return Amounts for Title IV Grant and Loan Programs**

If a student has completed more than 60% of the payment period, he or she is considered to have earned 100% of the Title IV grant and loan aid received for the payment period. In this case, no funds need to be returned to the Title IV aid programs. However, if a student withdraws before completing more than 60% of the payment period or period of enrollment, the amount of any Title IV grant and loan aid the student received for the payment period or period of enrollment must be recalculated to reflect the portion of the payment period that he or she completed prior to withdrawal. The unearned Title IV grant and loan aid for the percentage of the payment period not completed must be returned to the applicable Title IV aid programs.

Calculations for the [return of Title IV funds](#) may be based upon the [period of enrollment](#). Schools must consistently use either the [payment period](#) or the period of enrollment as the basis for all calculations for the return of Title IV funds for the following categories of students:

- Students who have attended an educational program from the beginning of the period of enrollment or payment period.
- Students who re-enter the school during a period of enrollment or payment period.
- Students who transfer into the school during a period of enrollment or a payment period.

- **Percentage of Title IV Aid Returned**

For programs measured in credit hours, the total number of calendar days the student completed is divided by the total number of calendar days in the payment period or period of enrollment. For programs measured in clock hours, the total number of clock hours the student completed is divided by the total number of clock hours in the payment period or period of enrollment.

The order in which unearned funds must be returned has been changed. Schools must ensure that returned funds are applied to eliminate outstanding balances on loans and grants for the payment period, or period of enrollment, in the following order:

- Unsubsidized Stafford loans
- Subsidized Stafford loans
- Direct Unsubsidized Stafford loans
- Direct Subsidized Stafford loans
- Federal Perkins loans
- PLUS loans received on behalf of the student
- Direct PLUS loans received on behalf of the student
- Federal [Pell grants](#)
- Federal SEOG Program aid
- Other Title IV grant or loan assistance

When returning loan funds to the lender, the school should return the net amount that was received from the lender (the gross amount minus the guarantee and [origination fees](#)). The lender will adjust the guarantee and origination fees.

The July 1, 2000, regulations provide that these changes are effective for Title IV recipients who withdraw on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999. If a school chooses to implement these regulations prior to October 7, 2000, it must implement them in their entirety.

*Status changes and reporting:* Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999:

- The school must maintain documentation of the withdrawal date as of the date the school determines the student withdrew, and must report the withdrawal date to the lender. This date determines the beginning of the borrower's grace period or repayment period. A withdrawal date must consist of month, day, and year.
- A school must describe its withdrawal process to students, including those actions which constitute the "beginning" of the withdrawal process, and designate one or more offices the student must contact to provide official notification of withdrawal. The school may allow a student to rescind his or her official notification to withdraw if the student signs a written statement that he or she is continuing to participate in academically related activities and intends to complete the payment period or period of enrollment, as applicable. If the

student subsequently fails to attend or ceases attendance without completing the payment period or period of enrollment, the student's withdrawal date is the original date of notification of intent to withdraw, unless the school records a later date on which the student participated in an academically related activity.

*Withdrawal:* At a school that is required to record attendance, the withdrawal date for a student who has died is the last date of attendance as determined from the school's attendance records. At a school that is not required to record attendance, the withdrawal date for a student who has died is the date the student died.

### November 8, 2000

*Delivering loan funds:* *Dear Partner Letter (DPL)* GEN-00-18 published November 8, 2000, provides procedures a school should use to ensure that it does not deliver FFELP loan funds to students who are ineligible due to an unresolved overpayment of Title IV funds or an unresolved default on a Title IV loan. In all cases, the school must retain documentation that clearly substantiates its determination that a prior overpayment or default has been resolved. Documentation that the reporting entity has "no record" of the prior overpayment or default is not considered adequate for the release of FFELP funds. This change is effective for loans certified by the school on or after November 8, 2000.

### December 1, 2000

*Return of Title IV funds:* A school may include funds from a second or subsequent disbursement of FFELP funds as aid that could have been disbursed when completing return of Title IV funds calculations if the school would have been permitted to deliver the funds on or before the date the student withdrew. This provision is effective for return of Title IV funds calculations completed on or after December 1, 2000.

## 2001

### January 1, 2001

*Death discharge:* PLUS loan borrowers, who were not eligible for discharge due to the fact that the student for whom they obtained the PLUS loan died prior to July 23, 1992, are now eligible for discharge. This change is effective for PLUS loan death claims based on the student's death occurring prior to July 23, 1992 and filed by the lender within 60 days of determining or redetermining eligibility on or after January 1, 2001, unless implemented earlier by the guarantor.

*Interest payment and capitalization:* A lender may capitalize interest accrued from the date a claim is paid through the date the claim is later repurchased—regardless of whether the lender or guarantor initiated the repurchase. In all cases, the lender must document the reason for capitalization in the borrower's loan record. This change is effective for repurchase transactions completed on or after January 1, 2001, unless implemented earlier by the guarantor.

### January 5, 2001

*Common forms:* The Common Claim Initiative (CCI) establishes new, standard formats for lenders to use when requesting default aversion assistance and claim reimbursement. To standardize the default aversion assistance request process for lenders, the *Common Manual* guarantors have adopted a common Default Aversion Assistance Request Form and related common policies.

A lender must request default aversion assistance through the Default Aversion Assistance Request Form or an equivalent electronic process, such as the Common Account Maintenance (CAM) reporting process.

A guarantor establishes the date on which it is ready to trade CCI electronic records with its trading partners (i.e., lenders and servicers). This date is referred to as the "G" date. All guarantor "G" dates will be established based on the final publication of the CCI electronic formats, with one "G" date for default aversion assistance and another "G" date for claims. The final "G" date for implementing the Default Aversion Assistance Request Form and its related policies was January 5, 2001.

### May 2001

*Notification – borrower and student:* A school may use electronic means to deliver notices that the school is required to provide to a student and/or parent borrower. Before such notices are sent electronically to a borrower and/or student, the individual must consent to the use of an electronic record in a manner that demonstrates reasonably that the individual is able to access the information to be provided in an electronic form. The borrower's and/or student's consent must be voluntary and based on accurate information about the transactions to be completed. These electronic notifications must be sent in accordance with the *Electronic Signatures in Global and National Commerce Act* (P.L. 106-229).

**June 29, 2001**

*Period of enrollment:* The maximum period of enrollment for which the school can certify a loan for a defaulted borrower whose eligibility to borrow FFELP loans has been reinstated during the current academic year is the academic year during which the borrower regained eligibility, unless the borrower is not eligible for other reasons. This provision is effective for loans certified by the school on or after June 29, 2001.

**July 1, 2001**

*Claim filing requirements:* Effective for claim documentation submitted by the lender on or after July 1, 2001, the lender must submit either the original promissory note or a copy of the promissory note certified by the lender as “true and exact” rather than the previously required “true and accurate.”

An original or certified copy of the death certificate is the only acceptable proof of death documentation permitted for death claims. In the event of an exceptional circumstance and on a case-by-case basis, the guarantor’s chief executive officer (CEO) may approve a discharge based on other reliable documentation. This change is effective for death claims filed by the lender on or after July 1, 2001, unless implemented earlier by the guarantor.

*Cohort default rates:* Substantive regulatory and policy changes effective for cohort default rates calculated on or after July 1, 2001, are as follows:

- A school will lose eligibility to participate in the FFELP and the FDLP 30 days after receiving notice that its official cohort default rate for the most recent fiscal year exceeds 40%, unless the school appeals or requests an adjustment to that rate. The loss of eligibility is applicable to the remainder of the fiscal year in which the notice is received and the next 2 fiscal years.
- A school will lose eligibility to participate in the FFELP, the FDLP, and the Federal Pell Grant Program 30 days after receiving notice that its three most recent official cohort default rates equal or exceed 25%, unless the school appeals or requests an adjustment to that rate. The loss of eligibility is applicable to the remainder of the fiscal year in which the notice is received and the next 2 fiscal years.
- Any school may appeal its most recent cohort default rate based on improper servicing and collection. A school subject to an initial loss of eligibility may

appeal any cohort default rate upon which the loss of eligibility is based. A school subject to an extended loss of eligibility may appeal only its most recent official cohort default rate.

- A school subject to provisional certification may appeal its cohort default rate using the erroneous data appeal.
- The calculation of the Participation Rate Index (PRI) challenge or appeal has been expanded to address schools with a single cohort default rate over 40%. A school that is subject to a loss of FFELP eligibility may use the PRI appeal based on either of the following conditions:
  - The school has one cohort default rate over 40% and the PRI for that cohort’s fiscal year is less than or equal to 0.06015.
  - The school has three consecutive cohort default rates of 25% or more and the PRI for any one of the three cohorts’ fiscal years is less than or equal to 0.0375.
- A school remains accountable for the consequences of a high official cohort default rate after its merger with or acquisition of another school, or after a branch campus becomes a separate, freestanding school.
- Any school that merges with or acquires another school and that is otherwise eligible to participate in the FFELP loses FFELP eligibility based on a single official cohort default rate greater than 40% or equal to or greater than 25% for each of its three most recent official cohort rates if all of the following criteria apply:
  - Both schools are parties to a transaction that results in a change in structure or identity.
  - The FFELP-eligible school offers an educational program at substantially the same address as that at which the FFELP-ineligible school offered programs before the change in structure or identity.
  - There is a commonality of ownership or management between the two schools.
- A school subject to a loss of eligibility due to a single cohort default rate exceeding 40% may submit an “average rate appeal” if at least two of the school’s

three most recent cohort default rates of 25% or more are calculated at an average rate, and at least two of those rates would be less than 25% if calculated for the applicable fiscal year alone.

- All references to “days” in cohort default rate regulations are changed to refer to calendar days. Previously, various time frames and deadlines carried their own specific definition of days, sometimes “business days” and sometimes “calendar days.”
- All references to the “weighted average cohort default rate” have been changed to the “dual-program cohort default rate,” as the latter term is the one used by the Department in its publications.
- References to the Department’s *Draft Cohort Default Rate Guide* and *Official Cohort Default Rate Guide* are replaced with a reference to the *Cohort Default Rate Guide*. It is the Department’s intention to consolidate both the draft and official information into a single publication that will be updated annually.

*Deferment:* Documentation requirements are made more flexible for a borrower who wants to continue an unemployment deferment based on his or her search for employment following the initial period of deferment. The information provided showing that the borrower made at least six diligent attempts to secure full-time employment during the prior 6-month period must be acceptable to the lender and may include the employer’s name, address, telephone number, and electronic addresses. This flexibility applies to unemployment deferments granted on or after July 1, 2001.

Lenders must use evidence of the borrower’s “monthly income,” rather than “total monthly gross income,” when determining a borrower’s eligibility for an economic hardship deferment. “Monthly income” is defined as the gross amount of income received by the borrower from employment and other sources, or one-twelfth of the borrower’s adjusted gross income, as recorded on the borrower’s most recently filed federal income tax return. There is no longer a difference in required documentation for an initial and a subsequent economic hardship deferment. Any retroactive period of economic hardship granted under this revised policy must include July 1, 2000, or a later date. This deferment may be granted for periods of up to 1 year at a time and may be renewed for a total that, collectively, does not exceed 3 years. For a borrower who is serving as a volunteer in the Peace Corps, the deferment may be granted for the lesser of the borrower’s full term of service or the borrower’s remaining period of economic hardship deferment eligibility under the 3-year maximum.

In all cases, the lender must ensure that the borrower’s required documentation supports the begin date of the economic hardship period. This change is effective for economic hardship deferments granted by the lender on or after July 1, 2001.

The 6-month backdating restrictions are removed from all deferments except the initial unemployment deferment. An initial unemployment deferment based on a borrower’s self-certification may not begin more than 6 months before the date the lender receives a request and documentation required for the deferment. Any extension of an existing unemployment deferment or an unemployment deferment that is based on evidence of the borrower’s eligibility for unemployment benefits is not subject to the 6-month backdating restriction. For all deferment types, other than an in-school deferment, elimination of the 6-month backdating restriction is only applicable for deferments granted on or after July 1, 2001, for any period of deferment that includes July 1, 2001, or a later date.

*Delivering loan funds:* The prescriptive process that required a school to confirm a borrower’s eligibility prior to delivering each disbursement is removed. The revised policy clarifies that a school may deliver the proceeds of any loan disbursement only if it determines that the student has maintained continuous eligibility for the loan period certified by the school. This change is effective July 1, 2001.

A school may not deliver Stafford or PLUS loan proceeds to a student or parent of a student who previously attended another eligible school until the school determines, from information obtained from the National Student Loan Data System (NSLDS) or its successor system, that the student meets eligibility requirements pertaining to his or her financial aid history. For a student who transfers from one school to another during the same award year (i.e., a current-year transfer student), the school the student is attending must request or access through the NSLDS updated information about that student in order to determine the student’s eligibility for Stafford or PLUS loan proceeds. The school must wait for 7 days following a request to the NSLDS before delivering Stafford or PLUS loan proceeds. However, if, before the end of 7 days, the school receives the information from the NSLDS in response to its request or obtains that information itself by directly accessing the NSLDS, the school may deliver the loan proceeds as long as the student is otherwise eligible. Schools may no longer delay delivery of loan proceeds by 45 days while waiting for paper financial aid transcripts to arrive. These changes are applicable to Stafford and PLUS loan funds delivered by the school on or after July 1, 2001.

A school with a program measuring academic progress in credit hours, but not using a standard semester, trimester, or quarter system, may deliver loan proceeds in each term as long as the terms are substantially equal in length throughout the loan period. Terms within a loan period will be considered substantially equal in length if no term in the loan period is more than two weeks longer than any other term in the loan period. This requirement applies to Stafford and PLUS loan funds delivered by the school on or after July 1, 2001.

*Disability discharge (total and permanent):* A borrower who has had a prior loan discharged due to total and permanent disability on or after July 1, 2001, but before July 1, 2002, must reaffirm the discharged loan if the borrower *applies* for a loan within 3 years from the date the borrower became totally and permanently disabled, as certified by a physician. In this case, the borrower must reaffirm the previously discharged loan before receiving any new Stafford or PLUS loan. This provision is effective for Stafford and PLUS loan eligibility determinations made on or after July 1, 2001.

A borrower who has had a prior loan discharged due to total and permanent disability must meet the following requirements to be eligible to receive a new Stafford or PLUS loan:

- Obtain a physician's statement certifying that the borrower may now engage in "substantial gainful activity."
- Sign a statement acknowledging that any new loan the borrower receives may not be discharged due to the same or any disability existing at the time the new loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met.
- Reaffirm any loan that had been discharged due to total and permanent disability on or after July 1, 2001, but before July 1, 2002, if the borrower receives a new loan within three years of the date the borrower became totally and permanently disabled, as certified by a physician. (A borrower who has had a prior loan discharged due to total and permanent disability before July 1, 2001, is *not* required to reaffirm the discharged obligation.)

This change is effective for Stafford and PLUS loan eligibility determinations made on or after July 1, 2001.

A new definition of a total and permanent disability for the purpose of obtaining a loan discharge provides that the certifying physician (i.e., a doctor of medicine or osteopathy, legally authorized to practice in a state) is not required to consider the borrower's ability to attend school as a condition of his or her eligibility for discharge. In addition, the physician is no longer required to consider the date the borrower became unable to attend school when providing the begin date of the borrower's total and permanent disability. This change is effective for total and permanent disability claims filed by the lender on or after July 1, 2001.

*Due diligence:* Lenders must notify the guarantor of any changes in delinquency status on a loan that result in a change to the payment due date, even if the delinquency is not reduced below the point at which the guarantor requires the lender to cancel a request for default aversion assistance. This change is effective for default aversion assistance requests filed by the lender on or after July 1, 2001, or the date the guarantor implements the Common Claim Initiative (CCI), whichever is later, unless implemented earlier by the guarantor.

*Eligibility – school:* To participate in any Title IV program, a school must establish its eligibility under the Higher Education Act of 1965, as amended, in accordance with the procedures specified by the Department. A school must submit an Application for Approval to Participate in the Federal Student Financial Aid Programs (E-App) to the Department to request a determination that it qualifies as an eligible institution and must include a request for certification to participate in the FFELP. To be certified for participation, a school must meet the qualifications of an eligible institution; the school must meet administrative capability and financial responsibility requirements; and if the school is participating for the first time in Title IV programs, and it has not requested and been granted a training waiver, designated school administrators defined by the Department must complete Title IV training within 12 months after the school executes the Program Participation Agreement. A school that is currently participating in some Title IV programs is not required to have certification training if it is only requesting approval to participate in additional Title IV programs. This clarification is effective for schools establishing eligibility on or after July 1, 2001.

A school that adds a licensed and accredited location that offers at least 50% of an educational program must report to the Department before delivering Title IV funds to eligible students attending the added location. In addition, after reporting, a school must have approval from the

Department before it can deliver Title IV funds to eligible students attending the added location if it meets any of the following criteria:

- The school is provisionally certified.
- The school is on the reimbursement or cash monitoring system of payment.
- The school has acquired the assets of another school that provided educational programs at that location during the preceding year, and the other school participated in Title IV programs during that year.
- The school would be subject to a loss of eligibility due to its cohort default rate if it adds the location.
- The school has been notified by the Department that it must apply for approval of an additional location.

This change is effective for school locations added on or after July 1, 2001.

A school must apply to the Department and wait for approval to convert an eligible location to a branch campus. The school may continue to deliver Title IV funds to students attending that location. This change is applicable to schools that convert an eligible location to a branch campus on or after July 1, 2001.

A school must apply to the Department to increase the level of program offering (e.g., offering graduate degree programs when it previously offered only baccalaureate degree programs) and obtain approval before delivering Title IV funds to students enrolled in the new programs at the increased level. This change is effective for schools increasing the level of program offering on or after July 1, 2001.

A school may enter into a single written agreement with a study-abroad organization representing one or more foreign schools rather than a separate agreement with each individual foreign school that its students attend. This clarification is effective for written agreements consummated by schools on or after July 1, 2001, or implemented at the school's discretion on or after November 1, 2000.

Private nonprofit, private for-profit, and public schools that experience a change of ownership resulting in a change of control and schools that change status as nonprofit, for-profit, or public schools may continue eligibility by submitting an E-App to the Department. In response to a school's application, the Department may approve a

provisional Program Participation Agreement (PPA) (previously referred to as a TPPPA). To obtain an extension of the provisional PPA prior to its expiration, the school must provide to the Department a "same day" balance sheet, required documentation of accrediting agency and state licensing approval, and a default management plan (unless the school is exempt from providing the plan). This change is applicable to private nonprofit, private for-profit, or public schools that experience a change of ownership resulting in a change of control or to schools that change status as nonprofit, for-profit, or public schools on or after July 1, 2001, unless implemented earlier.

A change in governance for a public school is not considered to be a change of ownership that results in a change in control if the school remains a public school after the change and the new governing authority is in the same state and has acknowledged the school's continued responsibilities under its Program Participation Agreement (PPA). A public school must, within 10 days of a change in governance, report the change to the Department and each applicable guarantor. This change is applicable to a school's reporting of changes for the purpose of maintaining eligibility on or after July 1, 2001.

School reporting requirements for the purpose of maintaining eligibility on or after July 1, 2001, include the reporting of decreases in levels of program offering and changes in the governance of a public school. Periods of time counted toward a "week of instruction" may include only preparation for final examination occurring after the last scheduled day of classes for a payment period. In addition, homework has been added to the list of activities that are not considered as instructional time. This change applies to a "week of instruction" as determined by the school for purposes of establishing or maintaining school program eligibility on or after July 1, 2001.

*False certification loan discharge:* The guarantor or Department may initiate a false certification discharge process if either possesses knowledge of false certification eligibility. If the guarantor or Department initiates the discharge process, the borrower may not be required to complete, and the lender may not be required to submit, a discharge request. This clarification is effective for discharge eligibility determined by the guarantor or Department on or after July 1, 2001, unless implemented earlier by the guarantor.

*Financial aid transcript (FAT):* Schools are no longer required to respond to a paper financial aid transcript request for a prior-year or current-year transfer student, unless it is a request to report assistance that a student has received through the Department of Health and Human

Services. The elimination of paper financial aid transcripts is effective for requests received by the school on or after July 1, 2001.

*Forbearance:* A lender must grant a mandatory forbearance annually, at the borrower's request, while the borrower maintains eligibility for loan forgiveness under the Teacher Loan Forgiveness Program. The lender must also grant a forbearance for a period not to exceed 60 days while the lender is awaiting a completed Teacher Loan Forgiveness Application from the borrower. In addition, after receiving the application, the lender must grant a forbearance to cover the period needed by the guarantor to determine the borrower's eligibility for forgiveness. The forbearance begins on the date the lender receives the completed Teacher Loan Forgiveness Application and ends on the date the lender receives a denial of the request or the loan forgiveness amount from the guarantor. This change applies to forbearance requests granted by the lender on or after July 1, 2001, unless implemented earlier by the guarantor.

*Interest rates:* Beginning July 1, 2001, the variable interest rate for PLUS and SLS loans first disbursed during the period beginning July 1, 1987, and ending June 30, 1998, will be adjusted annually on July 1, and calculated by adding 3.1% or 3.25%, as applicable, to the weekly average one-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the last calendar week ending on or before June 26 of that year.

*Late disbursement/post-withdrawal disbursement:* A lender, when knowingly making a late disbursement on or after July 1, 2001, is no longer required to provide a notice to the school indicating that the loan proceeds should be delivered as a late disbursement.

*Loan guarantee:* Guarantors will pay ineligible borrower claims at 98% rather than 100%. This change is effective for ineligible borrower claims received by the guarantor on or after July 1, 2001, unless implemented earlier by the guarantor.

*Notification to borrower and student:* A school that credits a student's school account with Stafford or PLUS loan proceeds and sends the student or parent borrower the required notification electronically, must also confirm receipt of the electronic notification by the student or parent borrower and maintain documentation of that confirmation. This requirement applies to electronic notifications sent by the school on or after July 1, 2001.

*PLUS credit check:* In those cases in which a lender approves a PLUS loan for an applicant with an adverse credit history, the lender must retain a record supporting its

decision based on extenuating circumstances. This requirement is effective for PLUS loans made on or after July 1, 2001, unless implemented earlier by the lender.

*Teacher Loan Forgiveness:* The new Teacher Loan Forgiveness Program requirements replace prior references and requirements related to the Loan Forgiveness Program for Teachers. Under the Teacher Loan Forgiveness Program, the Department repays all or a portion of a borrower's Stafford loan obligations, and Consolidation loan obligations to the extent that a Consolidation loan repaid a borrower's Stafford loans. The Department will repay, on behalf of a qualified borrower, no more than a combined total of \$5,000 under both the FFELP and FDLP for outstanding principal and accrued interest on his or her qualifying Stafford loans, or the outstanding portion of a Consolidation loan used to repay qualifying Stafford loans, at the end of the 5th complete year of teaching. The loan for which forgiveness is sought must have been made before the end of the 5th year of qualifying teaching service. After completing the qualifying teaching service, a borrower may request loan forgiveness by completing a Teacher Loan Forgiveness Application and forwarding it to the lender or guarantor. The lender must forward the borrower's completed application, including any supporting documentation, to the guarantor no later than 60 days after the lender received the application. After the guarantor notifies the lender of its determination of the borrower's eligibility for loan forgiveness, the lender must inform the borrower of the determination within 30 days. If loan forgiveness is granted and a loan balance remains, the lender must also provide the borrower with information regarding new repayment terms. If the lender files a request for payment later than 60 days after it receives the completed Teacher Loan Forgiveness Application, the lender must repay all interest and special allowance received on the forgiven loan amount for periods after the expiration of the 60-day filing period. The lender is prohibited from collecting this interest from the borrower. These provisions are effective for Teacher Loan Forgiveness Applications received by the lender on or after July 1, 2001, from a "new borrower" on or after October 1, 1998, who has been employed as a full-time teacher for 5 consecutive, complete years, as long as one of the years is after the 1997-1998 academic year— unless implemented earlier by the guarantor.

*Unpaid refund discharge:* If the guarantor and the borrower are unable to resolve an unpaid refund with an open school and the borrower has ceased to attend the school that owes the refund, the guarantor must approve the request within 120 days of the date the guarantor receives the completed unpaid refund discharge request, rather than 120 days from

the date the borrower submits the request. This provision is effective for completed unpaid refund discharge requests received by the guarantor on or after July 1, 2001.

To be considered for an unpaid refund discharge, a borrower must declare that he or she, or the student in the case of a PLUS loan, received at least part of the proceeds of a FFELP loan on or after January 1, 1986. This provision is effective for completed unpaid refund discharge requests received by the guarantor on or after July 1, 2001.

### July 27, 2001

*Child-care provider loan forgiveness:* A borrower may qualify for mandatory forbearance by performing service under the Loan Forgiveness Demonstration Program for Child Care Providers. A lender must grant forbearance to a borrower who is performing a service that would qualify the borrower for forgiveness under the Loan Forgiveness Demonstration Program for Child Care Providers, unless the borrower has been granted a deferment for the service period. Before granting this forbearance to a borrower, the lender must receive a completed FFELP Child Care Provider Loan Forgiveness Forbearance Form. This change is effective on child care provider loan forgiveness forbearances granted by a lender to initial applicants on or after July 27, 2001, and to renewal applicants on or after August 29, 2002.

### August 21, 2001

*Forbearance:* After a lender receives reliable but unofficial notification of a borrower's or dependent student's death, the lender must grant a mandatory administrative forbearance, for a period not to exceed 60 days, until the lender receives documentation of the death. This forbearance does not require a written request nor is the lender required to notify the borrower or endorser that a mandatory administrative forbearance was granted. The lender may grant an administrative forbearance for up to an additional 60 days if more time is needed to obtain this documentation. This additional forbearance does not require a written request, but the lender is required to send notice to the borrower or endorser that the additional period of administrative forbearance was granted. This provision is effective for reliable but unofficial notifications of a borrower's or, in the case of a PLUS loan, the borrower's or dependent student's death received by the lender on or after August 21, 2001.

## 2002

### January 1, 2002

*Bankruptcy:* If a bankruptcy action does not require the filing of a claim with the guarantor, the lender may—but is not required to—make subsequent disbursements of a loan. If the lender chooses not to make the remaining disbursements, the lender must notify the school, the borrower, and the guarantor of the disbursement cancellations. The lender also must notify the borrower that he or she may reapply for the loan funds in the same amount that was not disbursed. If the lender cancels any of the undisbursed or undelivered funds because of a bankruptcy action, the lender must agree to make a new loan for the amount that was canceled or any remaining loan eligibility as determined by the school. This clarification is effective for bankruptcy notices received by the lender on or after January 1, 2002, unless implemented earlier by the guarantor.

*Common forms:* The common Consolidation loan forms, issued by the Department in October 2000 in [GEN-00-16](#), are required for all Consolidation loan applications signed by borrowers on or after January 1, 2002.

The Common Claim Initiative (CCI) establishes new, standard formats for lenders to use when requesting default aversion assistance and claim reimbursement. To standardize the claim filing process for lenders, the *Common Manual* guarantors have adopted a common Claim Form and related common policies. The Claim Form is designed to permit a lender to file a claim reimbursement request in a single format with any guarantor, and to improve operational efficiencies for lenders and servicers that have relationships with more than one guarantor.

A guarantor establishes the date on which it is ready to trade CCI electronic records with its trading partners (i.e., lenders and servicers). This date is referred to as the "G" date. All guarantor "G" dates will be established based on the final publication of the CCI electronic formats, with one "G" date for default aversion assistance and another "G" date for claims. The final "G" date for implementing the Default Aversion Assistance Request Form and its related policies was January 5, 2001.

Regarding the Claim Form and its related policies, the earliest "G" date that a guarantor may establish is six months after the final release of the CCI claim documentation. All CCI trading partners (i.e., lenders, servicers, and guarantors) will be provided a window of nine months from each guarantor's "G" date to start

reporting data using the CCI electronic format. Therefore, the claim effective date will be the guarantor's "G" date plus nine months.

July 1, 2001	Claim documentation released
January 1, 2002	Earliest guarantor "G" date
September 30, 2002	Earliest required implementation date
September 30, 2002	Latest guarantor "G" date
June 30, 2003	Latest required implementation date

*Repayment terms:* "New borrowers" on or after October 7, 1998, may qualify for an extended repayment schedule if they have multiple lenders and more than \$30,000 in outstanding principal and interest in FFELP loans. A lender must retain a record of the basis for determining a borrower's eligibility for an extended repayment schedule, if the total loan amount it holds is not more than \$30,000. This change is effective for extended repayment schedules disclosed on or after January 1, 2002.

#### January 2, 2002

*NSLDS:* The Department of Education updated the National Student Loan Data System (NSLDS) Enrollment Reporting process effective January 2, 2002, to enhance both the batch process of enrollment records and the [NSLDS/FAP Website](#) for financial aid professionals. The Department also renamed the former *SSCR Users Guide* the *NSLDS Enrollment Reporting Guide*.

#### April 1, 2002

*NSLDS:* The National Student Loan Data System (NSLDS) no longer requires a school to report directly to the NSLDS any changes to student identifiers including a student's name, date of birth, and Social Security number (SSN). Instead, the school must report these changes to the guarantor. This change is effective for student identifier changes received on or after April 1, 2002.

#### July 1, 2002

The Department issues [Dear Colleague Letter GEN-02-03](#), which provides clarification regarding the implementation of the total and permanent disability discharge regulations that are effective July 1, 2002.

*Bankruptcy:* A bankruptcy claim and proof of claim, if applicable, must be filed with all required documents within 30 days after the lender's receipt of the Notice of the

First Meeting of Creditors or other confirmation issued by the debtor's attorney or the bankruptcy court, or within 30 days after the date the guarantor provides the lender with bankruptcy information and instructs the lender to file a bankruptcy claim, whichever is earlier. This provision is effective for bankruptcy notifications received by the lender on or after July 1, 2002, unless implemented earlier by the guarantor.

If the guarantor purchases a default claim and later receives documentation that the date of the bankruptcy petition preceded the date of the default (the 270th day of delinquency), the lender will be required to repurchase the loan unless the loan is determined by the court to be dischargeable in the bankruptcy action. The lender is not required to repurchase a claim for a loan that is filed as a default claim and the date of default precedes the petition date. This policy is effective for bankruptcy petitions received by the guarantor on or after July 1, 2002, unless implemented earlier by the guarantor.

If a borrower's bankruptcy action will not result in the lender filing a claim with the guarantor and the lender chooses to make subsequent disbursements of the loan, then the lender must not ask the school to return any loan funds not yet delivered by the school to the borrower. This provision is effective for bankruptcy notices received by the lender on or after July 1, 2002, unless implemented earlier by the guarantor.

*Common Forms:* The Common Claim Initiative (CCI) establishes new, standard formats for lenders to use when requesting default aversion assistance and claim reimbursement. To standardize the supplemental claim filing process for lenders, the *Common Manual* guarantors have adopted a common Supplemental Claim Form and the following related common policies:

- The lender may not file a supplemental claim for less than \$50. This amount may include principal, interest, or both.
- The lender must submit the common Supplemental Claim Form to request claim payment increases.

This policy is effective for supplemental claim requests filed by the lender on or after July 1, 2002, unless implemented earlier by the guarantor.

The National Council of Higher Education Loan Programs (NCHELP) Program Operations Committee's Default Aversion and Claims Standardization (DACS) Workgroup has revised the Supplemental Claim Form to coordinate the language with the terminology of the other CCI forms. For lenders filing supplemental claims under the CCI, the chart

of data elements has been revised to coordinate with the revisions made to the Supplemental Claim Form. In addition, the requirement that a lender provide the date the lender or servicer prepared the form has been deleted. The revisions are effective for supplemental claims filed under the CCI by the lender on or after July 1, 2002.

*Disability discharge (total and permanent):* Effective for total and permanent disability discharge determinations made by the lender on or after July 1, 2002:

- **General Discharge Requirements for Total and Permanent Disability Claims**

A borrower's obligation to repay a loan may be discharged if a doctor of medicine or osteopathy, legally authorized to practice in a state, certifies that the borrower is totally and permanently disabled, but does not assume the loan is canceled in this case. In addition, the criteria for establishing the borrower's eligibility for discharge provide that the borrower is not considered totally and permanently disabled on the basis of a condition that existed at the time the loan was made, rather than before he or she applied for the loan.

- **Borrower Notification Requirements after Total and Permanent Disability Claim Filing**

If the guarantor pays the claim, the lender must notify the borrower that the loan will be assigned to the Department for determination of eligibility for a total and permanent disability discharge. If the guarantor determines that the borrower is not eligible, the claim will be returned to the lender with an explanation of the reason for the denial. The lender must notify the borrower that the application for a disability discharge has been denied. The notification to the borrower must include the basis for the denial and inform the borrower that the lender will resume collection on the loan.

- **Borrower Payments and the Conditional Disability Discharge**

At the time the claim is filed, the lender must provide the guarantor with a record of any payments received after the date, certified by the physician, that the borrower became unable to work and earn money (i.e., the date of total and permanent disability). Under the new regulatory requirements, the borrower will not be eligible for a refund of these payments until after the 3-year "conditional" discharge period. In addition, the Department of Education, rather than the lender or guarantor, will make this refund.

Completed total and permanent disability discharge requests received by the lender on or after July 1, 2002, and subsequently paid as a claim by the guarantor, are permanently assigned to the Department. If the Department determines that the certification and information provided by the borrower do not support the conclusion that the borrower meets the criteria for a total and permanent disability discharge, the Department notifies the borrower that the application for a disability discharge has been denied and that the loan is due and payable under the terms of the promissory note.

If the Department makes an initial determination that the borrower is totally and permanently disabled, the Department notifies the borrower that the loan is conditionally discharged and that the conditional discharge period will last for up to 3 years after the date the borrower became totally and permanently disabled, as certified by the physician. The Department's notification specifies that all or part of the 3-year period may predate the Department's initial determination, and identifies the following conditions that apply during the 3-year conditional discharge period:

- The borrower is not required to make any payments on the loan.
- The borrower is not considered delinquent or in default on the loan, unless the borrower was delinquent or in default at the time the conditional discharge was granted.
- The borrower must promptly notify the Department of any changes in address or phone number.
- The borrower must promptly notify the Department if his or her annual earnings from employment exceed 100 percent of the poverty line for a family of two.
- The borrower must provide the Department, upon request, with additional documentation or information related to the borrower's eligibility for a total and permanent disability discharge.
- The borrower must not receive a new loan under the Perkins, FFEL, or Direct Loan Programs, except for a FFELP or Direct Consolidation loan that does not include any loans that are in a conditional discharge status.

The Department also notifies the borrower that, if at any time during the 3-year conditional discharge period, the borrower does not continue to meet the eligibility requirements for a total and permanent disability discharge,

the Department will resume collection activity on the loan but will not require the borrower to pay any interest that accrued on the loan from the date of the initial determination of total and permanent disability through the end of the conditional discharge period.

*Due diligence:* If a lender determines that a borrower does not meet the definition of totally and permanently disabled, or if a lender does not receive the physician's certification of total and permanent disability within 60 days of the receipt of the physician's written request for additional time, the lender must resume collection activity and treat the loan as though forbearance had been granted during this period. This policy is effective for total and permanent disability discharge requests received by the lender on or after July 1, 2002.

*Forbearance:* Guarantors will continue to permit a lender to grant an administrative forbearance if the lender receives reliable information indicating that a borrower has become totally and permanently disabled. The lender may grant the borrower an administrative forbearance, not to exceed 60 days, until the lender receives certification of the borrower's total and permanent disability. In addition, if the lender does not grant the borrower an administrative forbearance, the lender must continue collection activity until it receives the certification—or until it receives a physician's "written request," rather than a specific "letter," that additional time is needed to determine whether the borrower is totally and permanently disabled. This policy is effective for total and permanent disability discharge requests received by the lender on or after July 1, 2002.

*Eligibility – borrower and student:* A borrower who has received a conditional discharge of a prior loan due to an initial determination that the borrower is totally and permanently disabled must do all of the following to be eligible to receive a new Stafford or PLUS loan:

- Obtain a physician's statement certifying that the borrower may now engage in "substantial gainful activity." For these purposes, "substantial gainful activity" is defined as the ability to work and earn money.
- Sign a statement acknowledging that any loan that has been conditionally discharged may not be discharged due to the same or any disability existing at the time the borrower applied for a total and permanent disability discharge or when the new loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met.
- Sign a statement acknowledging that collection activity will resume on any loans in a conditional discharge period.

The borrower's receipt of a new Stafford or PLUS loan terminates the borrower's conditional discharge and the Department reinstates collection activities on any loan on which collection activity had been previously suspended based on an initial determination of total and permanent disability. This policy is effective for Stafford and PLUS loan eligibility determinations made on or after July 1, 2002.

*Loan origination:* A borrower may grant power of attorney to a third party to sign a Master Promissory Note (MPN) if the borrower provides the school with a separate written authorization to credit the funds to the student's school account. When a third party using power of attorney signs the MPN on the borrower's behalf, the school must pay any credit balance to the student or parent borrower, as applicable, using a check or other instrument that requires the borrower's endorsement. If the MPN is submitted through the school, the school must retain a copy of the original power of attorney and either the school or the individual with power of attorney must provide a copy of the power of attorney document to the lender—a photocopy or fax of the document is acceptable. Information permitting the use of power of attorney is effective July 1, 2002, unless implemented earlier by the guarantor.

#### August 15, 2002

The Department issues *Dear Colleague Letter* GEN-02-05, which provides the following approved loan discharge application forms that must be used on or after August 15, 2002.

- Loan Discharge Application: School Closure – for use by borrowers who are unable to complete their program of study because their school closed.
- Loan Discharge Application: False Certification of Ability to Benefit – for use by borrowers whose ability to benefit was falsely certified by their school.
- Loan Discharge Application: False Certification (Disqualifying Status) – for use by borrowers whose eligibility was falsely certified by their school due to a disqualifying status or condition of the student.
- Loan Discharge Application: Unauthorized Signature/Unauthorized Payment – for use by borrowers when there was an unauthorized signature or endorsement of an unauthorized payment by the school.

**August 29, 2002**

*Child care provider loan forgiveness:* Loan forgiveness under the Loan Forgiveness Demonstration Program for Child Care Providers is contingent upon annual appropriations. In addition to the other eligibility requirements for this program is the condition that the borrower's eligible loans must have been made before the borrower began his or her qualifying child care service. In addition, the borrower's degree must be an associate's or bachelor's degree in early childhood education, child care, or any other educational area related to child care that the Department deems appropriate. This change is effective beginning August 29, 2002.

**September 30, 2002**

The Department issues *Dear Colleague Letter GEN-02-06* announcing the expiration of two statutory exceptions available to low cohort default rate schools, specifically, the exemptions from the multiple disbursement and delayed delivery requirements.

**October 1, 2002**

*Disbursement rules:* The references to the statutory exceptions authorized in [HEA 428G\(a\)\(3\) and \(b\)\(1\)](#) are eliminated. These exceptions had waived, for schools with low cohort default rates, the multiple disbursement requirement for a single-term loan and the 30-day delayed delivery requirement for a first-year undergraduate student who is a first-time borrower. The statutory authority for these exceptions expired on September 30, 2002. This change is effective for loans certified on or after October 1, 2002.

*Special allowance:* Quarterly billings submitted by the lender on or after October 1, 2002, must be made using the paper Lender's Interest and Special Allowance Request and Report (LaRS report) or via the electronic LaRS process. This change is effective for quarterly billings submitted by a lender on or after October 1, 2002.

**November 1, 2002**

*Repayment start:* When establishing the next payment due date on a PLUS or SLS loan following a period of forbearance, deferment, or post-deferment grace, the lender may provide the borrower a due date that is no later than 60 days after the end of the forbearance, deferment, or post-deferment grace period. The due date may be later than 60 days if the borrower makes a prepayment during the period that advances the due date. This policy is effective for next payment due dates for PLUS and SLS loans established by the lender on or after November 1, 2002.

When establishing the next payment due date on a Stafford loan following a period of forbearance, deferment, or post-deferment grace, the lender must provide the borrower a due date that is no later than 60 days after the end of the forbearance, deferment, or post-deferment grace period. Lenders also are required to establish a first payment due date no later than 60 days after the repayment start date. This policy is effective for first payment due dates and next payment due dates established by the lender on or after November 1, 2002.

Due dates are also revised following a lender's reconversion of loans when certain claim-type activity is involved. Effective for next payment due dates established by the lender on or after November 1, 2002:

- When notified that a bankruptcy action has concluded on a loan that was not eligible for bankruptcy claim payment, a lender must establish a next payment due date that is within 60 days of the date the lender receives that notification.
- When the lender receives a full payment or a signed repayment agreement on a loan that has lost its guarantee, the lender must establish a next payment due date that is within 60 days of the date that payment or signed repayment agreement is received.

**November 27, 2002**

*Eligibility – borrower and student:* An underage home-schooled student is considered 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.

**2003****January 1, 2003**

*Claim filing requirements:* When reporting a loan's loss of guarantee or reinstatement of that guarantee, lenders are to utilize existing National Student Loan Data System (NSLDS) requirements. In addition, lenders are required to ensure that, if the guarantor does not utilize the lender's NSLDS reporting data to update its records, the guarantor is notified of the loan's loss of guarantee and the reinstatement of that guarantee at the time each of those events occur or are identified. The lender must also include the curing instrument or a legible copy of the curing instrument in any claim filed after the guarantee

reinstatement. This change is effective for guarantee reinstatements completed by the lender on or after January 1, 2003, unless implemented earlier by the guarantor.

*Common forms:* The Department issues *Dear Colleague Letter GEN-02-07* announcing approval of the revised Federal Stafford Loan Master Promissory Note (Stafford MPN) that must be provided to Stafford loan borrowers beginning January 1, 2003.

### March 1, 2003

*Loan certification:* All schools located in the United States, unless notified otherwise by the Department, are authorized to offer the multi-year feature of the Federal Stafford Loan Master Promissory Note (Stafford MPN). This extension has a retroactive feature. Schools that are not four-year colleges or graduate or professional schools may certify Stafford loans on or after March 1, 2003, regardless of the loan period covered by the loan, using the Stafford MPN. A borrower attending a school may receive loans for subsequent academic years based on a previously signed Stafford MPN even if the borrower signed the MPN before March 1, 2003. This change is effective for Stafford loans certified by the school on or after March 1, 2003, regardless of the loan period.

### March 3, 2003

*Disability discharge (total and permanent):* If a lender receives a payment from or on behalf of a borrower after the lender has filed a total and permanent disability claim and the claim has been paid, the lender is no longer required to notify the borrower, or other party who sent the payment on the borrower's behalf, that there is no obligation to make further payments. The *Responses to Total and Permanent Disability Outstanding Issues* letter received on March 3, 2003, from Jeff Baker, Program Development, U.S. Department of Education, clarifies in Q&A #2 that the lender is required only to forward to the guarantor a payment received from or on behalf of the borrower after it has filed a total and permanent disability claim and received the claim payment. The Department acknowledges in this letter that requiring both the lender and guarantor to provide a notice to the party who submitted the payment is duplicative.

*Loan certification:* A school may certify a borrower's eligibility for a Stafford or PLUS loan retroactive to the beginning of the current period of enrollment for a student or parent borrower, as applicable, who, for example, requests a loan during the second or subsequent payment period in the period of enrollment. A school may also certify a borrower's eligibility for a Stafford or PLUS loan

retroactive to the beginning of the current period of enrollment in situations where a student or parent borrower, as applicable, regains eligibility after an earlier loss of eligibility for certain reasons. A school may include a retroactive portion of the current period of enrollment in a Stafford or PLUS loan period only if the student attended and completed that retroactive period.

### March 14, 2003

*Deferment:* A borrower may request that the period of an initial unemployment deferment begin on a date that is *later* than the date on which he or she would otherwise be entitled. In addition, the ending of the condition that entitled the borrower to the deferment is one of the events that determines the end date of an unemployment deferment period. This change is effective for unemployment deferment requests processed by the lender on or after March 14, 2003.

### March 25, 2003

The Department issues *Dear Colleague Letter GEN-03-06* announcing administrative relief for students and borrowers affected by military mobilization.

### March 31, 2003

*Common forms:* Lenders must send borrowers requesting discharge due to a total and permanent disability the Loan Discharge Application: Total and Permanent Disability or other form(s) approved by the Department, as specified in *Dear Colleague Letter GEN-02-12*. This change is effective on total and permanent disability discharge applications provided to borrowers by the lender on or after March 31, 2003.

### April 1, 2003

*Disability discharge (total and permanent):* If a lender receives a payment from or on behalf of a borrower after the lender has filed a total and permanent disability claim but before the claim payment is received, the lender must forward the borrower payment to the guarantor and notify the borrower or other party who sent the payment that there is no obligation to make further payments, unless otherwise directed. This change is effective for borrower payments received by the lender on or after April 1, 2003, unless implemented earlier by the guarantor.

**April 18, 2003**

*Loan certification:* A school may not have a general policy that limits borrowing to the amount needed to cover school charges or limits unsubsidized Stafford loan borrowing by independent students.

**May 14, 2003**

*Teacher loan forgiveness:* A lender should not consider the time that a borrower is on active duty as a result of a military mobilization as an interruption in the 5 consecutive, complete academic years that a borrower must serve as a full-time teacher at a qualifying school to be eligible for teacher loan forgiveness. This applies to a borrower who is a member of a reserve component of the Armed Forces and is called or ordered to active duty for more than 30 days, and to a borrower who is a regular active duty member of the Armed Forces and is reassigned to a different duty station for more than 30 days. This change is effective on Teacher Loan Forgiveness Applications submitted by the lender to the guarantor on or after May 14, 2003.

**June 16, 2003**

*Audit:* A school participating in a Title IV program is required to submit audited financial statements and compliance audits to the Department electronically through eZ-Audit. A non-profit or public school must submit copies of the A-133 reports in writing to the Federal Audit Clearinghouse, in addition to submitting the A-133 reports to the Department through eZ-Audit.

**July 1, 2003**

The Department issues *Dear Colleague Letter GEN-03-04* announcing the approval of the revised unemployment deferment and economic hardship deferment forms. These forms must be used in response to borrower requests received on or after July 1, 2003.

*Ability to benefit:* The requirement for a student to take and pass an approved, properly administered ability-to-benefit (ATB) test during the 12-month period prior to receiving Title IV aid has been eliminated. A passing score received by the student at any time prior to the student's receipt of Title IV aid is acceptable, provided that the school obtains the test results from the test publisher or assessment center. This change is effective on official notification of a student's ability to benefit accepted by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

*Authorizations and certifications:* If a school uses electronic transmission to notify the student or parent borrower that it has credited the student's school account with Stafford or PLUS loan proceeds, the school is no longer required to confirm and document the student or parent borrower's receipt of this notice. This change is effective on notices issued by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement this provision no earlier than November 1, 2002.

*Claim filing requirements:* A lender that files its claims using the common Claim Form is not required to provide any other information or certifications. This change is effective for claims filed by the lender on or after July 1, 2003, unless implemented earlier by the guarantor.

*Claim payment:* Guarantors are required to purchase an approved total and permanent disability claim or return the claim not later than 90 days after the claim was received by the guarantor. This change is effective for total and permanent disability claims received by the guarantor on or after July 1, 2003, unless implemented earlier by the guarantor.

*Closed school loan discharge:* Lenders are no longer required to provide the "true and exact" certification of a copy of a promissory note provided in a claim file. This change is effective on claims filed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

*Common forms:* The Department issues *Dear Colleague Letter GEN-03-03* announcing approval of the Federal PLUS Loan Application and Master Promissory Note (PLUS MPN) that may be used for PLUS loans certified by the school for loan periods beginning on or after July 1, 2003. The PLUS MPN must be used for loan periods beginning on or after July 1, 2004, or for any loan certified on or after July 1, 2004, regardless of the loan period.

*Death discharge:* The underlying portion of a Federal Consolidation loan may be discharged under the following circumstances:

- The underlying portion of a Consolidation loan attributable to a PLUS loan obtained for a dependent student is eligible for discharge if that student dies. The borrower of the Consolidation loan (or both comakers in the case of a joint Consolidation loan made to a married couple) is obligated to repay the remaining Consolidation loan balance.

- Upon the death of one of the comakers of a joint Consolidation loan made to a married couple, the portion of the Consolidation loan attributable to the comaker who has died is eligible for discharge. The surviving comaker is obligated to repay the remaining Consolidation loan balance.

This change is effective on death claims filed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

*Deferment:* Borrowers may provide evidence of eligibility for unemployment benefits or may certify that they are currently seeking full-time employment and making all required attempts to obtain full-time employment. Borrowers are no longer required to provide information regarding potential employers contacted during the job search or to document the employment agency with which they are registered. Borrowers must certify—in writing or in a format approved by the Department—that they are registered with an employment agency if one is available within 50 miles of their current address, and that they have made six diligent attempts in the preceding 6-month period to find full-time employment. Borrowers applying for an initial period of unemployment deferment are not required to certify that they have made attempts to obtain full-time employment.

An initial period of unemployment deferment based on the borrower's self-certification may be backdated up to 6 months prior to the date the lender receives the necessary documentation from the borrower, and must be scheduled to end not later than 6 months after the date the lender receives required documentation. An extension to an unemployment deferment and any unemployment deferment based on the borrower's eligibility for unemployment benefits is not subject to the 6-month backdating limitation. An extension of a deferment may be granted for up to 6 months following the date the borrower provides the lender with evidence or certification of deferment eligibility. These changes are effective for borrower requests processed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

For an economic hardship deferment, if the borrower's loans are scheduled to be repaid in 10 years or less, the lender must use the actual repayment amount in determining the borrower's federal postsecondary education debt burden. If the borrower's loans are scheduled to be repaid in more than 10 years, the lender must use the monthly payment amounts that would have been owed on federal postsecondary education loans based

on a 10-year repayment schedule. Lenders must continue to count a proportional share of any payments due—or that would have been due—less frequently than monthly, and must include payments due on a defaulted loan if the borrower has made repayment arrangements satisfactory to the holder of the defaulted loan. This change is effective for borrower requests processed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

*Delivering loan funds:* Some of the requirements applicable to the late delivery of loan proceeds have changed. In order for a school to make a late delivery of loan proceeds, the following conditions are applicable:

- Except in the case of a PLUS loan, the Department must have *processed* a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) with an official expected family contribution (EFC) before the student became ineligible. The requirement that the school *receive* a valid SAR or ISIR prior to the date the student became ineligible is eliminated.
- In the case of a second or subsequent disbursement, the student must have graduated or successfully completed the period of enrollment for which the loan was intended. In this circumstance, the school must offer the borrower the amount of Stafford or PLUS funds the student (or parent) was eligible to receive while the student was enrolled in school. The school may credit the student's account to pay for current and allowable institutional charges, but must pay or offer any remaining amount to the student or, in the case of a PLUS loan, to the parent.
- The time frame in which the school may deliver the funds is extended from 90 to 120 days from the date the school determines the student has withdrawn. If the student has not withdrawn, the school may make a late delivery of loan funds up to 120 days after the earlier of the end of the loan period or the date on which the student ceased to be enrolled at least half time.
- On an exception basis, and with the approval of the Department, the school may make a late delivery of loan funds after the applicable 120-day period, if the reason the late delivery was not made within the 120-day period was not the fault of the student.

These changes are effective for late delivery of FFELP loan proceeds by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

A student who is enrolled in a modular program is not eligible to receive Stafford loan funds until the first module that he or she will actually attend. A borrower subject to delayed delivery who is enrolled in a summer or winter mini-session that is less than 30 days in length is not eligible to receive Stafford loan funds until the student completes the first 30 days of his or her program of study. This change is effective loan funds delivered by the school on or after July 1, 2003.

*Disability discharge (total and permanent):* If a Consolidation loan is made jointly to a married couple as comakers, and one of the borrowers becomes totally and permanently disabled, the portion of the Consolidation loan attributable to the disabled borrower may be discharged. However, both borrowers remain jointly and severally liable for any remaining balance after the discharge. This change is effective on total and permanent disability claims filed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

*Disbursement rules:* Upon the receipt of a school's request, the lender may reissue a disbursement no later than 120 days after the earlier of the last day of the period of enrollment for which the loan is intended or the student's last date of at least half-time enrollment. For proceeds disbursed as a late disbursement, the lender must reissue a disbursement no later than 120 days after the date on which the original late disbursement was made. In exceptional cases, the lender may reissue a loan disbursement more than 120 days after the last date of the student's eligible enrollment or more than 120 days after the date on which the original late disbursement was made, so that the student will not be harmed by circumstances beyond his or her control. The request for reissue under this exception should come from both the student and the school, and the lender should document the exceptional circumstances. This change is effective for disbursements reissued by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

*Eligibility – borrower and student:* A student is allowed to maintain Title IV eligibility despite an overpayment in the Federal Perkins Loan Program or any Title IV grant program of less than \$25. The overpayment amount cannot be the balance of an original overpayment of \$25 or more that is reduced to less than \$25 based on payments received. In this case, even though the remaining balance of the original overpayment is less than \$25, the borrower is still responsible for repaying the overpayment in full or making satisfactory arrangements to repay it before the borrower can regain Title IV eligibility. This change is effective on

loans certified by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

A student who is enrolled simultaneously on at least a half-time basis in more than one school may be eligible to receive a Stafford loan—and the parent may be eligible to receive a PLUS loan—at both schools for the same payment period or period of enrollment. If one school has already certified a loan for the student, the other school is required to take the following actions:

- Eliminate the student's living costs from the cost of attendance (COA) because those costs were included in the COA at the first school.
- Ensure that the student does not receive loan funds in excess of annual loan limits at that school and that the total amount of the loans received by the student for enrollment at both schools does not exceed the student's highest applicable annual Stafford loan limit.

If neither school is aware of the student's simultaneous enrollment in two different schools until after both schools have certified Stafford loans and the student receives loan funds in excess of his or her highest applicable annual Stafford loan limit, the schools must coordinate with one another to adjust the student's aid package at one or both schools to eliminate the excess loan amount. If neither school is able to eliminate the excess loan amount, the excess loan amount must be reported to the lender. These changes are effective for loans certified by the school on or after July 1, 2003.

*Eligibility – school:* A school is prohibited from providing any commission, bonus, or other incentive payment to any person or entity engaged in student recruiting or admission activities or in making decisions regarding the awarding of Title IV aid, based directly or indirectly on the success of securing enrollments or financial aid. This prohibition does not apply to the recruitment of foreign students residing in foreign countries. This change is effective for incentive compensation plans offered by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

A standard definition of "week of instruction" has been implemented for all schools. A "week of instruction" is defined as any period of 7 consecutive days in which the school provides for at least one day of regularly scheduled instruction, examination, or, after the last day of classes, at least one day of study in preparation for final examination. This change is effective for program eligibility

determinations made by a school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

*Entrance counseling:* Schools must ensure that entrance counseling is conducted with each student who is obtaining his or her first Stafford loan for attendance at that school—unless the student previously received a Stafford, SLS, or Federal Direct Stafford loan for attendance at another school. When counseling is conducted by another party or by interactive electronic means, the school remains responsible for ensuring that each student borrower receives the counseling material and participates in and completes entrance counseling. Schools are responsible for ensuring that the student receives information on the following:

- The likely consequences of default, including adverse credit reports, federal offset, and litigation.
- The student's obligation to repay the full amount of the Stafford loan, even if the student does not complete the program, is unable to obtain employment upon completion, or is otherwise dissatisfied with or does not receive the educational or other services that the student purchased from the school (the school or the school designee must provide this information to all of the school's student borrowers except those who receive a loan made or originated by the school). The student must be provided with sample monthly repayment amounts based on a range of student levels of indebtedness or on the average indebtedness of Stafford loan borrowers at the same school or in the same program of study at the same school.

This change is effective entrance counseling conducted by or on behalf of the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

*Exit counseling:* Schools must ensure that exit counseling is conducted with each Stafford loan borrower shortly before the student borrower ceases enrollment on at least a half-time basis, recognizing that a school may rely on an outside entity to conduct counseling. When exit counseling is conducted by interactive electronic means or by another party, the school remains responsible for ensuring that each student borrower receives the counseling materials and participates in and completes the counseling. Schools are responsible for ensuring that the student borrower receives information on the following:

- Sample monthly repayment amounts based on a range of levels of student indebtedness or on the average indebtedness of Stafford loan borrowers at the same school or in the same program of study at the same school.
- Available repayment options including standard, graduated, extended, and income-sensitive repayment plans and loan consolidation.
- Debt-management strategies that would facilitate repayment.
- The conditions under which the student may defer or forbear repayment or obtain a full or partial discharge of the loan.
- The seriousness and importance of the repayment obligation that the student has assumed.
- The likely consequences of default, including adverse credit reports, Federal offset, and litigation.
- The availability of the Student Loan Ombudsman's Office.
- The use of the Federal Stafford Loan Master Promissory Note (Stafford MPN).
- The availability of Title IV loan information in the National Student Loan Data System (NSLDS).

These changes are effective on exit counseling conducted by or on behalf of the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

*Forbearance:* The requirement that the forbearance agreement between a borrower or endorser and a lender for a discretionary forbearance be in writing is removed. A lender is permitted to negotiate a verbal agreement with the borrower or endorser. In addition, this change extends to the reduced-payment forbearance guarantor policy, which has been amended to permit a lender to negotiate a reduced-payment forbearance with a borrower via a verbal agreement, consistent with regulatory changes applicable to other types of discretionary forbearance.

In both situations, if the forbearance agreement is verbal, the lender is required to send, within 30 days of that agreement, a notice to the borrower or endorser confirming the terms of the agreement. The lender must document the borrower's request for forbearance, the reason for the forbearance, and the terms of the forbearance agreement. This change is effective for borrower requests processed by

the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

Lenders are able to grant an administrative forbearance based solely on the lender's determination that a borrower's or endorser's ability to make payments has been adversely affected by a natural disaster, a local or national emergency (declared by the appropriate government agency), or a military mobilization. The lender may grant the administrative forbearance for a 3-month period and must document in the borrower's loan file the reason for the forbearance. To grant an extension of the administrative forbearance for the same situation, the lender must document an agreement with the borrower or endorser and obtain documentation supporting the borrower's reason for extending the forbearance period. This change is effective for administrative forbearances granted by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

The requirement that a lender contact a borrower who is in a forbearance every 3 months has been eliminated. If a lender grants a forbearance that involves postponing all payments on the loan, the lender must contact the borrower or endorser at least once every 6 months during the forbearance period. The lender must inform the borrower or endorser of all the following information in each such contact:

- The obligation to repay the loan.
- The outstanding balance of principal and interest on the loan.
- That interest will accrue on the loan for the entire forbearance period.
- That the borrower or endorser may opt to discontinue the forbearance at any time.

This notification requirement does not apply for postponement of interest payments during a deferment period, a period of forbearance for an internship or residency, or a period of mandatory administrative forbearance. This change is effective for borrower requests processed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

*Late disbursement/Post-withdrawal disbursement:* A school must offer a late delivery of Stafford or PLUS loan funds the student or parent borrower was eligible to receive

while the student was still enrolled during a payment period or period of enrollment that the student successfully completed. If a student ceases to be enrolled at least half time but does not withdraw, the school may, but is not required to, offer a late delivery of Stafford or PLUS loan funds to the student or parent borrower.

Before making a post-withdrawal disbursement of FFELP funds, the school must determine that the borrower is eligible for a late delivery. If the borrower is determined eligible for a late delivery, the school must offer a post-withdrawal disbursement of FFELP funds and, if accepted, must deliver the funds to the borrower. A school must make the post-withdrawal disbursement of a credit balance within 120 days of the date the school determined that the student withdrew. This change is effective for post-withdrawal disbursements made by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement the post-withdrawal determination time frame change no earlier than November 1, 2002.

*Leave of absence:* A school may grant multiple leaves of absence to a student as long as the total number of days for all leaves does not exceed 180 days in a 12-month period. The student's request for the leave of absence must include the reason for leave. A student enrolled in a clock-hour or non-term-based credit-hour program who returns from a leave of absence is not required to complete the same coursework she or he began prior to the leave of absence. This change is effective for leaves of absence granted by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

*Loan amount:* The length of the program of study or academic year in which the student is currently enrolled determines the annual loan limit, regardless of the length of time it takes the student to complete the program or academic year of the program, as applicable. These provisions apply to all undergraduate students, including transfer students and students who have completed programs of study at other schools. In addition, 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. These changes are effective on Stafford loan amounts certified by the school on or after July 1, 2003, unless implemented earlier by the school.

The Department issues *Dear Colleague Letter GEN-03-03* announcing the Federal PLUS Loan Application and Master Promissory Note (PLUS MPN) procedures for obtaining the requested loan amount from the parent borrower as one of the key items that may be included in

guarantor on-site school and lender reviews. These requirements are effective for PLUS loans certified by the school for loan periods beginning on or after July 1, 2003.

*Loan guarantee:* The Department issues *Dear Colleague Letter GEN-03-03* to clarify signature requirements related to the making of PLUS loans. The revision requires the student to complete and sign the appropriate section of the common PLUS application and promissory note. However, the student is not required to complete any portion of the Federal PLUS Loan Application and Master Promissory Note (PLUS MPN). This change is effective for PLUS loans certified by the school for loan periods beginning on or after July 1, 2003.

*Loan origination:* The Department issues *Dear Colleague Letter GEN-03-03* announcing that the Federal PLUS Loan Application and Master Promissory Note (PLUS MPN) may be used to obtain one or more PLUS loans for a dependent student. A parent borrower must complete a separate PLUS MPN for each dependent student for whom he or she wishes to borrow. Before a PLUS loan may be disbursed, the parent borrower must indicate to either the school or the lender the PLUS loan amount that he or she wishes to borrow (the requested loan amount). The student is not required to complete or sign the PLUS MPN. If the lender determines that the parent has an adverse credit history and an endorser is used, a separate Endorser Addendum is required for each PLUS loan. In any case where an endorser is required, a new PLUS MPN is required for each loan. Any increase in the requested loan amount by the parent borrower must be approved by the endorser and requires a new PLUS MPN and Endorser Addendum. This policy is effective for PLUS loans certified by the school for loan periods beginning on or after July 1, 2003.

The lender has additional responsibilities when making loans using the Master Promissory Note (MPN). The lender must determine the school's authorization to certify Stafford or PLUS loans using the multi-year feature of the MPN for each subsequent loan made under an existing MPN, based on information provided by the Department. The lender must provide the borrower with a Plain Language Disclosure for each subsequent loan made under the multi-year feature of the MPN; ensure that either a Confirmation or Notification process is in place for Stafford loans made using the multi-year feature of the MPN; and ensure that a process is in place to obtain the parent borrower's requested loan amount before each loan is disbursed under a PLUS MPN.

*GEN-03-03* also announces information regarding the expiration of the ability of a lender to make new loans under an MPN. In addition to the current revocation guidance, a

lender may elect not to make subsequent loans under an existing MPN. The lender's decision may be based on any number of circumstances—for instance, if there is a change in the borrower's circumstances (such as bankruptcy or delinquency), or because the loan is being requested under a Lender of Last Resort Program. If the lender chooses to cancel unmade disbursements due to a borrower's bankruptcy filing, the lender may choose to cancel an existing MPN and require the borrower to sign a new note to obtain loan funds for which the school determines the borrower to be eligible. In the case of a PLUS MPN, a new MPN is required if the dependent student changes. For each new loan that requires an endorser, a new PLUS MPN with a new Endorser Addendum is required. Any increase in the requested loan amount by the parent borrower must also be approved by the endorser and requires a new PLUS MPN and Endorser Addendum.

If a borrower has completed an MPN, the borrower may obtain additional loans under the same Stafford Master Promissory Note (Stafford MPN) or PLUS MPN, as applicable, for a student who transfers, regardless of any change in school or guarantor, provided all of the following apply:

- The new school is not a foreign school.
- The new school has not been notified of restricted multi-year use by the Department.
- The MPN remains valid.
- The new school, lender, or guarantor does not require a new MPN.
- The borrower does not choose a new lender.

If a PLUS loan is made to a parent borrower who completed a PLUS MPN to benefit a dependent student and that student transfers to a school that is not eligible to, or chooses not to, offer the multi-year feature of the PLUS MPN, or if an endorser is required, the borrower must complete a new PLUS MPN for the new school.

*Payment period:* The payment period for an eligible credit-hour program that offers academic terms (standard or nonstandard) is simply the academic term. The first payment period is the period of time when the student completes half the number of credit hours *and* half the number of weeks in the program. The payment period for clock-hour programs no longer mirrors the non-term-based credit-hour program definition. This change is effective on payment periods established by the school on or after

July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

*Record Retention:* The Department issues *Dear Colleague Letter GEN-03-03* to announce recordkeeping requirements for loans made using the Federal PLUS Loan Application and Master Promissory Note (PLUS MPN).

Records that a lender must maintain include documentation of the process under which either the school or lender obtains the parent borrower's requested loan amount for loans made under the PLUS MPN; a record of the parent borrower's requested loan amount for loans made under the PLUS MPN, if the lender is the party responsible for obtaining this information; and a record of any adjustments that the lender receives to the parent borrower's requested loan amount.

Records that a school must maintain include documentation of the process under which either the school or lender obtains the parent borrower's requested loan amount for loans made under the PLUS MPN; a record of the parent borrower's requested loan amount for loans made under a PLUS MPN, if the school is the party responsible for obtaining this information; and a record of any adjustments that the school receives to the parent borrower's requested loan amount. These requirements are effective for PLUS loans certified by the school for loan periods beginning on or after July 1, 2003.

*Rehabilitation of defaulted loans:* A borrower who has a defaulted loan for which a judgment has been obtained is no longer permitted to include that loan in a guarantor's rehabilitation program. This change is effective on requests for loan rehabilitation received by the guarantor on or after July 1, 2003, unless implemented earlier by the guarantor. Guarantors may implement these provisions no earlier than November 1, 2002.

*Repayment terms:* A request from a borrower to extend his or her repayment period beyond the scheduled 5 years no longer must be in writing. This change is effective for borrower requests received by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

*Return of Title IV funds:* New federal regulations establish a clear requirement for returning unearned Title IV program funds and the conditions under which a school must submit a letter of credit if it does not return those funds in a timely manner. In addition, if a school can demonstrate exceptional circumstances beyond the school's control, the Department will not hold the school responsible for

untimely return of Title IV funds and will not require the school to submit a letter of credit. Specifically, a school is considered to have sufficient cash reserves to make the required return of unearned Title IV funds if the school meets at least one of the following:

- The school satisfies the financial responsibility standards for public schools.
- The school is located in, and is licensed to operate in, a state that has a Department-approved tuition recovery fund to which the school contributes.
- The school demonstrates that it returns in a timely manner unearned Title IV funds for students that withdraw from the school.

This change does not have an effective date as the provision will be implemented and enforced by the Department.

In accordance with the revised guidance issued by the Department of Education, there are times when a school may include FFELP funds as aid that could have been disbursed in the return of Title IV funds calculation even if the school was prohibited from delivering the funds on or before the date the student withdrew. This includes:

- Loan funds for a first-year, first-time undergraduate borrower who withdraws before completing the 30th day of his or her program of study.
- The second or subsequent disbursement(s) of a loan even if the school was prohibited from delivering the funds on or before the date the student withdrew.

However, in all cases, the following conditions for making a late disbursement must be met in order for FFELP funds to be included as aid that could have been disbursed:

- Except in the case of a PLUS loan, the Department processed a valid Student Aid Report (SAR) or Institutional Student Information Record (ISIR) with an official expected family contribution (EFC) on or before the date of the student's withdrawal.
- The school certified the loan on or before the date of the student's withdrawal.

In these cases, although the loan funds may be included as aid that could have been disbursed in the return of Title IV funds calculation, under no circumstances may the school deliver the loan funds to the borrower as a post-withdrawal disbursement.

If a school is completing the return of Title IV funds calculation on a payment period basis, FFELP funds scheduled for disbursement in a subsequent payment period may not be included as aid that could have been disbursed.

This change is effective for any student who withdraws on or after July 1, 2003.

Unearned FFELP funds are considered returned timely if, no later than 30 days after the date the school determines that the student withdrew, the school does one of the following:

- Deposits or transfers the amount of funds to be returned into an account the school maintains for federal funds (see [subsection 6.3.D](#)).
- Initiates an electronic funds transfer (EFT) for the amount of returned funds.
- Initiates an electronic transaction that informs the lender to adjust the borrower's loan account for the amount of returned funds.
- Issues a check for the returned funds. In this case, the school's records must show that the lender's bank endorsed that check no more than 45 days after the date the school determined that the student withdrew.

This change is effective on unearned FFELP funds returned by the school to the lender on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

*Withdrawal:* A school is required to record attendance if an outside entity requires this activity even for a limited period of time. An exception to this requirement, however, is if the outside entity requires a school to record attendance for a single event (i.e., a one-day census activity). This change is effective for all withdrawal determinations made by the school on or after July 1, 2003, or on or after the date of implementation if implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

The Department of Education issued *Dear Colleague Letter GEN-04-03* and new guidance provided in the 2003-2004 *Federal Student Aid Handbook* to provide more complete information about schools that are required to record attendance for a limited period of time or for a specific group of students. A school that is required to record attendance for a limited period of time must document the student's attendance through that period. If the school determines that the student is not in attendance

at the end of that period, the student's withdrawal date is determined according to the requirements for a school that is required to record attendance. If the school can document the student's attendance through the period of time during which the school is required to record attendance but the student subsequently withdraws, the student's withdrawal date is determined according to the requirements for a school that is not required to record attendance. A school that is required by an outside entity (e.g., a state workforce development agency), to record attendance for a specific group of students must use the attendance records for only that specific group of students under that outside entity's jurisdiction to determine the student's withdrawal date. These provisions are effective for any student who withdraws on or after July 1, 2003.

If a student withdraws from a program but re-enters the same program within 180 days, the school is required to place the student in the same payment period in which he or she was enrolled when the withdrawal occurred. If, however, a student returns to the same program *after* 180 days or, at any time, either transfers into a different program at the same school or enrolls in another school, the applicable school must calculate a new payment period for the remainder of the student's program based on how program progress is measured. For purposes of calculating payment periods only, the length of the program is the number of credit hours and the number of weeks, or the number of clock hours, that the student has remaining in the program he or she entered or re-entered. If the remaining hours (and weeks, if applicable) constitute one half of an academic year or less, the remaining hours constitute one payment period. This change is effective on eligibility determinations made by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

### July 15, 2003

The Department issues *Dear Colleague Letter GEN-03-08* that discusses the use of long-term debt in the calculation of the Primary Reserve Ratio used to determine whether institutions demonstrate financial responsibility. This letter replaces the guidance provided by the Department in *Dear Colleague Letter GEN-01-02* and is effective for all annual financial statement audits for fiscal years ending on or after December 31, 2002.

### August 25, 2003

The Department issues *Dear Colleague Letter L-03-242* informing lenders of actions required to assist in the oversight of FFELP funds for students attending foreign

schools. The additional requirements are effective for disbursements made directly to students attending foreign schools on or after November 25, 2003.

### October 12, 2003

The Department issues *Dear Colleague Letter GEN-03-12* that describes new procedures used by the National Student Loan Data System (NSLDS) to calculate aggregate loan limits when a student has consolidated some or all of their student loans.

### October 20, 2003

*Consolidation loans:* Portions of a Consolidation loan that are attributed to subsidized Stafford and unsubsidized Stafford loans must be included when calculating a student's aggregate loan balance. The financial aid administrator (FAA) should use the National Student Loan Data System (NSLDS) or loan records provided by the student to determine the portion of the Consolidation loan that should be applied to the subsidized Stafford loan limit and the portion that should be applied to the unsubsidized Stafford loan limit.

### November 26, 2003

*Disbursement rules:* Before a lender may release funds directly to a student for attendance at a foreign school, the lender must receive confirmation from the guarantor indicating that the school the student plans to attend is eligible to participate in the FFELP and that the student has been accepted for enrollment at the foreign school. In addition, the lender is required to notify the foreign school when it disburses FFELP funds directly to the student.

### December 12, 2003

The Department announces *Higher Education Relief Opportunities for Students (HEROES) Act* waivers in a *Federal Register* notice (Vol. 68, No. 239, issued December 12, 2003), including a number of waivers and modifications of statutory and regulatory provisions that are appropriate to assist individuals who are applicants and recipients of federal student aid under Title IV of the Higher Education Act (HEA). See [section H.4](#) for detailed information about the areas of Title IV administration that these waivers affect.

## 2004

### January 2004

*Disbursement rules:* Schools and lenders are prohibited from obtaining a borrower's power of attorney or other authorization to endorse or otherwise approve the cashing of a loan check, or the delivery of loan funds disbursed through electronic funds transfer (EFT). Schools and lenders are also prohibited from using a document containing the borrower's power of attorney to support another party's endorsement or other method used to approve the cashing of a loan check, or the delivery of loan funds disbursed through EFT. This change reflects a regulatory technical correction published in the *Federal Register* on December 31, 2003. The technical correction was necessary because the text was previously included in regulations but was inadvertently omitted. The changes regarding a power of attorney received by the school or lender and used to negotiate loan documents are effective on or after January 30, 2004, unless implemented earlier by the guarantor.

*Rehabilitation of defaulted loans:* A lender is required to use the loan's balance at the time it is rehabilitated when establishing the maximum repayment period for a rehabilitated Consolidation loan. This policy is effective for Consolidation loans reentering repayment after rehabilitation on or after January 30, 2004. This change is based on technical corrections to the federal regulations published in the *Federal Register* (Volume 68, number 250), page 75429, dated December 31, 2003.

### February 13, 2004

*Return of Title IV funds:* The Department of Education issues *Dear Colleague Letter GEN-04-03* to announce a revision regarding the treatment of inadvertent overpayments in the return of Title IV funds calculation. An inadvertent overpayment exists when a school delivers loan funds to a student who is no longer in attendance. When the school completes a return of Title IV funds calculation, an inadvertent overpayment must be included as "aid that could have been disbursed." Previous guidance had indicated that inadvertent overpayments were to be included as "disbursed aid." The student must qualify for a late disbursement to be eligible to retain funds that were delivered as an inadvertent overpayment. If the student is ineligible for all or a portion of the inadvertent overpayment, the school must return the ineligible amount to the lender within 30 days of the date of the school's determination that the student withdrew. This change is effective for any student who withdraws on or after February 13, 2004.

*Dear Colleague Letter GEN-04-03* and new guidance provided in the 2003-2004 *Federal Student Aid Handbook* clarify that, except in unusual cases, if a student is absent without explanation, a school that is required to record attendance is expected to make a determination that the student withdrew no later than one week after the student's last date of academic attendance as determined from the school's attendance records. The school does not have to make a withdrawal determination if, during that one week period, the student verifies that he or she plans to return to school. Provisions for determining a student's withdrawal date are effective for any student who withdraws on or after February 13, 2004.

The Letter also includes guidance for schools regarding the treatment of Title IV credit balances under the return of Title IV funds requirements. If a student withdraws and has a Title IV credit balance on his or her account, the school must not deliver any portion of the credit balance to the student or return any portion to the Title IV student aid programs before it completes a return of Title IV funds calculation. The school must hold the funds even if it results in the school not being in compliance with the 14-day payment requirement for credit balances. In this case, the school does not need the student's or parent's authorization to hold the Title IV credit balance beyond the original 14-day period. However, within 14 days of the date that the school performs the return of Title IV funds calculation, the school must pay any remaining Title IV credit balance. The school must first allocate the Title IV credit balance to repay any grant overpayment owed by the student as a result of the current withdrawal. If there is no grant overpayment owed or if an additional credit balance exists on the account after the grant overpayment is repaid, it must be paid in one or more of the following ways:

- In accordance with cash management regulations, the school may use the credit balance to pay authorized charges at the school (including previously paid charges that are now unpaid due to a return of Title IV funds by the school).
- With the student's authorization, the school may use the credit balance to reduce the student's Title IV loan debt (not limited to loan debt incurred for the payment period or period of enrollment during which the student withdrew).
- The school may deliver the credit balance to the student, or the parent in the case of a PLUS loan. If the school cannot locate the student or parent to whom a Title IV credit balance is due, the school must return the credit balance to the Title IV programs. In this case, there is no specific order of return to the Title IV

programs, but schools are encouraged to make determinations that are in the best interest of the individual student.

This policy is effective for students who withdraw on or after February 13, 2004, as determined by the school.

If a student is selected for verification but withdraws prior to providing all required verification documentation, the school must complete the return of Title IV funds calculation in time to comply with the 30-day return of Title IV funds deadlines. If the student did not provide the required verification documentation, the school must include as disbursed aid or aid that could have been disbursed only those funds not subject to verification (i.e., PLUS loans and unsubsidized Stafford loans) in the return of Title IV funds calculation. However, if the student subsequently provides the documentation before the verification deadline, the school is required to perform a new return of Title IV funds calculation and make the appropriate adjustments. If the school is unable to offer the post-withdrawal disbursement to the student, or parent in the case of a PLUS loan, within the required 30 days after the date that the school determined that the student withdrew, the school must offer the funds as soon as possible. Also, whenever possible, the school must provide the student or parent with the minimum 14-day period to respond to the offer of a post-withdrawal disbursement. This policy is effective for students who withdraw on or after February 13, 2004, as determined by the school.

The Letter also includes guidance for schools that offer non-term-based credit-hour programs to determine the number of calendar days in the payment period or period of enrollment. If a student withdraws from a non-term-based credit-hour program where the completion date is dependent upon an individual student's progress, the school must project the completion date based on the student's progress as of the date of his or her withdrawal to determine the total number of calendar days in the period. If the student does not earn credits or complete lessons as he or she progresses through the program, the school is required to have a reasonable procedure for projecting the completion date based on the student's progress before withdrawal. If the completion date for all students in a non-term-based credit-hour program is the same, the total number of calendar days in the period will be the same for all students. This policy is effective for students who withdraw on or after February 13, 2004, as determined by the school.

**March 2004**

*Claims – returned and refiled:* If a lender is unable to provide a complete claim or if the loan is otherwise ineligible for claim payment (due, for example, to a previous, unresolved loss of loan guarantee) the claim file must be returned despite the lender's or servicer's exceptional performer designation.

**July 1, 2004**

*Disbursement rules:* There is one exception to the 120-day loan disbursement reissue policy. The exception permits a lender to reissue a loan disbursement more than 120 days after the last date of the student's eligible enrollment or more than 120 days after the date on which the original late disbursement was made, so that the student will not be harmed by circumstances beyond his or her control. The location in the manual's text of this exception implies that it is only applicable to the reissue of a late disbursement, which is not the intent of the policy. To correct this, a new subheading was added to separate the exception to the 120-day reissue limitation from the policy regarding late disbursement, thereby clarifying that the exception applies both to timely disbursements and to late disbursements. In addition, a new requirement has been added that stipulates that the lender must document the reason for the reissue of the loan disbursement in all reissue situations. This policy is effective for disbursements reissued by the lender on or after July 1, 2004.

*Loan certification:* A school may certify a parent borrower's eligibility for a PLUS loan without performing need analysis and without determining the student's eligibility for either a Pell grant or a subsidized or unsubsidized Stafford loan.

*Repayment start:* A lender must establish a first payment due date on a Consolidation loan that is no more than 60 days after the last day of a deferment or forbearance period, unless the borrower makes prepayments during that period that cause the due date to be advanced. When a lender is required to redisclose repayment terms because of the addition of a loan(s) during the 180-day add-on period, the lender may establish a new effective date for the revised payment amount. The new effective date must be no more than 60 days after the date of the last disbursement that discharged the add-on loan(s). This policy is effective for Consolidation loan repayment disclosures issued by a lender on or after July 1, 2004.

**October 1, 2004**

*Loan origination:* If a power of attorney is used to sign a Master Promissory Note (MPN), the MPN is only valid for one loan. This single loan restriction is effective October 1, 2004, unless implemented earlier by the guarantor.

*Special allowance:* A loan financed with proceeds of a tax-exempt obligation originally issued prior to October 1, 1993, will revert to the regular special allowance rates paid on other loans if such a tax-exempt obligation is refunded, retired, or defeased on or after September 30, 2004.

**October 30, 2004**

*Teacher loan forgiveness:* [The Taxpayer-Teacher Protection Act of 2004](#), which includes new statutory loan forgiveness eligibility criteria and an increased forgiveness amount for certain borrowers, was enacted on October 30, 2004. Subsequently, the Department issued [GEN-05-02/FP-05-02](#) to announce the increased loan forgiveness maximum of \$17,500—the previous maximum was \$5,000. The DCL also includes the new criteria for borrowers who begin their qualifying teaching service on or after October 30, 2004, to qualify for the \$5,000 forgiveness maximum and provides definitions applicable to additional teacher qualifications required to obtain that increased forgiveness amount. These provisions are applicable to Stafford loans and Consolidation loans—to the extent that the Consolidation loan repaid a borrower's eligible underlying Stafford loan(s). The new statutory loan forgiveness criteria are as follows:

For a borrower who begins a period of qualifying teaching service prior to October 30, 2004, the borrower may be eligible for loan forgiveness of up to \$5,000 if he or she is either:

- A full-time elementary school teacher who demonstrates knowledge and teaching skills in reading, writing, mathematics, or other areas of the elementary school curriculum.
- A full-time secondary school teacher teaching in a subject area that is relevant to his or her academic major.

For a borrower who begins a period of qualifying teaching service prior to October 30, 2004, the borrower may be eligible for up to \$17,500 in loan forgiveness (less any forgiveness amount received under the previous criteria) if the borrower has completed the period of qualifying teaching service as a highly qualified full-time mathematics or science teacher in a qualifying secondary school or as a highly qualified special education teacher.

A borrower may also complete the 5-year teaching service requirement by combining years of full-time service at qualifying elementary and secondary schools in order to qualify for teacher loan forgiveness, provided that he or she is otherwise eligible.

For a borrower who began a period of qualifying teaching service on or after October 30, 2004, the borrower may be eligible for loan forgiveness of either:

- A maximum of \$5,000 for teaching as a highly qualified full-time teacher in an eligible elementary or secondary school.
- A maximum of \$17,500 for teaching as a highly qualified full-time mathematics or science teacher in an eligible secondary school or as a highly qualified special education teacher.

The term “highly qualified” is a critical eligibility criterion for teacher loan forgiveness at the increased amount of \$17,500 and for loan forgiveness for periods of qualifying teaching service that begin on or after October 30, 2004. A *highly qualified* teacher is a teacher in a public or nonprofit elementary or secondary school who has obtained a full State certification as a teacher (including certification obtained through alternative routes to certification) or passed the State teacher licensing examination and holds a license to teach in that state, except that when used with respect to any teacher teaching in a public charter school, the term means that the teacher meets the requirements set forth in the State’s public charter school law; and has not had certification or licensure requirements waived on an emergency, temporary, or provisional basis. In addition, the teacher must be one of the following:

- An elementary school teacher who is new to the teaching profession; holds a bachelor’s degree; and has demonstrated, by passing a rigorous State test, subject knowledge and teaching skills in reading, writing, mathematics, and other areas of basic elementary school curriculum (which may consist of passing a State-required certification or licensing test or tests in reading, writing, mathematics, and other areas of the basic elementary school curriculum).
- A middle or secondary school teacher who is new to the profession; holds a bachelor’s degree; and has demonstrated a high level of competency in each of the academic subjects in which the teacher teaches by passing a rigorous state academic subject test in each of the academic subjects in which the teacher teaches (which may consist of a passing level of performance on a state-required certification or licensing test or tests

in each of the academic subjects in which the teacher teaches), or by successfully completing, in each of the academic subjects in which the teacher teaches, of an academic major, a graduate degree, coursework equivalent to an undergraduate academic major, or advanced certification or credentialing.

- An elementary, middle, or secondary school teacher who is not new to the profession, holds at least a bachelor’s degree, and meets the applicable standards of an elementary, middle, or secondary school teacher who is new to the profession; or demonstrates competence in all the academic subjects in which the teacher teaches based on a high objective uniform state standard of evaluation that meets all of the following criteria:
  - Is set by the state for both grade appropriate academic subject matter knowledge and teaching skills.
  - Is aligned with challenging state academic content and student academic achievement standards and developed in consultation with core content specialists, teachers, principals, and school administrators.
  - Provides objective, coherent information about the teacher’s attainment of core content knowledge in the academic subjects in which a teacher teaches.
  - Is applied uniformly to all teachers in the same academic subject and the same grade level throughout the state.
  - Takes into consideration, but is not based primarily on, the time the teacher has been teaching in the academic subject.
  - Is made available to the public upon request.
  - May involve multiple, objective measures of teacher competency.

A lender is required to grant a teacher loan forgiveness forbearance if the lender believes that the anticipated forgiveness amount will satisfy the outstanding loan balance at the time the borrower will complete the qualifying period of teaching service.

**November 2004**

*Withdrawal:* The Department of Education issues *Dear Colleague Letter GEN-04-12* to announce a revised time frame for certain schools to determine a student's withdrawal date. For a school that is required to record attendance, the date of determination that the student withdrew must be no later than 14 days after the student's last date of academic attendance as determined from the school's attendance records. Previous guidance required schools to make this determination no later than 7 days after the student's last date of academic attendance. The change is effective for withdrawal determinations made by the school on or after November 17, 2004.

**2005**

*Annual loan limits:* To determine the academic year and the frequency of Stafford annual loan limits, a school may use either a scheduled academic year or a borrower-based academic year for its standard term-based credit-hour programs. A school must use a borrower-based academic year for its nonstandard term-based and non-term-based credit-hour programs, as well as for its clock-hour programs. These provisions are effective on the publication date of the *2005-2006 Federal Student Aid Handbook*, unless implemented earlier by the school.

Stafford loan eligibility for a transfer student is the annual loan limit applicable to the student's current grade level minus the loan amount the student has already received for the final academic year of the prior program. For a student who transfers to a standard term-based credit-hour program, the student's Stafford loan eligibility for a subsequent term that begins within the initial academic year of the new program, but after the end of the final academic year of the prior program, is the annual loan limit applicable to the student's current grade level minus the outstanding loan amount the student has already received for that academic year in the new program. These provisions are effective on the publication date of the *2005-2006 Federal Student Aid Handbook*, unless implemented earlier by the school.

**May 1, 2005**

*Annual loan limits:* For loan periods beginning on or after May 1, 2005, schools offering Naturopathic Medicine programs that lead to a Doctor of Naturopathic Medicine Degree or a Doctor of Naturopathy Degree and are accredited by the Council on Naturopathic Medical Education are eligible to award increased unsubsidized Stafford loan limits to students enrolled in those programs.

**June 1, 2005**

*Cohort default rate:* The Department sends a domestic school its draft and official electronic cohort default rates (eCDR) through the Student Aid Internet Gateway (SAIG). All domestic schools are required to enroll in the SAIG and designate a SAIG destination point for the receipt of the eCDR notifications. The Department mails draft and official cohort default rate notifications to foreign schools.

**July 1, 2005**

*Aggregate loan limit:* If a borrower inadvertently exceeds an aggregate loan limit under a Title IV loan program, the borrower may make arrangements satisfactory to the holder of the loan to repay the excess loan amount and these arrangements may include having the borrower sign an agreement acknowledging the debt and affirming his or intention to repay the excess amount as part of the normal repayment process. Consolidation of the loan(s) that exceeded the aggregate loan limit (provided that the loan(s) is otherwise eligible for consolidation) is also considered to be a satisfactory repayment arrangement.

*Annual loan limit:* If a borrower inadvertently exceeds an annual loan limit under a Title IV program, the borrower may make arrangements satisfactory to the holder of the loan to repay the excess loan amount and these arrangements may include having the borrower sign an agreement acknowledging the debt and affirming his or intention to repay the excess amount as part of the normal repayment process. Consolidation of the loan(s) that exceeded the annual loan limit (provided that the loan(s) is otherwise eligible for consolidation) is also considered to be a satisfactory repayment arrangement.

*Closed school loan discharge:* If the lender receives notification that a closed school discharge may be applicable to the underlying loans of a Consolidation loan, the lender is required to suspend collection activity on the Consolidation loan consistent with the requirements for suspending collection activity on other loans.

If a loan is 270 or more days delinquent and the lender has not filed a claim on the loan, the lender or guarantor must identify the borrower's potential eligibility for loan discharge and send the borrower the loan discharge application and other applicable notifications as required for all closed school loan discharge applications. The lender must process an administrative forbearance on the loan. If the lender did not receive the discharge notification from the guarantor, the lender must notify the guarantor of each borrower it identifies as potentially eligible for loan discharge due to the student's school's closing. If the borrower does not return the loan discharge application for

the defaulted loan within 60 days, or the guarantor or the Department has not instructed the lender to file a closed school discharge claim, the lender must discontinue the administrative forbearance and file the default claim.

If the lender has filed a default claim with the guarantor and that claim has not yet been paid, the lender or guarantor must identify the borrower's potential eligibility for loan discharge and send the borrower the discharge application and applicable notifications as required for other, non-defaulted FFELP loans. If the guarantor returns the claim to the lender, the lender must process an administrative forbearance on the loan. In addition, if the lender did not receive the discharge notification from the guarantor, the lender must notify the guarantor of each defaulted, claim-filed borrower it identifies as potentially eligible for loan discharge due to the student's school's closing. The lender must send the notice to the guarantor on the same day the lender sends the loan discharge application materials to the borrower.

If the borrower returns a completed discharge application within 60 days and the guarantor returned the default claim to the lender, the lender must refile the claim as a closed school loan discharge claim within 60 days of the date on which it receives either the completed discharge application or notice from the guarantor to file a closed school loan discharge claim. If the borrower does not return the completed discharge application and the guarantor returned the claim to the lender, the lender must refile the default claim within 60 days of the end of the 60-day administrative forbearance period.

The lender must file or refile a default claim if the borrower fails to return the loan discharge application timely. Refile time frames are measured from the earlier of the day the lender receives notice from the guarantor to file the default claim or, if no response is received from the borrower, within 60 days of the end of the administrative forbearance period. The lender must refile the returned default claim:

- Within 30 days to ensure that the claim will be paid including all outstanding interest.
- On or after day 31, but no later than day 60, to ensure that the claim will be paid, but interest will be limited to 270 days.

If the guarantor did not return the claim, and the borrower returns a completed discharge application within 60 days, the lender must notify the guarantor and must forward all pertinent closed school documentation to the guarantor. If the guarantor did not return the claim to the lender and the

borrower fails to return the completed discharge application within 60 days, the lender must notify the guarantor that the closed school loan discharge is no longer pending.

*False certification loan discharge:* If a false certification loan discharge may be applicable to the underlying loans of a Consolidation loan, the lender is required to suspend collection activity on the Consolidation loan.

If the loan is 270 or more days delinquent, and the lender has not filed a claim on a loan, the lender or guarantor must identify the borrower's potential eligibility for loan discharge, process an administrative forbearance, and send the borrower the loan discharge application and other applicable notifications as required for all false certification loan discharge applications. If the lender did not receive the discharge notification from the guarantor, the lender must notify the guarantor of each borrower it identifies as potentially eligible for loan discharge due to the false certification of his or her loan.

If the loan discharge application is not returned within 60 days, or the guarantor or the Department has not instructed the lender to file a false certification loan discharge claim, the lender must discontinue the administrative forbearance and file the default claim.

If the lender has filed a default claim with the guarantor and that claim has not yet been paid, the lender or guarantor must identify the borrower's potential eligibility for loan discharge and send the loan discharge application and applicable notifications to the borrower as required for other, non-defaulted loans.

If the guarantor returns the claim, the lender must process an administrative forbearance. In addition, if the lender did not receive the discharge notification from the guarantor, the lender must notify the guarantor of each defaulted, claim-filed borrower it identifies as potentially eligible for loan discharge due to the false certification of his or her loan. The lender must send the notice to the guarantor on the same day the lender sends the loan discharge application materials to the borrower.

The lender must file or refile a default claim if the borrower fails to return the discharge application timely. Refile time frames are measured from the earlier of the date the lender receives notice from the guarantor to refile the default claim or the end of the 60-day administrative forbearance period. The lender must refile the default claim:

- Within 30 days to ensure that the claim will be paid including all outstanding interest.

- On or after day 31, but no later than day 60, to ensure that the claim will be paid, but interest will be limited to 270 days.

If the guarantor does not return the claim, and the borrower returns a completed discharge application within 60 days, the lender must notify the guarantor to reactivate the claim as a false certification loan discharge claim and must forward all pertinent false certification documentation to the guarantor. If guarantor does not return the claim and the borrower fails to return the completed discharge application within 60 days, the lender must notify the guarantor that the 60-day response time frame has expired and that the lender has not received the discharge application.

*Forbearance:* A lender must grant a mandatory administrative forbearance on a Federal Consolidation loan that paid in full one or more underlying PLUS loans in the event of the death of the student for whom the PLUS loan was made.

#### September 21, 2005

*Annual loan limit:* When a student transfers from a graduate program to an undergraduate program within an academic year, the undergraduate Stafford annual loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate Stafford annual loan limit. The total amount awarded for the academic year may not exceed the higher (graduate/professional) annual loan limit.

A school may use a scheduled academic year (SAY) or borrower-based academic year (BBAY) to determine Stafford annual loan limit frequency and determine the parent or Grad PLUS loan period for a student who is enrolled in a standard term-based program that is offered in a traditional academic year calendar, including such a program that is comprised of modules. Revised policy also broadens the definition of a BBAY to acknowledge its use in all types of programs and provides new detail concerning the use of a BBAY in standard term-based programs that do, and do not, have a traditional academic year calendar.

*Loan certification:* A school may not have a general policy of prorating the annual loan limit based on a student's enrollment status.

#### October 1, 2005

*Teacher loan forgiveness:* The Taxpayer-Teacher Protection Act of 2004 originally included a termination date for benefits for the increased teacher loan forgiveness amount of up to \$17,500 for teachers in certain specialties.

The Higher Education Reconciliation Act of 2005 amended the Taxpayer-Teacher Protection Act of 2004 by removing the termination date, thus reinstating the previous increased teacher loan forgiveness amounts of up to \$17,500 for teachers in certain specialties and reinstating the additional eligibility criteria that were imposed by the previous legislation.

#### October 20, 2005

The Department announces in the *Federal Register* (Vol. 70, No. 202, issued October 20, 2005) that the [Higher Education Relief Opportunities for Students \(HEROES\) Act](#) waivers have been extended from September 30, 2005, to September 30, 2007. The Department originally issued these waivers on December 12, 2003, effective until September 30, 2005. See [section H.4](#) for detailed information about the areas of Title IV administration that these waivers affect.

#### October 27, 2005

*Delivering loan funds:* A school may deliver loan proceeds by issuing a stored-value card to the student if the school obtains authorization from the student or parent borrower, as applicable, and the following conditions are met:

- The value of the card must be convertible to cash and may not be limited to specific vendors.
- The student must not incur any fees for using the card to withdraw the disbursement over a reasonable period of time. It would be reasonable to allow automated teller machine (ATM) withdrawals to be free, or to provide several free withdrawals per month. It would also be reasonable to charge a fee for use of an ATM that is not affiliated with the issuing bank, as long as ATMs from the issuing bank are conveniently located for the student.
- The student must not be charged by either the school or the affiliated bank for the issuing of a stored-value card. The student may be charged for a replacement card.
- The bank must have an individual account for each student that is insured by the Federal Deposit Insurance Corporation (FDIC).
- The school must not make any claims against the funds on the card without the written permission of the student, except to correct an error in transferring the funds to the bank under existing banking rules.

- The account must not be marketed or portrayed as a credit card account, nor be structured to be converted into a credit card at any time after it is issued. The issuing bank may not link the stored-value card account to any other banking services it may offer, such as checking, savings, or credit card accounts.
- The school must inform the student of any terms and conditions associated with accepting and using the stored-value card.
- The school must ensure that its stored-value card process meets all regulatory time frames for delivery of loan proceeds or payment of Title IV credit balances.
- The student's access to the funds on the stored-value card must not be contingent upon the student's continued enrollment, academic status, or financial standing with the school.

A borrower is not required to sign the Master Promissory Note (MPN) prior to the end of the loan period or the date on which the student ceased to be enrolled at least half time (or lost eligibility for a reason other than a withdrawal) to be eligible for a late delivery of Stafford or PLUS loan funds, as applicable. However, the borrower must sign the MPN before a lender may make a late disbursement.

*Return of Title IV funds:* A school may include Stafford or PLUS loan funds, as applicable, as aid that could have been disbursed in the return of Title IV funds calculation if the borrower signed the Master Promissory Note (MPN) prior to the date the school completes the calculation.

## 2006

### January 1, 2006

*Claim filing requirements:* A lender must include a copy of the applicable power of attorney (POA) document with the claim file it submits to the guarantor if the MPN was signed by a third party with POA for the borrower. If the lender is aware that the promissory notes of any of the underlying loans for a Consolidation loan are signed using a POA, and the lender is filing a closed school or false certification claim, the lender must include a copy of the applicable POA document in the claim file.

A lender must include separately on the Claim Form, the amount of unpaid origination fees and unpaid capitalized interest that is included in the total unpaid principal balance on the date that the claim is filed.

*Eligibility – borrower and student:* The unallocated amount of a Consolidation loan is no longer included in the NSLDS calculation for aggregate outstanding principal balances on the NSLDS. The FAA is no longer required to investigate whether an unallocated amount of a Consolidation loan might impact a student's eligibility for additional Stafford loans. However, if the FAA has conflicting information indicating that the unallocated amount would cause the student to exceed the Stafford aggregate loan limit, the FAA must resolve the conflict and must use the information derived from that resolution to determine the student's remaining Stafford loan eligibility.

*Social Security number documentation/reporting:* Income tax returns, and official military orders, documents, or papers are removed from the list of acceptable documents for making an SSN change. An unexpired U.S. military ID is added as an acceptable document for making an SSN change.

### February 8, 2006

President Bush signs into law the [Deficit Reduction Act of 2005 \(P. L. 109-171\)](#) on February 8, 2006. The portion of the act that amends the HEA is referred to as the Higher Education Reconciliation Act of 2005 (HERA).

*Disbursement rules:* The delayed delivery requirement and the single-term multiple disbursement requirement are waived for a school that has a cohort default rate of less than 10 percent for each of the three most recent fiscal years for which data are available.

*Special allowance:* A loan financed with proceeds of a tax-exempt obligation originally issued prior to October 1, 1993, reverts to the regular special allowance rates paid on other loans if certain actions occur after September 30, 2004. A loan made or purchased on or after February 8, 2006, or a loan that is not subject to the maximum/minimum provisions for special allowance payments as of February 8, 2006, is no longer subject to the maximum/minimum provisions for special allowance payments. However, certain holders of these loans are still subject to the maximum/minimum provisions for special allowance payments until December 31, 2010, if both of the following criteria apply:

- The holder was a unit of the state or local government, or a nonprofit private entity as of February 8, 2006, and remains such an entity during the quarter for which the special allowance is paid.
- The holder held, directly or through any subsidiary, affiliate, or trustee, a total unpaid balance of principal equal to or less than \$100 million on loans for which

the maximum/minimum special allowance payments were paid in the most recent quarterly payment prior to September 30, 2005.

#### April 1, 2006

*Eligibility – lender:* Criteria for a school to participate as a lender have changed. The school must meet eligibility criteria as of February 7, 2006, and make a FFELP loan(s) on or before April 1, 2006.

*Excess interest rebate:* For a loan first disbursed on or after April 1, 2006, the Department will collect excess interest for quarters in which the applicable interest rate on the loan exceeds the special allowance support level. The excess interest rate is the applicable interest rate on any FFELP loan first disbursed on or after April 1, 2006, minus the appropriate special allowance support level. The support level is defined as the average of the bond equivalent rates of quotes of the 3-month commercial paper rates in effect for each of the days in the quarter as reported by the Federal Reserve in Publication H-15 for the 3-month period plus one of the following:

- 2.34% for a Stafford loan in repayment.
- 1.74% for a Stafford loan during the in-school, grace, or deferment period.
- 2.64% for a Consolidation or PLUS loan.

*Special allowance:* For special allowance payments made on or after April 1, 2006, a PLUS loan first disbursed on or after January 1, 2000, for any period prior to April 1, 2006, is eligible for special allowance only if the loan is accruing at the cap and the interest rate calculated prior to applying the cap exceeds the maximum interest rate for the loan.

#### May 11, 2006

*Eligibility – borrower and student:* A victim of human trafficking and certain relatives of such a victim are eligible noncitizens for purposes of determining eligibility for Title IV assistance.

#### June 15, 2006

President Bush signs into law the [Emergency Supplemental Appropriations Act for Defense, the Global War on Terror and Hurricane Recovery \(P. L. 109-234\)](#) on June 15, 2006. A portion of the act amends the HEA.

*Consolidation loans:* The single-holder rule is repealed. A borrower may request consolidation from any participating consolidation lender, regardless of whether the consolidating lender is a holder of any of the borrower's loans.

#### June 22, 2006

*Eligibility – borrower and student:* A school may rely on, in addition to paper documentation, information accessed directly from a loan holder's database, or a third-party's Web-based product that displays a loan holder's real-time data, as documentation that satisfactory repayment arrangements have been made on a defaulted loan; a loan is no longer in default; or eligibility problems created by excessive borrowing have been resolved.

#### July 1, 2006

*Audit:* A school lender must submit an annual compliance audit on its FFELP lending activities, regardless of the size of the school's loan portfolio or annual loan volume.

*Claim payment:* An ineligible borrower claim filed by the lender on a loan first disbursed on or after July 1, 2006, is eligible for payment of 100% of outstanding eligible principal and interest.

*Common forms:* The National Council of Higher Education Loan Programs (NCHELP) Program Operations Committee's Default Aversion and Claims Standardization (DACS) Workgroup revises the Common Claim Form and the chart of data elements has been updated to coordinate with those changes. A lender is now required to enter the total amount of payments made by or on behalf of a borrower after the date the borrower became unable to work and earn money. Various fields that were required only if available are now required. Footnote 3, which states that the information is required only for loans first disbursed on or after September 1, 1998, is removed for the servicer's six-digit servicer ID assigned by the Department. Item descriptions are added or amended to clarify that a validity indicator field must be populated while the address or telephone number fields are required only if available or if the loan(s) were disbursed on or after September 1, 1998.

DACS also revises the common Default Aversion Assistance Request form and the chart of data elements has been updated to coordinate with those changes. The validity of the borrower's address and the validity of the address for each reference were only required if available. The cross-reference to footnote 3 for the servicer's six-digit servicer ID assigned by the Department which states that the information is only required for loans disbursed on or after September 1, 1998, is removed. Validity fields for

addresses and phone numbers must now be completed and the endorser's or comaker's home telephone number must be completed only if it is available for all loans, regardless of the disbursement date.

*Consolidation loans:* A married couple is no longer permitted to consolidate their eligible loans jointly.

*Cost of attendance:* For a student enrolled in a program that requires professional licensure or certification, the school has the option of including the one-time cost of obtaining the first professional credential, as determined by the school. The license or certification must be required by a state or must be commonly accepted as required to practice or be employed in the profession. In addition, the cost must be incurred while the student is enrolled in school and must not include costs associated with preparing the student for a test required for licensure or certification unless the preparation is part of the eligible program.

The COA does not include the costs satisfied by state financial assistance if the state specifies that the funds must be used to pay a specific component of the student's COA, and the state funds were excluded from the student's estimated financial assistance.

*Deferment:* A new military deferment is created. This deferment is for a borrower's loan(s) that are first disbursed on or after July 1, 2001, and is applicable while a borrower is serving on active duty during a war or other military operation, or a national emergency, or while a borrower is performing qualifying National Guard duty during a war or other military operation, or a national emergency.

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

The deferment is available only for periods during which a borrower is performing one of the following services:

- Serving on active duty during a war or other military operation, or a national emergency.
- Performing qualifying National Guard duty during a war or other military operation, or a national emergency.

The new regulations provide definitions specific to the context of the military deferment.

A borrower is not eligible for a refund of any loan payments made prior to the time the deferment is granted.

*Disability discharge (total and permanent):* A lender must review the records of a borrower who applies to the lender for total and permanent disability loan discharge for any new loans made to the borrower on or after the date the borrower became totally and permanently disabled. If the lender's records indicate (or the lender is otherwise aware) that a new loan was made during the 3-year conditional discharge period, the lender must deny the discharge and inform the borrower.

*Disbursements rules:* A lender that disburses loan proceeds through an escrow agent must make funds available to the escrow agent no earlier than 10 days prior to the date of the scheduled disbursement to the school or borrower and must require the escrow agent to disburse loan proceeds no later than 10 days after receiving the proceeds from the lender.

A lender, at the request of a student enrolled in a study-abroad program that is approved for credit by the home institution, must disburse loan funds directly to the student or pursuant to an authorized power of attorney, only after the lender or guarantor verifies the student's enrollment. The lender may make a loan disbursement directly to a student enrolled in a foreign school at the school's request after lender or guarantor verifies the student's enrollment. A student enrolled in a foreign school may not execute a power of attorney for the purpose of endorsing his or her FFELP loan disbursement.

Foreign schools are no longer automatically exempt from the delayed delivery and multiple disbursement requirements but may be exempted based on low cohort default rates. The delayed delivery requirement and the single-term multiple disbursement requirement are waived for schools that have a cohort default rate of less than 10 percent for each of the three most recent fiscal years for which data are available.

A guarantor must verify that a school is certified to participate in the Title IV programs prior to the lender's direct disbursement of loan funds to a student enrolled in a foreign school.

*Disclosure requirements:* A lender no longer needs to disclose to the borrower how the interest rate is calculated. This information is no longer necessary as FFELP loan interest rates are currently fixed.

*Eligibility – borrower and student:* A student who is convicted of the possession or sale of an illegal drug is ineligible for Title IV funds only if the student was

convicted of a state or federal offense that occurred while the student was enrolled in school and receiving Title IV aid.

A student or parent borrower who has been convicted of, or has pleaded guilty or *nolo contendere* to, a crime involving fraud in obtaining Title IV financial assistance is ineligible for additional Title IV funds until the student or parent borrower, as applicable, repays in full the funds that were obtained fraudulently. The student or parent borrower's eligibility under this provision is based on the borrower's certification provided in the Master Promissory Note (MPN). Regardless of any information the student or parent borrower may certify, if the school or lender is aware of information indicating that the student or parent obtained Title IV funds fraudulently, the discrepancy must be resolved before additional Title IV funds may be disbursed or delivered.

For purposes of Title IV aid, a student is considered independent if the student is currently serving on active duty in the U.S. Armed Forces or is a National Guard or Reserves enlistee and is called to active duty for purposes other than training. In this case, active duty does not include a call into active duty for state purposes.

*Eligibility – lender:* A school must have been eligible to be a school lender as of February 7, 2006, and must have made a loan(s) on or before April 1, 2006, to participate as a lender. The following rules apply to schools acting as lenders in the FFELP on or after July 1, 2006:

- The school must not be a home-study school.
- The school may make subsidized and unsubsidized Stafford loans only to its graduate and professional students.
- The school may not make PLUS loans or Consolidation loans.
- The school must offer an origination fee or interest rate, or both, that is less than the statutory maximums for that fee or rate.
- The school must use the proceeds from its interest benefits and special allowance payments from the Department and from interest payments from its borrowers, as well as the proceeds from the sale or other disposition of its loans, for need-based grant programs, except for reimbursement of reasonable, direct administrative expenses. The school must ensure that the proceeds from the FFELP loan portfolio are

used to supplement the non-federal grant funding sources rather than substitute for funds from those other sources.

- The school must not have a cohort default rate that exceeds 10%.
- The school must award any contract for financing, servicing, or administration of its FFELP loans on a competitive basis.
- The school must submit to the Department an annual lender compliance audit for any year in which the school engages in activities as an eligible lender. This requirement applies regardless of the size of the school's loan portfolio or annual loan volume.

The requirement that the school separate its lending function from other school functions and that the school employ at least one person whose responsibilities are limited to the lending function is revised. The requirement is revised to require that the school employ one person whose responsibilities are limited to the administration of financial aid programs for students attending that school.

A school lender may make loans only to students enrolled at that school. The net proceeds that a school lender must use for need-based grants exclude the amount necessary for reimbursement of reasonable and direct administrative expenses, and that definition of administrative expenses does not include the costs associated with securing financing, offering a reduced origination fee, interest rate, or federal default fee to borrowers. The annual lender compliance audit of the school's FFELP portfolio is required for each fiscal year beginning on or after July 1, 2006, regardless of the size of the school's loan portfolio or annual loan volume.

*Estimated financial assistance:* Qualified education benefits, including qualified tuition programs (e.g., 529 prepaid tuition plans and savings plans), prepaid tuition plans offered by a state, and Coverdell education savings accounts are no longer included in a student's EFA.

*False certification loan discharge:* A new loan discharge for false certification—due to a crime of identity theft—is available for borrowers. Until the date that the Department's applicable discharge regulations are effective, a lender may provide administrative forbearance on a borrower's potentially eligible loan(s) if a borrower presents evidence, on or after July 1, 2006, that the lender believes to be reasonably persuasive, showing that the borrower's loan(s) may have been falsely certified due to a crime of identity theft.

*Federal default fee:* The HERA mandates a federal default fee and eliminates statutory provisions that authorize guarantors to charge a guarantee fee. If a lender deducted the federal default fee (or guarantee fee), and/or origination fee from the borrower's loan proceeds, the lender must reduce the fee(s) proportionate to the amount of returned loan funds that a lender receives from a school. A guarantor may not charge a federal default fee (formerly guarantee fee) to a borrower who refinances a fixed-rate PLUS or SLS loan to secure a variable interest rate, nor may the lender deduct the fee from the borrower's loan proceeds.

*Forbearance:* When a portion of a Consolidation loan may be eligible for unpaid refund loan discharge or teacher loan forgiveness a lender must suspend collection activity and grant an administrative forbearance on the entire Consolidation loan while awaiting documentation and during a guarantor's review of a portion of the loan's eligibility for unpaid refund loan discharge or teacher loan forgiveness.

A lender may provide administrative forbearance on a borrower's potentially eligible loan(s) if a borrower presents evidence, on or after July 1, 2006, that the lender believes to be reasonably persuasive, showing that the borrower's loan(s) may have been falsely certified due to a crime of identity theft.

In all cases when a forbearance agreement is required, a lender and the borrower may agree to the terms of forbearance verbally or in writing. A lender that grants a forbearance based on a verbal agreement with the borrower must record the forbearance terms in the borrower's file and send a notice to the borrower confirming the terms of the forbearance agreement.

*Interest rates:* A Stafford loan first disbursed on or after July 1, 2006, has a fixed interest rate of 6.8%. A PLUS loan first disbursed on or after July 1, 2006, has a fixed interest rate of 8.5%.

*Interest subsidy:* If a loan is disbursed through an escrow agent, the lender may bill for interest subsidy no earlier than three days before the date of the first disbursement of the loan. For these purposes disbursement means disbursement to the school or direct disbursement to the borrower.

*Late disbursement/post-withdrawal disbursement:* Prior to delivering a post-withdrawal disbursement of loan funds to the borrower, the school must explain that the borrower is obligated to repay any loan funds that the school delivers and confirm that the borrower still requires the loan funds. The school is also required to document the student's file

regarding the result of the contact and the final determination concerning the post-withdrawal disbursement.

*Loan amount:* For an undergraduate program of study measured in clock hours, the minimum academic year requirement is reduced from 30 instructional weeks to 26 instructional weeks.

A school may use direct assessment instead of credit hours or clock hours as a measure of student learning. The assessment must be consistent with the school's or program's accreditation. The Department must determine whether such a program is an eligible program for Title IV purposes.

The definition of "eligible programs" is expanded as it relates to the use of telecommunications in programs of study. Courses offered by telecommunications are no longer considered to be correspondence courses, and students enrolled in telecommunications courses are no longer considered to be correspondence students. As a result, an otherwise eligible school that offers over 50 percent of its courses by telecommunications, or has 50 percent or more of its regular students enrolled in telecommunications courses, is now eligible to participate in the Title IV programs. A student enrolled in a short-term certificate program of less than one year offered by telecommunications is now eligible for Title IV program assistance. A program of study offered at a foreign school that includes a telecommunications course is ineligible for Title IV program assistance. Telecommunications technologies may be used in the foreign school classroom to supplement and support instruction offered as part of an otherwise eligible program. The 50-percent limitations continue to apply to correspondence courses and the students enrolled in those courses.

*Loan types:* PLUS loans are now available to an eligible graduate or professional student enrolled in an eligible graduate or professional program at a participating school. 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 who wish to borrow on behalf of their dependent undergraduate students and to the school's graduate and professional students. The school is not permitted to exclude either category of borrower from participation in the Federal PLUS Loan Program.

Before applying for a PLUS loan, the graduate or professional student is required to complete a 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. 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.

The PLUS MPN may be used by a graduate or professional student borrower to obtain one or more Grad PLUS loans. 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 Grad PLUS loan borrower.

A school determines a graduate or professional 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.

*Origination fee:* The maximum origination fee that may be charged to a Stafford loan borrower is reduced, and will be eventually eliminated. Beginning July 1, 2006, for a Stafford loan first disbursed on or after July 1, 2006, the maximum origination fee that a lender may charge is 2%.

*Rehabilitation of defaulted loans:* A borrower is eligible to rehabilitate a defaulted loan after making nine full monthly payments that are received by the guarantor or its contracted vendor within 20 days of the due date during a period of 10 consecutive months. Guarantors have the option of considering borrowers to have met the new rehabilitation standard if at least one of the borrower's payments under the rehabilitation agreement is made on or after July 1, 2006.

*Repayment start:* A Stafford loan borrower is no longer allowed to waive all or a portion of his or her grace period in order to enter repayment early.

*Return of Title IV funds:* If there are unearned grant funds that must be repaid as a result of the return of Title IV funds calculation, the student is not required to return a grant overpayment for which the original balance was \$50 or less, on a program-by-program basis. Furthermore, a student who owes a grant overpayment for which the original balance was \$50 or less as a result of a return of Title IV funds calculation remains eligible to receive Title IV program assistance. The Academic Competitiveness Grant, SMART Grant, and Grad PLUS programs are now included in the order in which unearned funds must be returned to Title IV programs.

The number of days that a school has to return Title IV funds for which it is responsible increases from 30 days to 45 days after the date it determines the student has withdrawn.

The funds excluded from the return of Title IV funds calculation have been revised to exclude the following:

- Leveraging Educational Assistance Partnership (LEAP).
- Special Leveraging Educational Assistance Partnership (SLEAP).
- Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP).
- Student Support Services (SSS).

The method for computing the percentage of the payment period or period of enrollment completed for a student who withdraws from a clock-hour program has been simplified. This calculation is based on the hours the student was scheduled to complete as of the withdrawal date.

*Status changes and reporting:* A lender must retain a copy of the document substantiating the date of birth, or first name change or correction. Acceptable source documents for reporting or correcting those changes are as follows:

#### Acceptable Source Documents for Reporting the Correction of a Date of Birth

- Birth certificate
- Current driver's license (if it contains a birth date)
- State ID (if it contains a birth date)
- Passport
- Unexpired U.S. military ID

#### Acceptable Source Documents for Reporting a First Name Change

- Court order
- Marriage certificate
- U.S. Certificate of Naturalization (Form N-550 or – 570)

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

- Social Security card
- Current driver's license
- Birth certificate
- State ID
- U.S. Certificate of Naturalization (Form N-550 or N-570)
- Court order
- Marriage certificate
- W-2 Form
- Passport
- Unexpired U.S. military ID
- U.S. military discharge papers (Form DD214)

- U.S. Certificate of Citizenship (Form N-560 or N-561)
- Alien Registration Card (Form I-551 or I-151)

*Teacher loan forgiveness:* A teacher who is employed in a nonprofit private school and who is exempt from state certification requirements may have such employment qualify for loan forgiveness if the teacher can demonstrate rigorous subject knowledge and skills by taking competency tests in the applicable grade levels and subject areas. The competency tests must be recognized by five or more states for the purpose of fulfilling the highly qualified teacher requirements, and the score achieved by a teacher on each test must equal or exceed the average passing score of those five states. If a nonprofit private school teacher is subject to state certification, the teacher is not required to further demonstrate the knowledge and skills noted in this paragraph or to take additional competency tests.

### August 9, 2006

The Department publishes interim final rules to amend the Federal Student Aid program regulations to implement the changes to the HEA resulting from [P. L. 109-234](#), [P. L. 109-171](#), [P. L. 107-139](#), [P. L. 109-67](#), and [P. L. 109-66](#) in the *Federal Register* dated August 9, 2006.

*Annual loan limits:* A course that uses direct assessment rather than credit hours or clock hours to measure student progress is not an eligible course for purposes of teacher certification or recertification.

### September 8, 2006

*Disbursement rules:* Required verification for a study-abroad or foreign school student must be completed either by telephone or email before each disbursement. The lender or guarantor must confirm that a new student has been admitted and that a continuing student is still enrolled. The applicable party must document these confirmations.

The lender must notify the home institution upon disbursing loan funds directly to a study-abroad student. When the school receives the notification, the school must notify the lender if the student is no longer eligible for the disbursement.

A PLUS loan for a student enrolled in a foreign school may be disbursed by EFT or master check to an account maintained by the school, or by an individual check made copayable to the borrower and the school, and mailed directly to the school.

*Estimated financial assistance:* The list of aid types that must be included in the estimated financial assistance (EFA) is amended by adding types of veterans' educational

benefits, non-need-based fellowships and assistantships, insurance programs for the student's education, and ACG and SMART Grants. Non-need-based employment earnings and aid that is included in the calculation of the student's expected family contribution (EFC) are excluded from the EFA, and that portion of non-federal non-need-based loans used to replace the EFC are excluded from the EFA.

*False certification loan discharge:* An individual may qualify for false certification loan discharge that results from a crime of identity theft if the individual does all of the following:

- Certifies that he or she did not sign the promissory note, or that any other means of identification used to obtain the loan were used without the authorization of the individual.
- Certifies that he or she did not knowingly receive or benefit from the proceeds of the loan that had been made without the individual's authorization.
- Provides to the lender a copy of a local, state, or federal court verdict or judgment that conclusively determines that the individual who is named as the borrower or endorser of the loan was the victim of a crime of identity theft by a perpetrator named in the verdict or judgment.

If the judicial determination of the crime does not expressly state that a FFELP loan(s) was obtained as a result of the crime, the individual must provide all of the following:

- Five different samples of his or her signature, two of which must be no more than one year before or one year after the date of the contested signature, or other means of identification of the individual, as applicable, corresponding to the means of identification used falsely to obtain the loan.
- A statement of facts that demonstrates that eligibility for the student loan in question was falsely certified.

Identity theft is considered the unauthorized use of the identifying information of another individual that is punishable under [18 U.S.C. 1028](#), [1029](#), or [1030](#), or substantially comparable state or local statute. Identifying information includes, but is not limited to:

- Name, SSN, date of birth, official state or government issued driver's license or identification number, alien registration number, government passport number, and employer or taxpayer identification number.

- Unique biometric data, such as fingerprints, voiceprint, retina or iris image, or unique physical representation.
- Unique electronic identification number, address, or routing code.
- Telecommunication of identifying information or access device [as defined in [18 U.S.C. 1029\(e\)](#)].

If a loan was made as a result of the crime of identity theft that was committed by an employee or agent of the lender, or if at the time the loan was made, an employee or agent of the lender knew of the identity theft of the individual named as the borrower or endorser on the loan, the Department does not pay reinsurance, and does not reimburse the holder, for any amount disbursed on the loan. Also, the holder must refund to the Department any amounts received as interest benefits and special allowance payments with respect to the loan and cease future billings.

*Loan amount:* An academic year for a program of study is no longer defined as beginning on the first day of classes or ending on the last day of classes or examinations. For the purposes of an academic year, a week of instructional time is any consecutive 7-day period in which the school provides at least one day of regularly scheduled classes or examination, or, after the last scheduled day of classes for a term of payment period, at least one day of study for final examinations. Instructional time does not include periods of orientation, counseling, vacation, or homework.

A school that provides a program of study offered in whole or in part through telecommunications must be evaluated by an accrediting agency recognized by the Department as having the evaluation of distance education programs within its scope of recognition. Beginning July 1, 2006, the Department provides an 18-month waiver of the distance education evaluation requirement to certain distance education programs that were offered as of July 1, 2006, but for which the Department did not recognize the accrediting agency as having the evaluation of distance education programs within its scope of recognition.

Telecommunications technologies may be used in the foreign school classroom to supplement and support instruction offered as part of an otherwise eligible program, as long as the student and instructor are physically present in the classroom.

*Notification – student and borrower:* In order to credit a post-withdrawal disbursement of loan funds to outstanding school charges or to deliver a credit balance of funds directly to the student, or borrower in the case of a parent PLUS loan, the school must provide a written notice to the borrower within 30 days of determining that the student has

withdrawn. In this notice, the school must request confirmation of the borrower's consent for the credit of a post-withdrawal disbursement of loan funds to the student's account, or for the direct delivery of loan funds to the student or parent, in the case of a parent PLUS loan. The school must explain that a borrower who does not confirm that a post-withdrawal disbursement of loan funds may be credited to outstanding school charges may not receive the direct delivery of any of those loan funds unless the school concurs. The school must explain that the student, or parent in the case of a parent PLUS loan, may accept or decline some or all of the funds. The school also must explain the obligation of the borrower to repay any loan funds he or she chooses to have delivered.

The notice must inform the loan recipient of the deadline to respond and that the school will not deliver the funds if the school does not receive a timely response to the notice, unless the school opts to deliver a post-withdrawal disbursement based on a late response. The deadline may be set by school policy, but may not be less than 14 days after the date the school sent the notification. The deadline must be the same for funds to be applied to outstanding school charges and for funds to be directly delivered to the borrower.

If the school receives no response to the post-withdrawal disbursement notice, the school may not deliver any of those funds. If the school receives a timely response to the post-withdrawal disbursement notice, the school must deliver the funds in the manner specified by the student, or parent in the case of a parent PLUS loan. If the school receives a late response to the notice, the school may deliver the disbursement, provided that the school delivers all of the funds accepted, or the school may decline to deliver any funds. A post-withdrawal disbursement may not be delivered later than 120 days after the date of the school's determination that the student withdrew, unless an exception is granted by the Department. If the school decides not to deliver a post-withdrawal disbursement due to the untimely response of the borrower, the school must provide written notification to the borrower of the denial of the post-withdrawal disbursement.

The school must document in the student's file the result of any notification made of the student's right to cancel or accept all or a portion of the funds, and the final determination made concerning the post-withdrawal disbursement.

*Rehabilitation of defaulted loans:* A borrower may not include in a rehabilitation agreement a loan on which the borrower has been convicted of, or has pled *nolo contendere* or guilty to, a crime involving fraud in obtaining Title IV funds.

*Teacher loan forgiveness:* An elementary or secondary school operated by the Bureau of Indian Affairs (BIA) or operated on an Indian reservation by an Indian tribal group under contract with the BIA is also considered a qualifying school for the purposes of this program. Lenders may implement this provision on or after July 3, 2006.

### September 30, 2006

President Bush signs into law the [Third Higher Education Extension Act \(THEEA\) of 2006 \(P. L. 109-292\)](#) on [September 30, 2006](#). The THEEA extends the HEA through June 30, 2007. Unlike previous extensions, THEEA contains provisions that amend the HEA.

*Eligibility – lender:* An eligible lender may not enter into a new relationship to make or hold a FFELP loan as a trustee for a school or for an organization affiliated with a school. If an Eligible Lender Trustee (ELT) relationship was established prior to September 30, 2006, it may continue, and be renewed, as long as the relationship remains in effect after September 30, 2006, and the ELT held at least one loan on behalf of the school as of that date.

### November 1, 2006

The Department publishes final rules that amend the Federal Student Aid program regulations to implement [P. L. 109-171](#), [P. L. 108-409](#), [P. L. 107-139](#), [P. L. 109-66](#), [P. L. 109-67](#), and [P. L. 109-234](#) in the *Federal Register* dated [November 1, 2006](#).

### December 1, 2006

*Consolidation loans:* A Federal or a Direct Consolidation loan borrower loses eligibility for a subsequent Consolidation loan unless he or she has eligible loans made before or after the date the Consolidation loan was made. A pre-existing Consolidation loan qualifies as an eligible loan made before or after the consolidation loan. This provision may have been implemented earlier by the guarantor.

A borrower may not consolidate a loan(s) for which he or she is wholly or partially ineligible due solely to the borrower's error but may consolidate any eligible loan(s) that he or she may have. A lender may implement this provision no earlier than July 1, 2000.

A borrower may consolidate a single Consolidation loan into a Direct Consolidation loan if the single Consolidation loan is held by the guarantor as a result of a bankruptcy claim and the borrower is seeking an income-contingent repayment schedule.

*Disbursement rules:* For a loan disbursed directly to a student enrolled in a study-abroad program or at a foreign school, the lender or guarantor may verify the student's enrollment via telephone, e-mail, or facsimile and must confirm that the student is enrolled at least half time. For a student enrolled in a study-abroad program, the enrollment verification must be provided by the home institution. For a student enrolled at a foreign school, the enrollment verification must be provided by an official authorized by the foreign school to act on the school's behalf in administering the FFELP. A lender may make a direct disbursement to a student attending a foreign school only upon the request of the authorized official.

*Loan certification:* If a school participates in both the FFELP and the Direct Loan Program, the school must determine the student's maximum Stafford loan eligibility under the program in which the school is participating for Stafford loan purposes. A school may certify loans of different types (Stafford, PLUS) under separate programs for the same period of enrollment for the same student. A school is prohibited from certifying a loan of the same type under each program for the same student for the same period.

### December 28, 2006

The Department publishes interim final rules to implement changes to the HEA resulting from the enactment of [P. L. 109-292](#) in the *Federal Register* dated [December 28, 2006](#).

## 2007

### January 1, 2007

*Eligibility – lender:* Effective January 1, 2007, a school involved in an eligible lender trustee (ELT) relationship must meet the eligibility requirements applicable to a school acting as a lender, with the exception of the requirement to award servicing contracts on a competitive basis.

### March 2007

The Department issues *Dear Colleague Letter* [FP-07-03](#) announcing the approval of the revised Federal Consolidation Loan Application and Promissory Note, and related documents, for use in the FFELP.

The Department issues *Dear Colleague Letter* [FP-07-02](#) announcing a revised promissory note addendum and Plain Language Disclosure that explain changes made to Federal Stafford annual loan limits by the [Higher Education Reconciliation Act of 2005](#).

**April 2, 2007**

The Department issues *Dear Colleague Letter* [FP-07-03](#) announcing the approval of a corrected Federal Consolidation Loan Application and Promissory Note, and related documents.

**May 22, 2007**

*Consolidation loans:* The Department provides guidance in [DCL GEN-07-03/FP-07-07](#) to clarify the circumstances under which a loan holder may decline to complete a Consolidation Loan Verification Certificate (LVC). The list of extenuating circumstances has been expanded and Manual text is expanded to note the cases in which the loan holder must notify the Federal Student Aid Financial Partners staff of its decision not to complete an LVC.

**June 11, 2007**

The Department issues *Dear Colleague Letter* [GEN-07-04/FP-07-08](#) announcing the approval of the Military Deferment Request form for use in the FFELP.

**July 1, 2007**

*Annual loan limit:* For Stafford loans first disbursed on or after July 1, 2007, 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 \$6,625, of which no more than \$2,625 may consist of subsidized Stafford loan funds.

For Stafford loans first disbursed on or after July 1, 2007 changes to the annual loan limits are as follows:

- The first-year undergraduate base Stafford annual loan limit has been increased from \$2,625 to \$3,500.
- The second-year undergraduate base Stafford annual loan limit has been increased from \$3,500 to \$4,500.
- The additional unsubsidized Stafford annual loan limit for a 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 has been increased from \$5,000 to \$7,000.

- The additional unsubsidized Stafford annual loan limit for a 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 has been increased from \$5,000 to \$7,000.
- The additional unsubsidized Stafford annual loan limit for a graduate or professional student has been increased from \$10,000 to \$12,000.

*Claim filing requirements:* The lender of a Consolidation loan must submit to the guarantor of the Consolidation loan a request for 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, 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.

*Forbearance:* A lender may grant an administrative forbearance on a loan during a time when a nondisabled comaker is solely responsible for the repayment of the loan. The administrative forbearance may be applied in conjunction with a period of authorized deferment to satisfy a period of delinquency that remains outstanding after the application of an authorized deferment.

*Disability discharge (total and permanent):* The Department issues guidance regarding various aspects of loan servicing for comade Consolidation and PLUS loans, and for PLUS loans with an endorser when one of the comakers or the endorser asserts that he or she is totally and permanently disabled.

These provisions specify when a comaker or endorser may be eligible for total and permanent disability (TPD) discharge of a portion of the loan or of his or her obligation to repay the loan; when the lender retains the loan rather than assigning it to the Department as part of the discharge claim process; how the lender should service the loan until a discharge eligibility determination is final; and how the loan balance may be effected by the disabled comaker's or endorser's final discharge.

If a comaker of a joint Consolidation loan or PLUS loan applies for a TPD loan discharge, the lender must continue servicing the loan for the non-disabled comaker. The lender must protect the status of the loan during the conditional discharge period so that the loan does not become delinquent or more delinquent. The lender may apply an administrative forbearance on the entire loan if the non-disabled comaker is not eligible for or does not choose another repayment option, deferment, discretionary forbearance, or reduced-payment forbearance. The non-disabled comaker may qualify for a deferment on the loan for the period during which the disabled comaker is in a conditional discharge status. The deferment may begin no earlier than the date that the lender receives the disabled comaker's loan discharge application and ends on the date of the disabled comaker's final discharge determination, or the date that the non-disabled comaker would become otherwise ineligible for additional deferment.

The lender must report the correct status of the non-dischargeable portion in a timely manner so that the guarantor can ensure accurate NSLDS reporting. If the discharge is denied, the lender and guarantor may continue reporting the full balance under the borrower currently being reported. If a final discharge is granted, the lender continues to report the non-discharged portion of the Consolidation loan under the non-disabled comaker's name and Social Security number.

#### August 15, 2007

*Loan certification:* A school may not have a general policy that limits the number of times a student may have a full Stafford annual loan limit at any grade level.

#### September 7, 2007

The Department issues *Dear Colleague Letter* [GEN-07-05](#) announcing guidance regarding a school release of student information.

#### September 24, 2007

The Department issues *Dear Colleague Letter* [FP-07-09](#) announcing additional guidance for guarantors evaluating applications for FFELP false certification loan discharges based upon a borrower's claim that a school did not properly determine the borrower's ability-to-benefit.

#### September 27, 2007

President Bush signs into law the [College Cost Reduction and Access Act \(P.L.110-84\)](#) (CCRAA) on September 27, 2007. The CCRAA reduces payments to lenders and guarantors participating in the FFELP, lowers the interest

rates on certain Stafford loans, expands loan repayment options for borrowers, and directs the Department to undertake a pilot program for auctioning the rights to originate FFELP parent PLUS loans.

#### September 30, 2007

President Bush signs [P.L.110-93](#) on September 30, 2007, to make permanent the Department's authority to issue waivers and modifications of statutory and regulatory provisions under the [Higher Education Relief Opportunities for Students Act of 2003](#). The waivers and modifications will remain in effect until September 30, 2012, unless the Department issues a notice terminating or changing those actions before that date.

#### October 1, 2007

*Deferment:* The military active duty student deferment is available for a period of up to 13 months following the completion of active duty military service to a borrower who is a member of the National Guard or Armed Forces Reserve (including a member in retired status), and is called or ordered to active duty service while enrolled on at least a half-time basis in an eligible school at the time of, or within 6 months prior to, his or her activation.

The current military service deferment has been revised to eliminate the limitations originally placed on this deferment. It is no longer a loan-based deferment; it is, instead, a borrower-based deferment. In addition, the 3-year limitation has been removed. It is now available to a borrower who has an outstanding balance on any FFELP loan that was in repayment on October 1, 2007, for all periods of active duty service that include that date or begin on or after that date. A military service deferment may be granted to a borrower whose deferment eligibility expired due to the prior 3-year limitation, if that borrower was still serving on eligible active duty on or after October 1, 2007. The deferment may be applied to the borrower's eligible loan(s) retroactively from the date the prior deferment expired until the end of the borrower's active duty service.

The military service deferment period for a borrower whose qualifying service includes October 1, 2007, or begins on or after that date, is extended for 180 days after the date the borrower is demobilized from active duty service. The additional 180-day deferment is available to a borrower each time the borrower is demobilized from qualifying active duty service. A lender may grant expanded deferment benefits without receiving a new deferment request from the borrower or borrower's representative. If a deferment is granted in this manner, the lender must notify the borrower of the additional benefits and provide the borrower the opportunity to decline the deferment.

If a borrower is eligible for both a military service deferment and a military active duty student deferment, the 180-day extended military service deferment and the 13-month active duty student deferment periods will apply concurrently.

One of the eligibility criteria for the economic hardship deferment is revised to state that a qualifying borrower's monthly income may not exceed an amount equal to 150% of the poverty line applicable to the borrower's family size.

*Exceptional performance:* The exceptional performer designation is eliminated on October 1, 2007, per statutory changes from the [College Cost Reduction and Access Act \(P.L. 110-84\)](#). Eligible default claims filed on or after October 1, 2007, are paid at the insurance rate applicable to each loan.

*Lender fee:* 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.

*Special allowance:* For loans first disbursed on or after October 1, 2007, the special allowance factors used to calculate special allowance payments are based on whether or not the lender qualifies as an eligible not-for-profit holder. As prescribed in the [College Cost Reduction and Access Act \(CCRAA\)](#), an eligible not-for-profit holder is entitled to a higher special allowance payment. The CCRAA provides a new definition for Eligible Not-for-Profit Holder, as it relates to special allowance payments on loans first disbursed on or after October 1, 2007.

### October 29, 2007

*Spouses and Parents of September 11, 2001, Victims Loan Discharge:* Loan discharge provisions are available to the spouses and parents of September 11, 2001, victims per the [Third Higher Education Extension Act of 2006 \(P. L. 109-292\)](#).

### November 1, 2007

*Eligibility – lender:* For a school or school-affiliated organization that makes or originates loans through an eligible lender trustee (ELT), the requirement for a school-affiliated organization to limit lending to Stafford loans for graduate and professional students, and only at one school, has been deleted. The requirement to include ELT loans in an annual compliance audit has been deleted for both the school and the school-affiliated organization involved in an ELT relationship.

### November 9, 2007

The Department issues *Dear Colleague Letter* [GEN-07-08](#) announcing the approval of the Loan Discharge Application: Spouses and Parents of September 11, 2001 Victims.

### December 21, 2007

President Bush signs into law [P.L. 110-153](#) to make technical changes to the [College Cost Reduction and Access Act \(P.L. 110-84\)](#).

## H.2 History of Excess Interest Rebates and Variable Interest Rate Conversions

In 1986, Congress authorized a new [interest](#) rate for Stafford loan [borrowers](#), creating a loan that accrues interest at a maximum of 8% for the [in-school](#) and [grace periods](#), and for the first 48 months of repayment. On the first day of the 49th month of repayment, the loan converts to a maximum interest rate of 10% and continues the 10% accrual until the loan is paid in full.

Congress anticipated that there would be periods over the long life of the Stafford loans where the 10% rate might exceed substantially the market interest rates. With a goal of protecting student borrowers from paying excessively high interest rates, Congress created a process that would require [lenders](#) to “rebate” to the borrower any “excess” interest earnings on the loan after 48 months of repayment, if that interest exceeds the [T-bill](#) rate plus 3.25%.

Following is a brief chronology of [excess interest rebates](#) (also called windfall profit rebates) and the process of [variable interest rate conversion](#) into which it evolved.

### 1986

#### October 17, 1986

The [Higher Education Amendments of 1986](#) create the 8%/10% interest rate for loans and a requirement to refund interest to the borrower if the [applicable interest rate](#) on such loans exceeds the T-bill rate plus 3.25%.

Rebates are:

- Applicable only when the interest rate on the loan is 10%. Rebates are to be calculated and applied even if the lender is accruing interest at an actual interest rate of less than 10%.

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 Waivers<sup>1</sup>

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. The Department further extended the waivers to September 30, 2012, in a *Federal Register* notice published [December 26, 2007](#), unless the Department terminates or otherwise changes the provisions prior to that date.<sup>2</sup>

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.

<sup>1</sup> Policy 974 (Batch 142), approved September 20, 2007

<sup>2</sup> Policy 1036 (Batch 149), approved April 17, 2008