

Summary of Changes Approved September through March 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 March 20, 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	#
Chapter 2: About the FFELP			
2.3.C Common Forms	Deletes reference to the Ad Hoc Standardization Committee, adds that NCHelp developed and updates the common default aversion and claim forms, and updates the listing of common forms.	September 20, 2007	967/142
Chapter 3: Lender Participation			
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
3.5.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.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
Chapter 4: School Participation			
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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
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
Chapter 5: Borrower Eligibility			
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
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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 6: School Certification			
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 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
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	States that a dependent student who is taking preparatory coursework necessary for enrollment in an undergraduate program is eligible to borrow the base Stafford annual loan limit of \$2,625. An independent student, or a dependent student whose parent is not eligible for a PLUS loan, who is taking preparatory coursework necessary for enrollment in an undergraduate program is eligible to borrow a combined subsidized and unsubsidized Stafford annual loan limit of up to \$6,625, of which no more than \$2,625 may consist of subsidized Stafford loan funds. Updates Figure 6-4 to include the additional unsubsidized Stafford annual loan limit for an independent student, or a dependent student whose parent is not eligible for a PLUS loan, who is enrolled in preparatory coursework necessary for enrollment in an undergraduate program.	Loans first disbursed on or after July 1, 2007.	964/142

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students	States that a health profession student must be enrolled at least half time to be eligible for increased unsubsidized Stafford loan limits.	Loan periods beginning on or after May 1, 1999.	965/142
6.11.F Prorated Loan Limits	States that loan proration is not required for a student completing coursework necessary for a professional credential or certification from a state if that credential or certification is required for employment as a teacher in an elementary or secondary school in that state.	Retroactive to the implementation of the <i>Common Manual</i> .	977/143
6.15 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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.15.E Refusing to Certify a Loan or Reducing Borrower Eligibility	Clarifies that a school may not establish any one of the following general policies:	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.	1017/148
	<ul style="list-style-type: none"> 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. 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. 	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.	
	<ul style="list-style-type: none"> Certifying a Stafford loan only for the amount needed to cover school charges. Limiting unsubsidized Stafford borrowing by independent students. 	Publication date of the 03-04 FSA Handbook for the prohibition against a general policy that: <ul style="list-style-type: none"> Limits borrowing to the amount needed to cover school charges. Limits unsubsidized Stafford borrowing by independent students. 	
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
Chapter 7: Loan Origination			
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
Chapter 8: Loan Delivery			
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 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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
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	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
Figure 8-6 Delivery or Return of Loan Funds	Adds a footnote clarifying that the required authorization for the school to deliver loan funds received by EFT or master check is included on the MPN. However, if the MPN is signed by a third party with power of attorney for the borrower, the school must obtain a separate authorization from the borrower, except in the case of a study-abroad student.	Retroactive to the implementation of the Federal Stafford Loan Master Promissory Note.	971/142
Chapter 9: School Reporting Responsibilities and the Return of Title IV Funds			
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
9.5.A Return Amounts for Title IV Grant and Loan Programs	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
Chapter 10: Loan Servicing			
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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
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
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
Chapter 11: Deferment and Forbearance			
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
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
11.3.A Eligibility Criteria—Armed Forces 11.3.C Length of Deferment—Armed Forces	Moves text concerning Operations Desert Shield/Desert Storm to the history appendix.	September 20, 2007	974/142
11.4.A Eligibility Criteria—Economic Hardship	States that a borrower who is receiving a payment or benefit under a federal or state public assistance program, such as Aid to Families with Dependent Children, Supplemental Security Income, Food Stamps, or state general public assistance is eligible to receive an economic hardship deferment.	Economic hardship deferments granted by the lender on or after January 1, 2008, unless implemented earlier by the lender.	944/143

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
11.8.B Deferment Documentation— Military	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
11.19.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
Chapter 12: Due Diligence in Collecting Loans			
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
Chapter 13: Claim Filing, Discharge, and Forgiveness			
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
13.2 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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
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.F 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
Chapter 14: Violations, Penalties, and Cures			
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
Chapter 15: Federal Consolidation Loans			
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	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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
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
Appendix F: FFELP Community Initiatives			
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
Appendix G: Glossary			
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
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
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
Appendix H: History of the FFELP and the <i>Common Manual</i>			
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

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\(b\)\(1\)\]](#)

- ~~An “organization affiliated with the s~~School-affiliated organization” is defined as any organization that is directly or indirectly connected to the school, including, but not limited to, an alumni association, athletics organization, or social, academic, or professional organizations. 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\(b\)\(2\)\]¹](#)

- 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 1016 (Batch 148), approved March 20, 2008

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]¹

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, 2006, to December 20, 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, 2007, through the end of 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, 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.

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]

¹ Policy 1018 (Batch 148), approved March 20, 2008

The borrower, school, and lender are encouraged to work with the guarantor to provide information about the borrower's unpaid principal balance, if documentation is necessary prior to approving the borrower's loan.

Undergraduate Students

The Stafford annual and aggregate loan limits for undergraduate students are detailed in [Figure 6-4](#).

If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire Stafford annual and aggregate undergraduate loan limits in unsubsidized Stafford loan funds.

Exception: Increased annual and aggregate unsubsidized Stafford loan limits are authorized for some students in 5-year Bachelor of Pharmacology Programs (see [subsection 6.11.D](#)).

In determining the appropriate Stafford annual loan limit for an [undergraduate student](#), including a transfer student or a student who has completed a program of study at the same school or a different school, [schools](#) and [lenders](#) must adhere to the following additional parameters:

- A student who is enrolled in a program that is more than one academic year in length and has not successfully completed the first year of that program is eligible for Stafford loan funds not to exceed the annual loan limits applicable to first-year undergraduate students, regardless of the actual length of time it takes the student to complete the first academic year of the program.
[§682.204(a)(1), (a)(9)(i), (d)(1) and (8)(i)]
- A student who is enrolled in an undergraduate program that is one academic year or less in length is eligible for Stafford loan funds not to exceed the annual loan limits applicable to first-year undergraduate students, regardless of the actual length of time it takes the student to complete the program.
[§682.204(a)(1), (a)(8), (d)(1) and (7)]
- A student who is enrolled in an undergraduate program that is more than one academic year in length and has successfully completed the first year in that program but has not successfully completed the second year of the program is eligible for Stafford loan funds not to exceed the annual loan limits applicable to second-year undergraduate students, regardless of the actual length of time it takes the student to complete the second academic year of the program.
[§682.204(a)(2), (a)(9)(ii), (d)(2) and (8)(ii)]

- A student who has an associate degree or bachelor's degree that is required for admission into a program and who is not a graduate or professional student is eligible for Stafford loan funds not to exceed the annual loan limits applicable to third-, fourth-, and fifth-year undergraduate students. In this case, in order to determine the student's [grade level](#) and the applicable annual loan limit, the school may consider the number of years the student completed in the required degree program.
[§682.204(a)(3), (a)(4), and (d)(4)]

- In a standard term-based program, a student who experiences a grade level change within the academic year becomes eligible for the Stafford annual loan limits that are applicable to the new grade level, minus any loan funds already received for that academic year. In a nonstandard term-based or non-term-based credit-hour program, or clock-hour program, the school may not certify the higher loan limit associated with the next grade level until the student completes both the minimum number of weeks and the minimum number of credit or clock hours in the program's defined academic year.

- A student who transfers from one program of study to another at the same school or a different school within an academic year is eligible for Stafford loan funds not to exceed the annual loan limits applicable to the student's grade level in the student's new program of study (even if that student is at a lower grade level in the new program or has previously obtained an undergraduate degree in a different program), as determined by the school, minus any outstanding loan funds received in the prior program for the prior-current academic year. ~~For a student who transfers to a standard term-based credit hour program, the student's Stafford loan eligibility for a subsequent term(s) that begins within the initial academic year of the new program, but after the end of the final academic year in 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 in that academic year in the new program. See section 6.1 for detailed information about defining an academic year and calculating Stafford annual loan amounts for a student who transfers. See section 6.10 for information about determining a student's grade level.~~ [2006-2007 *Federal Student Aid Handbook*, Volume 3, Chapter 4, pp. 3-75 to 3-77]¹

¹ Policy 1018 (Batch 148), approved March 20, 2008

Exception: 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. See Section 6.1 for detailed information about defining an academic year and calculating Stafford annual loan limits for a student who transfers.

[\[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88\]](#)

- A student who transfers to a standard term-based credit-hour program at the same school or a different school within an academic year and receives the remaining annual loan limit from the initial academic year for attendance in the new program is eligible to receive an additional Stafford loan in a subsequent term(s) that begins within the initial academic year of the new program, but after the end of the academic year in the prior program. In this case, the student is eligible to receive the annual loan limit applicable to the student's grade level minus the outstanding loan amount the student has already received in that academic year in the new program. See Section 6.1 for detailed information about defining an academic year and calculating Stafford annual loan amounts for a student who transfers. See Section 6.10 for information about determining a student's grade level.

[\[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88\]](#)¹

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

- A dependent student who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in

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

[\[§682.204\(a\)\(6\)\(i\) and \(d\)\(6\)\(i\); 07-08 FSA Handbook, Volume 3, Chapter 4, p. 3-91\]](#)²

- A dependent student who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in a graduate or professional program is eligible to borrow the base Stafford annual loan limit of \$5,500. An independent student, or a dependent student whose parent is not eligible for a PLUS loan, is eligible to borrow a combined subsidized and unsubsidized Stafford annual loan limit of up to \$12,500. Of the total amount borrowed for the year, no more than \$5,500 may consist of subsidized Stafford loan funds (see figure 6-4). Preparatory coursework required for admission into a graduate or professional program may be taken at a school that is not generally permitted to certify loans at the fifth-year undergraduate loan level. A student is eligible for loans for one period of 12 consecutive months beginning on the first day of the loan period for which the student is enrolled. The loan limits for this category of student are not prorated. [\[§682.204\(a\)\(6\)\(ii\) and \(d\)\(6\)\(ii\); DCL GEN-98-2\]](#)

A school may not link separate, stand-alone programs of study to allow a student to qualify for higher annual loan limits than the student would otherwise be eligible to receive based on the length of the program.

[\[§682.204\(a\) through \(d\); DCL GEN-98-2; 2006-2007 Federal Student Aid Handbook, Volume 3, Chapter 4, p. 3-78\]](#)

¹ Policy 1018 (Batch 148), approved March 20, 2008

² Policy 964 (Batch 142), approved September 20, 2007

6.15.E Refusing to Certify a Loan or Reducing Borrower Eligibility

A school may refuse to certify a loan or may reduce the borrower's eligibility for a loan (on a borrower-by-borrower basis) if it provides the reason for its action to the borrower in writing and retains **documentation** of the reason in the student's file. Reasons for refusing to certify a loan or reducing the borrower's eligibility for the loan might include:

- The school determines that the student's expenses to be covered by the loan (**cost of attendance**) can be met more appropriately by the school or directly by the student and/or borrower from other sources.
- The borrower indicates an unwillingness to repay the loan.

A school may not refuse to certify a loan if that refusal is based on policies that result in a pattern or practice of denying access to FFELP loans because of borrower race, sex, religion, national origin, age, income, or selection of a particular **lender** or **guarantor**. Practices at the school also may not discriminate against student borrowers who are physically, emotionally, or intellectually challenged—provided the student exhibits an appropriate ability to benefit. The school also may not refuse to certify a loan solely because it is aware that the student or borrower has filed a **bankruptcy** petition.

[§682.603(e); DCL GEN-95-40, Q&A #1]

A school may not establish any one of the following general policies:

- Limiting the number of times a student who is making satisfactory academic progress may borrow up to the maximum Stafford annual loan limit at any one grade level.
[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-85]
- 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.
[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-92]
- Certifying a Stafford loan only for the amount needed to cover school charges.
[07-08 FSA Handbook, Volume 4, Chapter 1, p. 4-15]

- Limiting unsubsidized Stafford borrowing by independent students.
[07-08 FSA Handbook, Volume 4, Chapter 1, p. 4-15]¹

6.16 Applying for Federal Stafford and PLUS Loans

There are some important distinctions between the processes for obtaining Stafford and PLUS loans.

Federal Stafford Loans

The student borrower applies for a Stafford loan by submitting a completed **Free Application for Federal Student Aid (FAFSA)** and obtains one or more Stafford loans by signing a Federal Stafford Loan Master Promissory Note (Stafford MPN). A school may not require the student to complete any additional paper or electronic forms to obtain a Stafford loan but the school may require additional paper or electronic forms for other reasons (e.g., to apply for institutional aid or as part of its entrance counseling procedures).

The borrower must sign a Stafford MPN before loan funds can be disbursed by the lender and delivered by the school. The Stafford loan borrower may obtain a Stafford MPN from the school, the lender, or the guarantor, depending on the school's and lender's origination process. After completing the Stafford MPN, the borrower submits the MPN to the school, the lender, or the guarantor, depending on the process established by the school.

[DCL GEN-02-07]

The financial aid administrator (FAA) determines the borrower's eligibility for a Stafford loan based on school records, information provided by the borrower on the FAFSA, and other information the FAA receives or accesses from other sources such as the National Student Loan Data System (NSLDS) and the Institutional Student Information Record (ISIR). If the FAA determines that the student is eligible for a Stafford loan, the school certifies eligibility for the loan. (See **section 6.15** for information regarding loan certification.) The school submits the certification information to the guarantor, or the lender selected by the borrower, depending on the loan processing options established at the school.

¹ Policy 1017 (Batch 148), approved March 20, 2008

Federal PLUS Loans

A parent or graduate or professional student borrower applies for a PLUS loan by completing a Federal PLUS Loan Application and Master Promissory Note (PLUS MPN).

Information Applicable to Parent PLUS Loan Borrowers

The PLUS MPN may be used by a parent borrower 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. The school may require a family seeking only a [parent PLUS loan](#) to submit a completed FAFSA, or it may establish the parent borrower's eligibility for a PLUS loan via some alternate process.

The parent borrower completes the required sections of the PLUS MPN and submits it to the school, the lender, or the guarantor, depending on the process established by the school. The FAA certifies the parent's and student's eligibility for the loan according to federal regulations, guarantor policies, and the school's published standards.

Information Applicable to Graduate and Professional Student PLUS Loan Borrowers

Before applying for a [Grad PLUS loan](#), a student is required to submit a completed 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 PLUS loans.

[DCL GEN-06-02/FP-06-01]

The graduate or professional student borrower completes both the student and parent sections of the PLUS MPN with information about the student and submits it to the school, the lender, or the guarantor, depending on the process established by the school. The FAA certifies the student's eligibility for the loan according to federal regulations, guarantor policies, and the school's published standards.

[DCL FP-06-05]

Information Applicable to all PLUS Loan Borrowers

Before each PLUS loan is disbursed, the borrower must indicate the amount he or she wishes to borrow (the requested loan amount). This amount may be obtained by the school, the lender, or the guarantor, depending on the process agreed to by the parties. If the lender determines

that the borrower has an adverse credit history and an endorser is used, a separate Endorser Addendum is required for each PLUS loan. ~~In any case in which an endorser is required, a new PLUS MPN is required for each loan regardless of whether an endorser is required for the subsequent loan.~~ 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. 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.

EXAMPLE: Based on adverse credit, a PLUS loan applicant is denied a loan for the academic year. The loan applicant obtains an endorser and the PLUS application is approved based on the endorser's lack of adverse credit. The PLUS loan borrower then requests an increase in the loan amount for the same academic year. Since a PLUS MPN with an Endorser Addendum is a "single-loan" promissory note, the PLUS loan borrower must sign a new MPN and obtain an endorser without adverse credit for the additional loan funds or for any subsequent PLUS loan requested during a period in which the PLUS loan borrower has adverse credit.¹

[DCL GEN-03-03; DCL FP-06-05]

Processes Applicable to Both the Stafford and PLUS MPN

The MPN provides the borrower with instructions for completing the form, important information regarding the borrower's rights and responsibilities, and an overview of the loan process. By signing the MPN, the borrower certifies that he or she has read the information on the note, understands the terms and conditions of the loan, and promises to repay the loan.

Both the Stafford and the PLUS MPN have a multi-year feature that permits a borrower to sign one [promissory note](#) for multiple loans. All schools located in the United States, unless notified otherwise by the Department, are authorized to offer borrowers the multi-year feature of the MPN. Schools located outside of the United States, unless specifically authorized by the Department to offer the multi-year feature, must use a separate MPN for each new academic year.

[DCL GEN-03-03]

The Department will provide program participants with information regarding changes to a school's eligibility for the multi-year feature of the MPN. Lenders may rely upon

¹ Policy 1021 (Batch 148), approved March 20, 2008

- 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\(b\)\(1\)\(i\)](#)]¹

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).²

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 \(4\)](#)]

8.3.A Authorization Modifications and Cancellations

If the student or parent borrower requests that an authorization be modified, the modification becomes effective on the date the school receives the request. [[§668.165\(b\)\(4\)\(i\)](#)]

If the student or parent borrower requests [cancellation](#) of his or her authorization to use [loan proceeds](#) to pay authorized charges, the school may use those proceeds to pay only those charges incurred by the student prior to the date the school received the cancellation. [[§668.165\(b\)\(4\)\(ii\)](#)]

If a student or [parent borrower](#) cancels the authorization for the school to hold a credit balance, the school must pay those proceeds directly to the student or parent borrower as soon as possible, but no later than 14 days after the date the school receives the [cancellation](#). [[§668.165\(b\)\(4\)\(iii\)](#)]

For more information on when a borrower must provide written authorization to the school, see [Figure 8-1](#).

8.3.B Authorization for Release of EFT/Master Check Disbursements

For loans made using a [Master Promissory Note \(MPN\)](#), the school is not required to obtain a separate borrower authorization statement to permit the transfer of loan proceeds received by [EFT](#) or [master check](#) to the student's account because the authorization is included on the MPN. [[DCL GEN-98-25](#); [DCL GEN-99-9](#); [DCL GEN-03-03](#)]

¹ Policy 1015 (Batch 148), approved March 20, 2008

² 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 ¹
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 ³	No
Credit student's account for other educationally related costs (current year only) [§668.164(d)(2)(i)]	Yes ^{2,3}	Yes ²
Deliver loan proceeds to borrower's personal bank account [§668.165(b)(1)(i)]	No	Yes ²
Hold credit balance on behalf of the student or parent borrower for budgetary purposes [§668.165(b)(1)(iii)]	No	Yes ²
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 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 the date the school credits the student's account with loan proceeds. 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.

- 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 (see [sections 8.7](#) and [8.8](#) for additional information).
 - 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. [\[DCL GEN-05-16\]](#)
- Dispensing cash for which a school obtains a signed receipt from the student or parent borrower. [\[§668.164\(c\)\(4\)\]](#)
- To help prevent fraud, the school is encouraged to verify the student’s identity by requiring at least one form of identification with a photograph before delivering the loan proceeds directly to the student.
- A school may credit a student’s account with ~~FFELP loan proceeds~~ Title IV funds to satisfy the following ~~current-year~~ charges without obtaining the student’s or parent borrower’s authorization:
- Current-year or minor, prior-year charges for tTuition and fees. [\[§668.164\(d\)\(1\)\(i\); §668.164\(d\)\(2\)\(i\)\]](#)
 - Current-year or minor, prior-year charges for rRoom and/or board, if the student contracts with the school for room and/or board. [\[§668.164\(d\)\(1\)\(ii\) and \(iii\); §668.164\(d\)\(2\)\(i\)\]](#)
- After obtaining written the student’s authorization from the student, or the parent’s parent borrower authorization in the case of a **parent PLUS loan**, a school may credit a student’s account with ~~FFELP loan proceeds~~ Title IV funds to pay the following charges:
- Additional current-year charges incurred for educationally related activities other than tuition, fees, room, and board. [\[§668.164\(d\)\(2\)\(i\)\(iv\)\]](#)
 - Minor prior year charges of less than \$100. [\[§668.164\(d\)\(2\)\(ii\)\]](#)
 - Minor, pPrior-year charges of \$100 or more, provided the school has determined that the payment of the prior year charges does not, or will not, prevent the student from paying his or her current year educationests incurred for educationally related activities other than tuition, fees, room, and board. [\[§668.164\(d\)\(2\)\(ii\)\]](#)
- Limitation on Payment of Minor, Prior-Year Charges With Current-Year Title IV Funds*
- The sum of all minor, prior-year charges for tuition, fees, room, board, and, with the student’s or parent borrower’s authorization, other educationally related activities that are paid with Title IV funds from the current year must not exceed \$200. [\[§668.164\(d\)\(2\)\]](#)
- For more information on required authorizations, see [Section 8.3](#).¹

¹. Policy 1015 (Batch 148), approved March 20, 2008

10.4 Establishing the Repayment Start Date

The [repayment start date](#) is the date the repayment period begins. A lender must establish the repayment start date on a loan according to the requirements in this section.

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

10.4.A Stafford Loan Repayment Start Date

The repayment period on a Stafford loan begins on the day following the last day of the grace period. The lender must establish an accurate [repayment start date](#) in a timely manner and ensure the loan is converted to a repayment status immediately after the grace period expires.

~~There are two permissible methods for calculating the date on which a Stafford loan borrower's grace period ends and the repayment period begins: A lender calculates the grace period end date as the day that is exactly 6, 9, 10, 11, or 12 months, as applicable based on the terms of the loan, following the date on which the student was last enrolled at least half-time. The repayment period begins on the day following the grace period end date.~~

- ~~*The month-specific method*~~
A lender converts the loan to repayment based on the number of months elapsed since the borrower was last enrolled. Repayment began on the first day of the 7th, 10th, 11th, 12th, or 13th month following the month in which the student graduated, withdrew, or ceased at least half-time enrollment.
- ~~*The day-specific method*~~
A lender calculates the grace end date as the day that is exactly 6, 9, 10, 11, or 12 months following the date on which the student was last enrolled at least half-time. The repayment period begins on the day following the grace end date.

~~At the time this manual was published, the Department had not yet begun enforcing the day-specific requirement. However, lenders and schools must make a good faith effort to comply with this requirement. When the Department begins enforcing these requirements, lenders must use the day-specific method for converting loans to repayment. A loan is to be converted to repayment based on the exact date of the borrower's last day of at least half-time~~

~~enrollment, plus the applicable grace period.~~
[§682.200; §682.209(a)(3); DCL 96-G-287/96-L-186, Q&A #18]¹

10.4.B PLUS and SLS Loan Repayment Start Date

The repayment period on a PLUS or SLS loan begins on the date the loan is fully disbursed.
[§682.209(a)(2)]

10.4.C Aligning Repayment Start Dates for Stafford and SLS Loans

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, in writing, or on the [promissory note](#).

If repayment alignment is requested by a borrower, the lender must postpone repayment of the SLS loan(s) until the end of the [grace period](#) on the Stafford loan(s) that has not yet entered repayment. 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 to align repayment. Any [interest](#) that accrues on loans for which repayment has been postponed until the end of the grace period on the Stafford loan(s) must be paid by the borrower monthly or quarterly or be capitalized by the lender no more frequently than quarterly. For information on grace periods, see [section 10.3](#).

A lender may apply an [administrative forbearance](#) to Stafford loans that have entered repayment in order to align all of the borrower's Stafford and SLS loans. The borrower's request for alignment on the promissory note is acceptable as authorization to apply an administrative forbearance to align repayment; no further [documentation](#) is needed from the borrower. For more information on administrative forbearance, see [section 11.20](#).

¹ Policy 1014 (Batch 148), approved March 20, 2008

strongly encouraged to file a default claim on or after the 360th day of delinquency and may not file a default claim before the 331st day of delinquency.

The last day a lender may file a default claim and remain within the timely filing guidelines for a loan with monthly installments is the 360th day of delinquency. For a delinquent account scheduled for repayment in installments less frequent than monthly (e.g., quarterly), the lender must file the default claim by the 420th day of delinquency. Failure to submit a default claim by the 360th day, or 420th day if applicable, will result in a timely filing violation and the [cancellation](#) of the [guarantee](#) on the loan. [[§682.406\(a\)\(5\)](#)]

A [lender](#) may attempt to [cure](#) a timely filing violation; if successful, the lender is entitled to resubmit the [claim](#) (see [subsection 14.5.D](#)). 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 330th day of delinquency.

13.6.B Ineligible Borrower Claims

A loan for which the borrower is ineligible due to the borrower's or student's error (see [subsection 5.16.A](#)) is treated as a default if the borrower fails to repay the full amount due within 30 days after the [final demand](#) letter is mailed.

[[§682.412\(e\)](#)]

A lender must file an [ineligible borrower](#) claim for the entire outstanding loan amount on or after the 30th day, and no later than the 120th day, after the date it mailed the final demand letter.

[[§682.412\(e\)\(2\)](#)]

Because a loan for which a borrower is determined to be ineligible loses eligibility for interest benefits, the amount of interest refunded to the [Department](#) becomes borrower accrued interest and may be capitalized. For claim payment purposes, this interest is treated like any other delinquent interest.

[[§682.412\(e\)\(1\)](#)]

For information on claim documentation, see [subsection 13.1.D](#).

If an ineligible borrower claim is filed after 120 days from the date a timely final demand letter is mailed, the guarantor will purchase the claim with an interest penalty.

13.7 Rehabilitation of Defaulted FFELP Loans

To be eligible to [rehabilitate](#) a defaulted FFELP loan, a borrower must enter into a rehabilitation agreement with the guarantor or a collection agency acting on its behalf. A borrower who receives loan funds for which he or she is ineligible due solely to his or her error may not rehabilitate the ineligible funds or otherwise have his or her Title IV eligibility reinstated until the ineligible funds are repaid in full. A borrower may not include in a rehabilitation agreement a loan on which a judgment has been obtained or 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. There are no federal restrictions that prohibit a loan from being rehabilitated more than once.

[[§682.405\(a\)\(1\)](#); [DGAD letter dated July 30, 1993](#)]

▲ Contact the guarantor for information about its rehabilitation program. See [Section 1.5](#) for contact information.¹

To rehabilitate a FFELP loan, a borrower must make nine, on-time (i.e., received within 20 days of the due date), full monthly payments to the guarantor or its contracted vendor during a period of 10 consecutive months. Payments must be made voluntarily by the borrower and must be equal to or greater than the amount determined to be reasonable and affordable. Payments obtained by state offsets or federal Treasury offsets, wage garnishment, trustee payments, or income or asset execution will not satisfy requirements for rehabilitation.

[[HEA 428F\(a\)\(1\)\(A\)](#); [§682.405\(a\)\(2\)](#)]

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

The nine payments must be received during the 10-month period immediately preceding the rehabilitation of the defaulted loan. Payments will be considered voluntary if made directly by the borrower. A lump sum prepayment of future installments cannot be used to satisfy the requirement that the borrower make nine payments during a period of 10 consecutive months. If the borrower fails to send nine payments on time during the 10-month period in which payments are required for rehabilitation, he or she must begin the entire cycle again. A new cycle will begin from the time a new, on-time, voluntary, reasonable and

¹ Policy 1020 (Batch 148), approved March 20, 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.
- 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)(l); DCL GEN-06-20/FP-06-16]

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, **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.

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(e)(2) and (3)]¹

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.

Loans That May Be Consolidated

A borrower may consolidate one or more of the following types of federal education loans:

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:

- **FFELP** loans (Stafford, PLUS, SLS, and Consolidation loans²).
- **FDLP** loans (Stafford, PLUS, and Consolidation loans¹).
- **FISL** loans.
- **Perkins** loans.
- **Health Professions Student Loans (HPSL)**, including **Loans for Disadvantaged Students (LDS)**.³

- 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.

1. Policy 1022 (Batch 148), approved March 20, 2008

2. A borrower may not reconsolidate a single Consolidation loan.

3. See **subsection 15.1.A.** for information on nondiscrimination and permissible practices.