

## Summary of Changes Approved August through November 2008

This summary lists changes made since the 2008 Annual Update of the *Common Manual* was printed.

Change bars denote the latest policy changes, which were approved November 20, 2008.

Changes made before the 2008 Annual Update was printed are shown in Appendix H of the Manual.

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 2: About the FFELP</b>			
2.2.C Repayment	Adds the crime of identity theft to the list of eligible circumstances for which a lender may be eligible for claim payment for discharge in the FFELP overview in Chapter 2. Updates the definition of the term 'discharge' to include the crime of identity theft.	False Certification as a result of identity theft loan discharge claims processed by the lender on or after September 8, 2006.	1060/152
<b>Chapter 3: Lender Participation</b>			
3.5.E Reporting Loan Assignments, Sales, and Transfers	<p>Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor.</p> <p>Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.</p>	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153
3.5.G NSLDS Reporting	Incorporates the directive from the Department that strongly encourages monthly reporting of NSLDS data by a lender or servicer, while retaining the minimum quarterly reporting requirement.	Publication date of NSLDS Technical Update 2000-01.	1050/151
<b>Chapter 4: School Participation</b>			
4.4.A Recommended Lender Lists	Aligns the Manual with Departmental guidance that provides additional clarifications regarding alternatives to a school's recommended lender list, and how a school may provide important lender information to their FFELP applicants.	Information provided by schools regarding lenders participating with the school on or after May 9, 2008.	1063/153

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 5: Borrower Eligibility</b>			
5.2.D NSLDS Data Match	Clarifies that an individual who is in default on any Title IV loan is ineligible to receive any Title IV aid, including the benefit of a parent PLUS loan, until the default is resolved. However, a parent's unresolved default on a Title IV loan, including a PLUS loan, does not adversely impact a dependent student's eligibility for other Title IV aid.	Retroactive to the implementation of the <i>Common Manual</i> .	1056/151
5.2.D NSLDS Data Match	Adds the crime of identity theft to the list of eligible circumstances for which a lender may be eligible for claim payment for discharge in the FFELP overview in Chapter 2. Updates the definition of the term 'discharge' to include the crime of identity theft.	False Certification as a result of identity theft loan discharge claims processed by the lender on or after September 8, 2006.	1060/152
5.11 Student Enrollment Requirements	Includes new standards for determining full-time enrollment status for a student enrolled in a nonstandard term-based, credit hour program or in correspondence coursework. Deletes obsolete formulas for determining full-time enrollment status for students enrolled in a program using both credit and clock hours. Clarifies that noncredit and reduced-credit remedial courses must be included when determining a student's enrollment status, if the student qualifies for aid for the remedial courses.	Loans first disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1051/151
5.16 Ineligible Borrowers 5.16.A Ineligibility Based on Borrower Error 5.16.B Ineligibility Based on School Error	Aligns the Manual guidance regarding a borrower whose failure to begin attendance results in the school being required to return loan funds to the lender.	School determinations that a student did not begin attendance on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1041/150
<b>Chapter 6: School Certification</b>			
6.9 Defining Enrollment Status	Includes new standards for determining full-time enrollment status for a student enrolled in a nonstandard term-based, credit hour program or in correspondence coursework. Deletes obsolete formulas for determining full-time enrollment status for students enrolled in a program using both credit and clock hours. Clarifies that noncredit and reduced-credit remedial courses must be included when determining a student's enrollment status, if the student qualifies for aid for the remedial courses.	Loans first disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1051/151
6.11 Loan Limits	Revises text to state explicitly that there is no annual or aggregate loan limit for a parent or Grad PLUS loan. A PLUS loan may not exceed the cost of attendance minus estimated financial assistance for the student.	Retroactive to the implementation of the <i>Common Manual</i> .	1057/151
6.11.A Stafford Annual Loan Limits Figure 6-4 Stafford Annual and Aggregate Loan Limits for Undergraduate Students 6.11.B Stafford Aggregate Loan Limits	Incorporates increases in the unsubsidized Stafford annual loan limits, and the combined Stafford aggregate loan limits, for undergraduate students authorized by the ECASLA.	Stafford loans first disbursed on or after July 1, 2008, for loan periods that include or begin on or after July 1, 2008.	1052/151
6.11.C PLUS Loans for Graduate and Professional Students	Revises text to state explicitly that there is no annual or aggregate loan limit for a parent or Grad PLUS loan. A PLUS loan may not exceed the cost of attendance minus estimated financial assistance for the student.	Retroactive to the implementation of the <i>Common Manual</i> .	1057/151

<b>Common Manual Section</b>	<b>Description of Change</b>	<b>Effective Date/Triggering Event</b>	<b>#</b>
6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students	Incorporates the increase in the Stafford aggregate loan limit for graduate and professional health profession students who are eligible for increased unsubsidized Stafford loans, from \$189,125 to \$224,000.	Effective on April 18, 2008.	1053/151
6.15.C PLUS Loan Certification	Revises text to state explicitly that there is no annual or aggregate loan limit for a parent or Grad PLUS loan. A PLUS loan may not exceed the cost of attendance minus estimated financial assistance for the student.	Retroactive to the implementation of the <i>Common Manual</i> .	1057/151
<b>Chapter 8: Loan Delivery</b>			
8.7 Delivering Loan Funds at Eligible Schools	Clarifies that there are three exceptions to the general rule that a student must maintain continuous eligibility for the loan period certified, and provides cross-references to explanations of those exceptions.	Retroactive to the implementation of the <i>Common Manual</i> .	1058/151
8.7.G Delivery to Transfer Students	Incorporates a regulatory change regarding a school's examination of a transfer student's financial aid history, made by the HERA Interim Final Rule, published July 3, 2006. The school must determine the amount of any ACG or National SMART grants awarded and delivered during the award year for the transfer student prior to the delivery of FFELP funds.	Eligibility determinations made on or after July 1, 2007, unless implemented earlier by the school.	1054/151
8.9.B Return of Ineligible Borrower Loan Funds	Aligns the Manual guidance regarding a borrower whose failure to begin attendance results in the school being required to return loan funds to the lender.	School determinations that a student did not begin attendance on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1041/150
<b>Chapter 9: School Reporting Responsibilities and the Return of Title IV Funds</b>			
9.2.A National Student Loan Data System (NSLDS) Enrollment Reporting	Updates information concerning a school that fails to provide updated enrollment data to the NSLDS in a timely manner. Adds technical information regarding the timing and format of the NSLDS Late Enrollment Reporting Notification. Defines the date that NSLDS "created" the school's Enrollment Reporting Roster File as the date and time stamp that the NSLDS enters into the Roster File's header record.	Eligibility determinations made on or after July 1, 2007, unless implemented earlier by the school.	1055/153

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 11: Deferment and Forbearance</b>			
11.1.A General Deferment Eligibility Criteria	<p>Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor.</p> <p>Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.</p>	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153
11.20 Forbearance	<p>Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor.</p> <p>Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.</p>	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 12: Due Diligence in Collecting Loans</b>			
12.4 Due Diligence Requirements	<p>Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor.</p> <p>Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.</p>	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153
12.4.A Due Diligence Requirements for Loans with Monthly Repayment Obligations 12.4.B Due Diligence Requirements for Loans with Repayment Obligations Less Frequent Than Monthly 12.4.D Contact by Telephone 12.4.E Endorser Due Diligence 12.7.C Required Address Skip Tracing Activities 12.8.A Telephone Skip Tracing Activities	Specifies that a diligent effort is one successful contact or two attempts to contact the borrower or endorser by telephone. Each effort consists of one successful contact or two attempts to contact the borrower or endorser on different days and at different times.	Retroactive to the implementation of the <i>Common Manual</i> .	1059/151
<b>Chapter 13: Claim Filing, Discharge, and Forgiveness</b>			
13.1.A Claim Filing Requirements	<p>Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor.</p> <p>Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.</p>	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
13.8.E False Certification as a Result of the Crime of Identity Theft	Relocates current Manual text regarding the loss of insurance as a result of the crime of identity theft and the refunding of interest benefits and special allowance to a more appropriate subsection of the Manual.	False Certification as a result of identity theft loan discharge claims processed by the lender on or after September 8, 2006.	1066/153
13.9.B Teacher Loan Forgiveness Program	Aligns the Manual with Departmental clarifying guidance that states in the case of a borrower who has taught more than 5 years, any consecutive 5-year period of qualifying service may be counted for teacher loan forgiveness purposes.	Teacher Loan Forgiveness discharge determinations made after October 8, 1998.	1065/153
<b>Chapter 14: Violations, Penalties, and Cures</b>			
14.1.E Violations and Cures Associated with Unsynchronized Servicing of a Consolidation Loan with Multiple Loan Records	Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. If a lender fails to perform due diligence activities on a single payment due date and amount, the lender may incur due diligence violations and penalties sufficient to cause a loss of guarantee on the loan. Also clarifies what a lender may do to cure these violations.	Claims filed by the lender on or after January 1, 2009, unless implemented earlier by the guarantor.	997/153
<b>Chapter 15: Federal Consolidation Loans</b>			
15.1.A Agreement to Guarantee Federal Consolidation Loans 15.2 Borrower Eligibility and Underlying Loan Holder Requirements 15.4 Disbursement 15.5.A Establishing the First Payment Due Date 15.5.B Disclosing Repayment Terms	Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor.  Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153
<b>Chapter 17: Program Reviews</b>			
Introduction	Moves the CRI information from Appendix F to Chapter 17, and updates the information to include ED's approval of the CRI process.	January 1, 2008.	1062/152
<b>Appendix F: FFELP Community Initiatives</b>			
Common Review Initiative (CRI)	Moves the CRI information from Appendix F to Chapter 17, and updates the information to include ED's approval of the CRI process.	January 1, 2008.	1062/152
<b>Appendix G: Glossary</b>			
Academic Competitiveness Grant	Includes glossary definitions for the ACG and National SMART Grant programs.	July 1, 2006.	1061/152

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Diligent Effort	Specifies that a diligent effort is one successful contact or two attempts to contact the borrower or endorser by telephone. Each effort consists of one successful contact or two attempts to contact the borrower or endorser on different days and at different times.	Retroactive to the implementation of the <i>Common Manual</i> .	1059/151
Discharge	Updates the definition of the term 'discharge' to include the crime of identity theft.	False Certification as a result of identity theft loan discharge claims processed by the lender on or after September 8, 2006.	1060/152
Full-Time Student	Includes new standards for determining full-time enrollment status for a student enrolled in a nonstandard term-based, credit hour program or in correspondence coursework. Deletes obsolete formulas for determining full-time enrollment status for students enrolled in a program using both credit and clock hours. Clarifies that noncredit and reduced-credit remedial courses must be included when determining a student's enrollment status, if the student qualifies for aid for the remedial courses.	Loans first disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1051/151
National Science and Mathematics Access to Retain Talent Grant	Includes glossary definitions for the ACG and National SMART Grant programs.	July 1, 2006.	1061/152
Pell Grant	Adds a cross-reference to the FSA Handbook to the existing Pell Grant glossary definition.	July 1, 2006.	1061/152
<b>Appendix H: History of the FFELP and the <i>Common Manual</i></b>			
H.4.C Higher Education Hurricane Relief Act Waivers H.4.D Disaster Waivers	Aligns the Manual with regulatory and statutory waivers that are still in effect for students, borrowers, schools, and lenders affected by a hurricane or other disaster per Departmental guidance.	For the 3-month administrative forbearance, August 5, 1999. For the Title IV grant overpayment waiver, November 9, 2005. For all other waivers, February 24, 2004.	1064/153

- 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, 13.8.D, and 13.8.E](#). [[§682.402\(d\)\(7\)\(iv\) and \(e\)\(2\)\(iv\)](#)]
- 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. 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. See [Subsection 13.8.E](#) for more information on loan discharge as a result of the crime of identity theft. [[§682.208\(b\)\(3\)](#); [682.411\(o\)\(2\)](#)]

### 3.5.D Reporting Loan Information

A lender must report enrollment and loan status information, or any FFELP loan-related data to the guarantor or to the Department, as applicable, by the deadline established by the Department. A guarantor will accept a status change in any form or medium—as long as it includes the borrower's name and [Social Security number](#), status change and effective date, loan account number or ID number, and any other pertinent information.

- ▲ Lenders may contact individual guarantors for more information on reporting loan status changes. See [Section 1.5](#) for contact information.

For information on lender reporting of enrollment changes, see [Subsection 10.1.B](#).

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

### 3.5.E Reporting Loan Assignments, Sales, and Transfers

If a loan [holder](#) assigns or sells a loan, either the assignee or the assignor on behalf of the assignee must notify the guarantor of the change within 45 days of the [assignment](#) or [sale](#). The notification should provide the new holder's name, lender identification number (LID), address, and telephone number. A holder with more than one lender identification number must notify the guarantor if it changes a loan from one of its LIDs to another of its LIDs. [[§682.208\(e\)\(4\)](#)]

If a holder transfers the servicing on a loan from one [entity](#) to another, the holder must report the change to the guarantor within 45 days of the [transfer](#).

The assignment, sale, or transfer of a loan should be reported on the appropriate [guarantor](#) form or by an equivalent electronic process. If the holder wants to report an assignment, sale, or transfer using its own form or process, the format must contain all data elements required by the guarantor. If one holder acquires the entire portfolio of another holder due to a merger, acquisition, bank closing, or similar situation, it may not need to complete a guarantor form or list each of the loans being sold, but may work with the guarantor to establish an efficient and effective method of ensuring that the guarantor's records are updated to reflect the most current holder information.



A consolidating lender must report the assignment, sale, or transfer transaction simultaneously for the entire Consolidation loan, even if the lender establishes more than a single loan servicing record for the subsidized, unsubsidized, and HEAL portions of the loan.<sup>1</sup>

▲ Lenders may contact individual guarantors for more information on alternative reporting options. See [Section 1.5](#) for contact information.

Loans that are sold or transferred should not be reported to a [guarantor](#) as paid in full.

### 3.5.F Reporting Social Security Number, Date of Birth, and First Name Changes or Corrections

At any time during the life of the loan, if a lender becomes aware of a discrepancy in a [borrower's Social Security number \(SSN\)](#), date of birth, or first name, or it discovers that it had previously reported an incorrect SSN, date of birth, or first name, the lender must report the correct information to the guarantor and appropriate credit reporting agencies.

The lender must retain a copy of the document substantiating the SSN, date of birth, or first name change or correction. This documentation may be requested in a [program review](#) or may be required in a [claim](#) submission. The guarantor reserves the right to request this or other supporting documentation or information before changing a Social Security number, date of birth, or first name on its system.

If a lender identifies an SSN, date of birth, or first name discrepancy, exhausts its efforts to verify the correct information, and fails to obtain a copy of an acceptable source document, the lender should notify the guarantor of the discrepancy. The guarantor may be able to offer assistance.

If a lender learns that the SSN, date of birth, or first name is incorrect due to a data entry error, the lender may change the incorrect information using the original documentation submitted. The lender must document the reason it made the change.

#### Acceptable Source Documents for Reporting Social Security Number (SSN) Changes

A guarantor considers any of the following documents a valid source for reporting an SSN change:

- Social Security card or other Social Security Administration document.
- W-2 form.
- Unexpired U.S. military ID.
- If the discrepancy resulted from a data input error, the loan [application](#), the [Master Promissory Note \(MPN\)](#), or the loan certification.
- [State](#) driver's license or state-issued identification card on which the SSN is listed.

#### Acceptable Source Documents for Reporting the Correction of a Date of Birth

A guarantor considers any of the following documents a valid source 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

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

- Court order.
- Marriage certificate.
- Certificate of Naturalization.

<sup>1</sup> Policy 991 (Batch 153), approved November 20, 2008

## 4.4 Providing Information to Students

Federal regulations outline specific information 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.

For more information on the responsibilities of a financial aid office with respect to providing this information, the school may refer to [§682.604](#) and [§668.42](#), as well as the [08-09 FSA Handbook, Volume 2, Chapter 6, pp. 2-78 to 2-84](#).

### 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 applies:
  - 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.
- Update any list of recommended lenders and any information accompanying such a list no less often than annually.  
[[§682.212\(h\)](#)]

A school that chooses not to publish a recommended lenders list, or that has not been able to identify three or more unaffiliated than one lenders to make loans to its students and parents ~~borrowers~~, may still provide alternative information to assist the borrowers its students and/or parents with their choice of lender. The school may provide either of the following:

- The names of lenders that have indicated a willingness to make loans to students and their parents for attendance at the school. At the student's or parent's request, the school may provide the names
- A comprehensive list of lenders that have made loans in the past three to five years (or some other time frame established by the school) to students and parents at the school and that have indicated a willingness to continue to make FFELP loans, as long as the lenders did not provide any prohibited inducement to the school to secure loan applications.<sup>1</sup>

<sup>1</sup> Policy 1063 (Batch 153), approved November 20, 2008

When providing either type of lender this information to the FFELP student or parent borrowers, the school must not provide any additional information about any lender on the list it offers, must make clear that it is not endorsing any lender, and must clearly state that the student and/or parent FFELP borrower may choose any FFELP lender that will make loans for attendance at that school.<sup>1</sup>

## 4.4.B Consumer Information

A school participating in any **Title IV** program must provide annually to all **enrolled** students—and to prospective students, upon request—consumer information concerning the school and any financial assistance available to students attending the school, along with the school’s completion or graduation rate and its transfer-out rate. A school must also provide consumer information to employees and prospective employees and provide certain related reports (e.g., crime statistics reports).

The school’s written student consumer information and related reports must adhere to regulatory requirements, as outlined in **Subpart D (Institutional and Financial Assistance Information for Students) of the Student Assistance General Provisions**. Schools should refer to **§668.41** through **§668.48**. Schools also may wish to consult other Department of Education publications, such as the **07-08 FSA Handbook, Volume 2, Chapter 6** for more information on student consumer information requirements.

Student consumer information must be made available to all currently enrolled students and prospective students. Regulations define a prospective student as an individual who has contacted an eligible school to request information about admission to the school. The information must be made available prior to the student’s enrolling or entering into any financial obligation with the school. An Internet Website may be used to provide information to prospective students; however, an *Intranet Website* may *not* be used. For enrolled students, the information may be made available through an Internet Website or an Intranet Website that is reasonably accessible to the individuals to whom the information must be disclosed.

[§668.41]

When a school participating in any Title IV program offers a potential student athlete athletically related student aid, the school must provide the potential student athlete—and his or her parents, high school coach, and guidance counselor— information on completion or graduation rates and transfer-out rates for student athletes, following the

requirements of **34 CFR 668.48**. The school also must submit the report produced to provide information to these students to the Department by July 1 of each year. Schools should refer to **34 CFR 668.41(b) and (f)** and **668.48** for information on disclosure requirements for student athletes. A school’s responsibilities may be satisfied if all of the following criteria are met:

- The school is a member of a national collegiate athletic association.  
[§668.41(f)(1)(ii)(A)]
- The association compiles data on behalf of its member schools, which the Department determines is comparable to those required in **§668.48**.  
[§668.41(f)(1)(ii)(B)]
- The association distributes the data to all secondary schools in the United States.  
[§668.41(f)(1)(ii)(C)]

A school must prepare or revise information for each **award year** in which it participates in any Title IV program. In developing student consumer information, schools new to Title IV programs may find it helpful to review other schools’ catalogs. However, each school remains ultimately responsible for the accuracy and completeness of its student consumer information.

### Financial Assistance Information

A school must provide financial assistance information regarding its programs, including a description of all federal, state, local, private, and institutional aid programs to enrolled and prospective students. For each listed financial aid program, the school’s student consumer information must include, but is not limited to, descriptions of:

[§668.42(a)]

- The procedures (including deadlines) and forms a student must use to apply for assistance.  
[§668.42(b)(1)]
- The requirements used in determining whether a student is eligible for aid.  
[§668.42(b)(2)]
- The criteria used by the school to select financial aid recipients from the group of eligible applicants.  
[§668.42(b)(3)]
- The criteria used in determining the amount of a student’s award.  
[§668.42(b)(4)]

<sup>1</sup> Policy 1063 (Batch 153), approved November 20, 2008

Schools that do not respond to Enrollment Reporting requests within 30 days of receipt are not in compliance with Enrollment Reporting requirements.

[*Student Financial Aid Handbook for Foreign Schools*; January 9, 2002, E-Announcement “New NSLDS Enrollment Reporting”]

## 9.2.A National Student Loan Data System (NSLDS) Enrollment Reporting

**Enrollment Reporting**, previously called the **Student Status Confirmation Report (SSCR)**, is a function of the **National Student Loan Data System (NSLDS)**. Schools that have received a letter from **the Department** confirming successful submission of an enrollment Roster File to the NSLDS are exempt from the requirement to provide enrollment information directly to guarantors. Schools that have not received a letter from the Department confirming successful submission of an enrollment Roster File to the NSLDS must respond both to enrollment rosters received from the NSLDS and guarantors until otherwise notified by the Department.

[DCL GEN-97-9]

- ▲ Questions concerning the proper completion and submission of enrollment data to the **guarantor** should be directed to the guarantor that prepared the paper roster. See **Section 1.5** for contact information.

The accuracy of a Title IV student loan **record** depends on the accuracy of the data reported by the school and other entities. An NSLDS record must be accurately matched with the school’s enrollment record. If one or more of the student identifiers provided by the NSLDS differs with the information in the school’s records and if the school is sure that its student identifiers are correct based on a reliable source or documentation in its records, the school must contact the guarantor to correct the identifiers.

The school should review, update, or verify a student’s enrollment status and other information with information that appears on the Roster File. The school updates NSLDS enrollment information through the following two methods:

- **Batch Method:** This method allows a school to receive and process a single electronic enrollment Roster File and transmit the enrollment data back to the NSLDS as a single file.

- **Online Method:** This method allows a school to update enrollment data directly on the NSLDS Website screens.

[NSLDS Enrollment Reporting Guide, October 2006, Chapter 1, Section 1.3]

The NSLDS generates an enrollment Roster File for each school up to six times per year on a schedule chosen by the school. A school may select its schedule using the Enrollment Reporting Schedule Web page on the **NSLDS Website**. The Department recommends that schools schedule **enrollment reporting** cycles every other month during the **academic year** to eliminate the need for ad hoc reporting (i.e., specific reporting outside a school’s normal cycle) of enrollment information.

The NSLDS transmits an electronic Roster File to the school or the school’s designated **servicer** on the day of the month designated by the school’s Enrollment Reporting Schedule. For each student listed on the enrollment Roster File, a school must confirm or update the enrollment status and return the updated roster—called the Submittal File—to the NSLDS within 30 days of the date the Roster File was created. The date the Roster File was created is located in a date and time stamp that the NSLDS enters into the Roster File’s header record. To reduce response time, schools that employ **third-party servicers** may opt to synchronize the transmittal of the NSLDS roster with the delivery of the school file to the third-party servicer. Schools may also complete responses to the Roster File online, eliminating the need to return a Submittal File.

[§682.610(c)(1); **NSLDS Enrollment Reporting Guide, February 2008, Chapter 1, Section 1.3, p. 3; Section 1.8, p. 10; Section 3.2.4, p. 71; and Appendix A, Section A.4.1, p. 113**]<sup>1</sup>

The NSLDS processes the file and returns an Acknowledgement/Error File that includes a count of accepted records and any record errors. Schools must correct errors and return the corrections within 10 days of the school’s receipt of the Acknowledgement/Error File. The Acknowledgement/Error File may not indicate an error, but serves as confirmation that the Submittal File was received and processed by the NSLDS. The school must retain a record of the file for audit purposes.

[NSLDS Enrollment Reporting Guide, October 2006, Chapter 1, Section 1.2]

<sup>1</sup> Policy 1055 (Batch 153), approved November 20, 2008

~~A school that fails to return their provide updated enrollment data to the NSLDS either by the online method or the return of its Submittal File within 30 days of from the date it was created the NSLDS created the school's Enrollment Reporting Roster File receive a series of overdue letters during the 60 to 65 day period following the Submittal File return deadline is considered late. The NSLDS sends a Late Enrollment Reporting Notification via electronic mail if the NSLDS does not receive the school's enrollment status updates within 37 days of the date the NSLDS created the school's Enrollment Reporting Roster File. This electronic mail notification is sent to the enrollment reporting contact and primary contact designated by the school, and to the school's chief executive officer or president. [NSLDS Enrollment Reporting Guide, February 2008, Chapter 1, Section 1.8, p. 10; NSLDS Newsletters #16 and #17]~~

If ~~the~~ a school uses a servicer to submit ~~the~~ Enrollment Reporting files, the school remains responsible for timely and accurate reporting. The NSLDS does not send a Late Enrollment Reporting Notification to a school's servicer. A school that does not comply with the Submittal File return requirements may lose eligibility for Title IV student-aid or may have fines imposed. [NSLDS Enrollment Reporting Guide, February 2008, Chapter 1, Section 1.8, p. 10]<sup>1</sup>

The school's enrollment roster will include the student's enrollment status. The school must report any changes to enrollment statuses provided on the Roster File including the effective date of any change and the **anticipated graduation date**. The school must then return the enrollment data to the NSLDS, which forwards enrollment information to all guarantors. The **guarantor** will forward any updated enrollment information to the appropriate lenders or **servicers**. The NSLDS may also send enrollment information directly to certain FFELP lenders and servicers at the same time it sends information to guarantors. The NSLDS notifies guarantors of those lenders and servicers receiving enrollment information directly from the NSLDS. [**§682.401(b)(20); DCL G-00-329/L-00-223; NSLDS Enrollment Reporting Guide, October 2006, Chapter 1, Section 1.2.2]**]

Schools also should note the following additional instructions:

- Each student's enrollment status should be verified through his or her expected graduation (completion) date, rather than through the end of the current **academic period** (such as a semester end date).
- If a student drops to less-than-half-time enrollment, withdraws, or graduates and later reenrolls (on at least a half-time basis) at the same **school** after the school has reported the student's drop, withdrawal, or graduation on the Submittal File, the school should promptly report the student's reenrollment to the NSLDS to ensure that the student is included on the school's future rosters. Otherwise, the student will not reappear on a Roster File, and the school will be unable to reverify the student's **enrolled** status.
- A student need not attend a summer session to maintain continuous enrollment—unless the period of time that the student is not enrolled would exceed the length of the student's **grace period** (6 to 12 months, as applicable). If the student intends to continue enrollment on at least a half-time basis during the following fall semester, the school must not report the student as *withdrawn* when the student does not attend summer school—unless the summer session is part of the school's standard **academic year** or the school has information to indicate that the student will not return.
- If the student was enrolled previously at the school, but is not currently enrolled, the school should provide the **borrower's** last date of at least half-time attendance. The school should not report the student as *never attended* or *no record found*. If the school has additional information about the student (for example, the student is deceased), the school must include this information on the Submittal File. If the SSN is inconsistent with the school's records, the school should continue to verify the enrollment status and report the SSN discrepancy to the guarantor.
- When reporting a student's status as *no record found*, the school must verify that it has no information for the student (i.e., the student never registered nor enrolled and the school never certified a **FFELP** loan).
- When reporting a student's status as *never attended*, the school must verify that the student on whose behalf a Stafford or PLUS loan was made enrolled in school but never attended classes. The school should not

<sup>1</sup> Policy 1055 (Batch 153), approved November 20, 2008

based solely on the non-disabled comaker's **deferment** eligibility. The deferment period for the non-disabled **comaker** may not begin prior to the date the lender 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 deferment ends on the date that the non-disabled comaker's deferment eligibility ends, or the date on which the lender receives notice of the final discharge determination for the disabled comaker, whichever is earlier.

The loan **holder** may apply an **administrative forbearance** to any **delinquency** that exists prior to the start date of the deferment or, if the lender is processing the deferment retroactively, the forbearance may also be used to satisfy any delinquency that remains after the end date of the deferment. 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 either 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. The deferment and any associated administrative forbearance may cover a period less than, but never more than, the period of time the disabled comaker is granted a conditional discharge.

- **Endorsers** are not entitled to deferment. If an endorser is repaying the loan and has temporary difficulty in continuing repayment, he or she may request a **forbearance**.  
[§682.211(a)(1); §682.211(b)(1)]

- A consolidating lender must grant a deferment on the entire Consolidation loan, even if the lender establishes more than a single loan servicing record for the subsidized, unsubsidized, and HEAL portions of the loan. The deferment must be applied for the same period of time to each portion of the loan.<sup>1</sup>

- In most cases, the borrower must request a deferment, either verbally or in writing, and provide the lender with documentation necessary to support the borrower's eligibility for the deferment. However, if at any time during the collection efforts the lender becomes aware of circumstances indicating that the

borrower may qualify for a deferment, the lender must explain the deferment criteria and make the deferment option available to the borrower. Deferment eligibility criteria and documentation are outlined under each deferment type in **Sections 11.2 to 11.19**.

[§682.210(a)(4)]

- A delinquent borrower whose loan is not in **default** must be granted a deferment if the borrower is eligible for the deferment. See **Subsection 11.1.F** for more information on deferments and delinquent loans.  
[§682.210(a)(7)]
- A borrower whose loan is in default must be granted a deferment if the borrower's deferment eligibility began *before* the date of default. A borrower is not eligible for deferment of a loan that is in default if his or her **deferment** eligibility begins *after* the date of default, unless the borrower makes payment arrangements acceptable to the **lender** to resolve the default prior to the payment of a default **claim** by a **guarantor**. See **Subsection 11.1.G** for more information about deferment of defaulted loans.  
[§682.210(a)(8)]

### Borrower-Specific Deferments

The Department has indicated that deferments generally are borrower-specific—not loan-specific. This means that time limits should generally be enforced for each borrower, rather than for a borrower's individual loans or groups of loans (see *Example 1* below). However, if all of the borrower's loans are paid in full (except through consolidation) and the borrower subsequently obtains a new loan, the borrower is eligible for all deferments applicable to that loan, despite any previous periods of deferment (see *Example 2* below).

#### *Example 1*

A borrower has used 36 months of unemployment deferment on loans A and B, then obtains additional loans before paying loans A and B in full. The borrower is not eligible for an unemployment deferment on the additional loans, even if loans A and B are subsequently paid in full.

#### *Example 2*

A borrower has used 36 months of unemployment deferment on loans A and B, then pays both loans in full. After both loans are paid in full, the borrower obtains new loans. The borrower is eligible for an additional 36 months of unemployment deferment on the new loans.

[§682.210(a)(1)(ii)]

<sup>1</sup> Policy 991 (Batch 153), approved November 20, 2008

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)]

## 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)]

## 11.20 Forbearance

Forbearance is a tool lenders can use to assist borrowers in meeting their loan repayment obligations. By granting [forbearance](#), a lender permits a temporary cessation of payments, allows an extension of time for making payments, or temporarily accepts smaller payments than were previously scheduled. A lender is encouraged to grant a forbearance to prevent the borrower or [endorser](#) from [defaulting](#) on the repayment obligation or to permit the borrower or endorser to resume honoring the loan obligation after [default](#). The lender may grant forbearance to borrowers or endorsers only if the lender reasonably believes, and documents in the borrower's file, that the borrower or endorser intends to repay the loans, but due to poor health or other acceptable reasons, is currently unable to make payments. The lender also may grant forbearance if the principal payments have been deferred, but the [Department](#) does not pay [interest benefits](#) on the borrower's behalf.

The terms of a forbearance agreement between a lender and borrower or endorser may require the borrower or endorser to make reduced payments during the forbearance. For more information on reduced-payment forbearance, see [Subsection 11.22.A](#).

If two individuals are jointly liable for repayment of a PLUS loan or Consolidation loan, a lender may grant **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 differing conditions—except in cases when one **comaker** has applied for a total and permanent disability loan **discharge** (see [Subsection 11.20.F](#), Forbearance of a Loan for a Comaker during the TPD Conditional Period).

[§682.210(a)(3)]

A consolidating lender that establishes more than a single loan servicing record for the subsidized, unsubsidized, and HEAL portions of the Consolidation loan, must grant a forbearance on the entire loan. The forbearance must be applied for the same period of time to each portion of the loan.<sup>1</sup>

If a lender denies a borrower's request for forbearance, the lender must document the reason for denial in the borrower's file or the servicing history of the loan (see [Subsection 3.4.A](#)).

A lender may not charge an administrative or other fee in connection with granting forbearance on a loan. A lender also is prohibited from reporting to credit bureaus any adverse information regarding the repayment status of a loan solely as a result of granting forbearance to the borrower.

[§682.211]

A **lender** should use **forbearance** as a tool to bring a delinquent or **defaulted** loan current. The lender should not grant any discretionary forbearance that will result in the **borrower** remaining delinquent. However, this restriction does not apply if, for example, the loan exits the forbearance with a delinquent status due to a nonsufficient funds (NSF) payment that was made before the forbearance was granted. For more information on granting a forbearance on a delinquent or defaulted loan, see [Subsections 11.20.G](#) and [11.20.H](#).

[HEA §428(c)]

## 11.20.A Forbearance Types

There are four types of forbearance available to borrowers and, in some cases, endorsers:

- **Administrative forbearance** (see [Section 11.21](#)).
- **Discretionary forbearance** (see [Section 11.22](#)).

- **Mandatory administrative forbearance** (see [Section 11.23](#)).
- **Mandatory forbearance** (see [Section 11.24](#)).

[Figure 11-2](#), the Forbearance Eligibility Chart, may help schools and lenders identify general information about discretionary, administrative, mandatory, and mandatory administrative forbearances, including situations in which these forbearance types may be used by a borrower and an **endorser**, if applicable. The chart also provides information about the length of the forbearance and general information about required documentation. For detailed information about each forbearance, see the applicable section.

## 11.20.B Documentation Required for Authorized Forbearance

In cases where a forbearance agreement is required, a lender and a borrower may agree to the terms of the forbearance verbally or in writing. A lender that grants a forbearance based on a written agreement with the borrower may use any form or format that is acceptable to the **guarantor**, and the lender must retain a copy of the agreement. A lender that grants a forbearance based on a verbal agreement with the borrower must send a notice confirming the terms of the forbearance agreement to the borrower within 30 days of the date that agreement was made and record the forbearance terms in the borrower's file. In order to grant a forbearance after the date of **default** based on either a verbal or a written agreement with the borrower, the lender must also obtain a new signed agreement to repay the debt (see [Subsection 11.20.H](#)). For each forbearance period, regardless of whether an agreement is required, the lender must document in the borrower's file or the loan's servicing history the forbearance beginning and ending dates and the reason for granting forbearance.

[HEA §423(c)(3)(A) and (c)(10); §682.211(b)(1); §682.211(d); §682.414(a)(4)(ii)(G)]

## 11.20.C Forbearance Length

With the exception of administrative and mandatory forbearances that are not subject to a maximum time frame or are subject to other regulatory time frames (see [Sections 11.21](#), [11.23](#), and [11.24](#)), a **lender** may grant a single **forbearance** for up to one year at a time if both the **borrower** or **endorser** and the lender agree. This one year includes any

<sup>1</sup> Policy 991 (Batch 153), approved November 20, 2008



## 12.4 Due Diligence Requirements

To satisfy **due diligence** requirements, a lender must perform the collection activities specified in the schedules in **Subsections 12.4.A** and **12.4.B**. A lender may perform the required activities in the manner that is most effective—provided the minimum number of written contacts and telephone attempts are made and no **gap** of greater than 45 days (60 days in the case of a **loan sale** or **transfer**) in activity occurs through the 270th day of **delinquency** (330th day for loans with repayment obligations less frequent than monthly). A violation occurs if a lender fails to complete any of the required activities within the corresponding time frame or if the lender permits a gap of greater than 45 days (60 days in the case of a loan sale or transfer) between activities. If a violation occurs, the lender may incur **interest** penalties or jeopardize the **guarantee** on the loan. If the guarantee on a loan is lost, the lender also loses the right to collect **interest benefits** and **special allowance** payments otherwise payable by the **Department** from the date of the earliest unexcused violation. See **Chapter 14** for more information regarding violations and the assessment of penalties. [**§682.411(b)(2)**; **§682.411(k)**; **§682, Appendix D**; **DCL FP-04-08**]

A consolidating lender must perform due diligence activities at the loan level, even if the lender establishes more than a single loan servicing record for the subsidized, unsubsidized, and HEAL portions of the loan. That is, the lender must perform due diligence activities required for the single payment due date and amount disclosed for the single Consolidation loan that contains multiple loan servicing records. If the lender fails to perform due diligence activities on a single payment due date and amount, or fails to grant **deferment** or **forbearance** for a single Consolidation loan that contains multiple loan servicing records, the lender may incur due diligence violations sufficient to cause a loss of guarantee on the loan. (See **Subsection 14.1.E “Violations and Cures Associated with Unsynchronized Servicing of a Consolidation Loan with Multiple Loan Records.”**)<sup>1</sup>

### 5-Day Tolerance

A lender is permitted a 5-day tolerance at the end of each time frame during which due diligence activities are required. This permits the lender to perform, without penalty, some activities later than prescribed. There is no 5-day tolerance for ICA/location cure due diligence activities.

In addition, the 45-day maximum period between due diligence activities is not extended by the 5-day tolerance. [**§682, Appendix D**]

### Telephone and Address Skip Tracing

If a lender has a valid address for a borrower, but does not have his or her valid telephone number, the lender must make diligent attempts to obtain a telephone number (as described in **Section 12.8**) and continue to fulfill other due diligence requirements, such as sending letters or notices and requesting **default aversion assistance** in a timely manner. [**§682.411(i) and (m)**]

If a loan is delinquent and the borrower’s or **endorser’s** address is unknown, a lender must perform **skip tracing** activities (as described in **Section 12.7**) instead of normal collection activities for the individual whose address is unknown. Due diligence activities must continue for the individual whose address *is* known. If the lender initiates and exhausts its efforts to locate the borrower or endorser before a loan becomes delinquent, the lender is not required to initiate new skip tracing activities unless a new address is obtained and the borrower or endorser subsequently becomes a “skip” before the date on which the **final demand** letter is mailed. [**§682.411(h)**; **DCL 96-L-186/96-G-287, Q&As #59 and #60**]

### Interest-Only Payments and Reduced-Payment Forbearances

For loans on which payments of interest are due, a lender may schedule a borrower for interest-only payments—if the borrower requests such payments. This applies during in-school and **grace periods**, during **deferment**, and during **forbearance** for periods of required medical or dental internship. If a borrower fails to make scheduled interest-only payments, the only activities required of lenders for the period during which an interest-only payment is delinquent are those outlined in **Subsection 10.10.C**.

If the borrower fails to make interest-only payments as scheduled and his or her address is not valid, the lender need not send the notice that is otherwise required, but may capitalize the delinquent interest (see **Subsection 11.20.J** for information regarding the required notice). [**§682.202(b)(6)**]

A lender may file a **default claim** solely on the basis of delinquent interest-only payments only if the payments are the result of an **income-sensitive repayment schedule** or a reduced-payment forbearance (see **Subsection 13.6.A**).

<sup>1</sup> Policy 991 (Batch 153), approved November 20, 2008

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

## 13.1 Claim Filing

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

[§682.401(b)(19)]

### 13.1.A Claim Filing Requirements

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

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

For claim filing purposes, including loan discharges, all loan records related to a single Consolidation loan promissory note must be filed as one claim package or at the same time with the guarantor based on a single payment due date and amount. Although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan servicing records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. A guarantor may return a claim and impose a penalty up to and including the loss of the loan's guarantee if it identifies that the loan has been serviced with different interest rates, except for the underlying portion of a Consolidation loan attributable to a HEAL loan, or payment due dates. The lender may correct the loan, as

appropriate, and resubmit the claim. (See [Subsection 14.1.E](#) "Violations and Cures Associated with Unsynchronized Servicing of a Consolidation Loan with Multiple Loan Records.")

- ▲ Lenders may contact individual guarantors for more information on claim filing requirements for Consolidation loans with multiple loan servicing records.<sup>1</sup>
- ▲ Some guarantors offer services that enable lenders to file claims electronically. Lenders may contact individual guarantors for more information on such services. See [Section 1.5](#) for contact information.

#### Claim Form

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

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

The claim review statuses are defined as follows:

- The *Exceptional Performer Status* is defined in regulation and assigned by the Department. Lenders designated as exceptional performers may file claims using documentation requirements outlined in [Subsection 13.1.D](#). Such claims are not subject to additional review for [due diligence](#), conversion to repayment, or timely filing requirements—except as determined to be necessary by the guarantor or the Department as part of the general program oversight responsibility. Bankruptcy claims filed by a lender designated as an exceptional performer are subject to review for the lender's compliance with standard bankruptcy policies and requirements. The lender's failure to comply with those requirements may result in the guarantor's return of the bankruptcy claim to the lender, or, if the claim has been purchased, the lender's [repurchase](#) of the loan(s). (See [Subsection 13.8.A](#) for more information regarding bankruptcy servicing

<sup>1</sup> Policy 991 (Batch 153), approved November 20, 2008

forbearance on the loan(s) beginning on the date on which the lender suspended collection activity. The lender may capitalize unpaid interest that accrues during the forbearance period.

[§682.402(e)(12)(ii)]

An individual's request for loan discharge cannot be denied solely due to the individual's failure to return the request and required documentation within 60 days. If the lender receives complete documentation from the individual at a later date, the lender must process the loan discharge request and if the individual appears to qualify for the loan discharge, file a claim with the guarantor.

[§682.402(e)(6)(v)]

### Loss of Insurance

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 loan is not insured and the holder must refund to the Department any amounts received as interest benefits and special allowance payments with respect to the loan.

[§682.402(e)(1)(iii)]<sup>1</sup>

### Claim Filing Requirements

A lender must file a false certification loan discharge claim within 60 days of receiving complete loan discharge documentation from the individual or, if the guarantor has obtained the discharge documentation directly from the individual, within 60 days from the date of the guarantor's notification to file a false certification loan discharge claim. Failure to meet this timely filing deadline may result in an interest penalty.

[§682.402(e)(12)(iii)]

A lender facilitates the timely and accurate processing of a false certification loan discharge claim by ensuring that complete loan discharge documentation from the individual is submitted with each claim.

The lender must forward to the guarantor within 30 days of receipt any payments it receives after the claim has been filed.

[§682.402(e)(12)(iii)]

### Claim Filing Documentation

The lender must submit all of the following documentation to the guarantor:

- The Claim Form, completed according to the instructions that accompany that form.
- The individual's signed request for loan discharge and all required documentation provided by the individual, unless the individual submitted this information directly to the guarantor.
- The loan application, if a separate loan application was provided to the lender, and the promissory note (or a true and exact copy of the promissory note), assigned to the guarantor. If the original or copy of the loan application or promissory note cannot be located, the guarantor and the lender must examine their records and any documentation submitted by the individual to determine whether the individual qualifies for a discharge. If the MPN is signed by a third party with power of attorney (POA) for the individual, the lender must also submit a copy of the applicable POA document.
- The total amount of payments made by the individual or on behalf of the individual. This total should be provided on the Claim Form. If the total amount of payments made by or on behalf of the individual is not available, the lender must clearly explain why this information is not provided on the Claim Form.
- The total of any payments the lender is aware of having received from a third-party source. These amounts must be included in the total amount of principal repaid on the Claim Form and must not be included in the total amount of payments made by or on behalf of the individual.
- Supporting documentation not required for claim submission must be retained by the lender in accordance with federal record retention requirements. (See Subsection 3.4.A for information on lender record retention requirements.)

[§682.402(e)(12)(iv)]

Some guarantors have additional documentation requirements. These requirements are noted in Appendix C.

<sup>1</sup> Policy 1066 (Batch 153), approved November 20, 2008

interest accrued during the forbearance period. The lender must also notify the borrower that the loan discharge was denied and the reason for that denial.

### Claim Payment

~~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 loan is not insured and the holder must refund to the Department any amounts received as interest benefits and special allowance payments with respect to the loan.~~

The guarantor will pay an eligible claim within 30 days of approving the loan discharge application if the lender files the claim based on false certification as a result of the crime of identity theft.

[§682.402(e)(1)(iii)]<sup>1</sup>

## 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)]

<sup>1</sup> Policy 1066 (Batch 153), approved November 20, 2008

borrower a [forbearance](#) unless the borrower qualifies for a [deferment](#).

[HEA §428K(d)(1) and (f)]

Receipt of a benefit under this program does not entitle the borrower to a [refund](#) of payments made on the loan.

[HEA §428K(d)(2); *Federal Register* dated August 29, 2002]

## 13.9.B Teacher Loan Forgiveness Program

The Teacher Loan Forgiveness Program is intended to encourage individuals to enter and continue in the teaching profession in certain eligible elementary and secondary schools that serve low-income families. The amount of loan [forgiveness](#) for which a [borrower](#) is eligible depends on all of the following criteria:

- When the borrower begins his or her qualifying teaching service.
- The borrower's qualifications.
- The subject area in which the borrower teaches.

Under this program, the [Department](#) repays a maximum of \$5,000 or \$17,500, as applicable, (combined total for loans obtained under both the FFELP and FDLP) of a qualified borrower's Stafford loan obligations, and Consolidation loan obligations to the extent that a Consolidation loan repaid a borrower's qualifying Stafford loan(s). No borrower may receive benefit for the same teaching service under both the Teacher Loan Forgiveness Program and [subtitle D of Title I of the National and Community Service Act of 1990 \(AmeriCorps\)](#).

[§682.215(a) and (c)(9); GEN-05-02/FP-05-02]

A borrower who completes the qualifying teaching service 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 loan forgiveness application, including any supporting [documentation](#), to the guarantor no later than 60 days after its receipt. The guarantor determines the borrower's eligibility for loan forgiveness and advises the lender of its determination. The lender must notify the borrower of the guarantor's determination within 30 days of receiving that determination. If loan forgiveness is granted and the borrower has an outstanding loan balance, the lender also must provide the borrower with information regarding any new repayment terms.

[§682.215(f)(2) and (4)]

Unless instructed otherwise by the borrower, the lender must apply a teacher loan forgiveness payment received on the borrower's behalf 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.

[§682.215(f)(5)]

Receipt of a benefit under this program does not entitle the borrower to a [refund](#) of any payments made on the loan(s).

[§682.215(d)(3)]

### Eligibility Criteria

To be eligible for loan forgiveness under this program, a borrower must meet all of the following criteria:

- The borrower must have had no outstanding balance on a [FFELP](#) or FDLP loan on October 1, 1998, or had no outstanding balance on a FFELP or a FDLP loan on the date he or she obtained a loan after October 1, 1998.
- The borrower must have been employed as a full-time teacher for 5 consecutive, complete [academic years](#) at a qualifying school (see definition of *qualifying school* below) or a combination of qualifying schools, as certified by the chief administrative officer(s) at the school(s).

= Any consecutive 5-year period of qualifying service may be counted for teacher loan forgiveness purposes.

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

- If the school where the borrower is employed meets the eligibility criteria of a *qualifying school* for any year of the borrower's employment, all subsequent years continue to qualify the borrower even if the school does not meet the criteria. However, if the borrower is initially employed by a school that does not meet the criteria and the school later qualifies, the borrower's 5 qualifying years of service begin when the school meets the eligibility criteria.
- ~~At least one of the borrower's 5 years of qualifying service must be performed after the 1997-1998 academic year.~~<sup>1</sup>

<sup>1</sup> Policy 1065 (Batch 153), approved November 20, 2008

- A borrower who is in **default** on a loan(s) for which the borrower seeks forgiveness must have made **satisfactory repayment arrangements** on the defaulted loan(s) to reinstate **Title IV** aid eligibility. See **Subsection 5.2.D**.
- The loan for which **forgiveness** is sought must have been made before the end of the 5th year of qualifying teaching service.  
[§682.215(a) and (e)(8)]<sup>1</sup>

### Interruptions in Qualifying Teaching Service

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 borrower's qualifying teaching service. 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.

Completion of one-half of an **academic year** is considered to be one academic year if the borrower's employer considers the borrower to have fulfilled his or her contract requirements for the academic year for the purposes of salary increases, tenure, and retirement, and the borrower is unable to complete the academic year due to any one of the following:

- A return to postsecondary education on at least a half-time basis in a program directly related to the borrower's teaching service.
- A condition covered under the **Family and Medical Leave Act of 1993**.
- An order to active duty status for more than 30 days as a member of a reserve component of the Armed Forces.

An interruption in the borrower's teaching service for any one of the above reasons (even if not counted as part of an eligible academic year for the purpose of the forgiveness), along with the time required to return to qualifying teaching service at the beginning of the next regularly **scheduled academic year**, is not considered an interruption in the required 5 consecutive years of service.

[§682.215(c)(7)]

### Loan Forgiveness Amounts

The total amount of loan forgiveness applicable to a borrower's outstanding eligible loans depends on when the **borrower** begins his or her period of teaching service and the type of teaching service the borrower performs.

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 a maximum 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, and 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.

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 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.

For a borrower who began a period of teaching service on or after October 30, 2004, his or her loans 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.

[§682.215(d); GEN-05-02/FP-05-02]

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.

<sup>1</sup> Policy 1065 (Batch 153), approved November 20, 2008

## 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.](#)]

## 14.1.E Violations and Cures Associated with Unsynchronized Servicing of a Consolidation Loan with Multiple Loan Records

Although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan servicing records on the lender’s system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan.<sup>1</sup>

<sup>1</sup> Policy 997 (Batch 153), approved November 20, 2008

If the lender fails to perform due diligence activities on a single payment due date and amount, or fails to grant deferment or forbearance for the single Consolidation loan that contains multiple loan servicing records, the lender may incur due diligence violations sufficient to cause a loss of guarantee on the loan. If this occurs, due diligence activities will be reviewed and penalties assessed in accordance with Sections 14.3 and 14.4. For purposes of assessing due diligence violations on an unsynchronized Consolidation loan, the servicing of the single Consolidation loan is reviewed as follows:

- If the guarantor cannot determine the correct due date or cannot confirm that the loan is in default, the claim may be returned to the lender. Refer to Section 13.2 for more information on claim returns.
- If the guarantor determines a loan to be otherwise eligible for claim payment, the guarantor may return the claim for the lender to make the necessary corrections and resubmit the claim to include all portions of the loan, the correct due date, and the 270 days of servicing detail. Upon receipt of the resubmitted claim, the guarantor will review the conversion to repayment and all due diligence activity based upon the correct due date. This includes reviewing due diligence activity performed on all portions of the single Consolidation loan.
- Based upon the due diligence review of the single Consolidation loan, penalties for any violations identified will be assessed in accordance with Section 14.3 or 14.4, as applicable.
- Depending upon the level of any penalty that may be assessed, the lender may cure the loan by following the appropriate procedure in Section 14.5 or 14.6, as applicable.<sup>1</sup>

## 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.
- A disability claim within 60 days after receiving a complete loan discharge application or other form(s) approved by the Department. [§682.402(g)(2)(i)]
- A bankruptcy claim within 30 days after receiving notification that the borrower has filed a bankruptcy petition—unless the lender receives information indicating that the loan may be determined to be dischargeable due to undue hardship. If the loan is dischargeable due to undue hardship, the lender must file a bankruptcy claim within 15 days of receiving that notification or, if the lender secured an extension of time within which to respond, 25 days before the expiration of that extended period. [§682.402(g)(2)(iv)]
- An ineligible borrower claim within 120 days after the date on which the final demand letter was mailed to the borrower and the borrower did not respond. [§682.406(a)(5); §682.412(e)]
- A closed school claim within 60 days after receiving the borrower's written request for discharge. [§682.402(g)(2)(ii)]
- A false certification claim within 60 days after receiving the borrower's written request for discharge. [§682.402(g)(2)(iii)]

If a guarantee is canceled as the result of a timely filing violation, the cancellation is effective on the date the filing deadline expires. [§682, Appendix D, I.A.]

<sup>1</sup> Policy 997 (Batch 153), approved November 20, 2008



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

## 15.1 Lender Participation

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

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

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

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

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

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

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

- To exercise reasonable care and diligence in the making, servicing, and collecting of Consolidation loans.

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

Although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan servicing records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount. The guarantor may examine the lender's controls, procedures, and servicing history during a program review.<sup>1</sup> Lenders must diligently service Consolidation loans in accordance with provisions applicable to other **FFELP** loans. Any failure to fulfill those requirements may result in a loss of the **guarantee** on the

<sup>1</sup> Policy 991 (Batch 153), approved November 20, 2008

Some guarantors restrict the methods by which a borrower may become eligible to consolidate a defaulted loan. These requirements are noted in [Appendix C](#).

It is the obligation of the consolidating lender to determine whether the borrower has chosen an income-sensitive repayment schedule or has made the required monthly payments to the holder of the defaulted loan.

Satisfactory repayment arrangements for Consolidation loan eligibility purposes are defined as three consecutive, on-time (received within 15 days of the due date), voluntary, full monthly payments. These payments must be reasonable and affordable with respect to the borrower's financial situation and must be received by the holder of the defaulted loan during the three months immediately preceding the receipt of a consolidating lender's verification certificate. [Prepayment](#) of future installments will not be counted in determining whether the borrower has made three consecutive payments. Income-sensitive repayment schedule eligibility and terms are outlined in [Subsection 10.8.C](#).

[§682.200(b); §682.201(d)(1)(i)(A)(3); §682.209(a)(6)]

### Adding Loans after Consolidation

A borrower may add to any outstanding Consolidation loan any eligible loans received before or after the date of the consolidation, provided the borrower makes a request within 180 days of the date the Consolidation loan is made. A borrower who wishes to add eligible loans to a Consolidation loan must complete and return the *Request to Add Loans* form to the lender so that it is received by the lender within 180 days of the date the original Consolidation loan was made. After the 180-day period, the borrower may not include additional loans in the outstanding Consolidation loan.

A borrower who wants to add loans to a Consolidation loan that has been disbursed should provide information regarding those loans to the [lender](#). If the borrower requests that a loan be added within the 180-day add-on period, the consolidating lender is permitted an additional 30 days beyond the 180-day period to complete the [disbursement](#) of the additional loan [funds](#).

[§682.201(e)(1)]

Lenders and borrowers should note and inform borrowers that the [interest](#) rate and repayment terms on a Consolidation loan may be affected by adding loans. 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. [A consolidating lender must perform due diligence activities at a loan level, even if the lender establishes an](#)

additional loan servicing record for the add-on portion of the loan. That is, the lender must perform due diligence activities on a single payment due date and amount for the single Consolidation loan that contains multiple loan servicing records. (See [Section 12.4](#) for more information on due diligence requirements.) For portions of the Consolidation loan attributable to HEAL loans, the [variable interest rate](#) is based on the average of the 91-day [Treasury bill](#) rate plus 3%, with no cap.

[HEA §428C(c)(1)(D)]<sup>1</sup>

Some [guarantors](#) require lenders to report the adding of loans to Consolidation loans within specific time frames. These requirements are noted in [Appendix C](#).

## 15.3 The Application Process

Neither the [guarantor](#) nor the lender may charge the borrower a [federal default fee](#) (or [guarantee fee](#)) or [origination fee](#) with the borrower's [application](#) for a Federal Consolidation loan. Federal regulations permit guarantors to charge lenders an administrative fee to cover the costs of increased or extended liability for Consolidation loans. This fee may not exceed \$50 and may not be passed on to the borrower.

[§682.401(b)(12); §682.505(a)]

- ▲ Lenders may contact individual guarantors for further information on applicable fees. See [Section 1.5](#) for contact information.

### 15.3.A Providing Consolidation Loan Information

The lender is encouraged to provide information to prospective Consolidation loan borrowers to help them make informed decisions about consolidation. Lenders may wish to provide the following types of information:

#### *Checklist*

Including a checklist can be helpful in guiding the borrower through the Consolidation loan application process.

<sup>1</sup> Policy 991 (Batch 153), approved November 20, 2008

## Calculating the Weighted-Average Interest Rate

With the exception of any outstanding balance representing a HEAL loan, the outstanding balance of all eligible loans to be consolidated are included in the weighted-average interest rate calculation. A weighted-average interest rate is calculated as follows:

*The following exemplifies a weighted-average interest rate calculation for a loan application received by the lender on or after October 1, 1998:*

[§682.202(a)(4)(iv)]

### Step 1

Multiply the outstanding balance of each loan to be consolidated by that loan's current interest rate. A variable rate loan should be included in the calculation at the rate at which it is currently accruing.

Example: Outstanding loan balances are \$3,500, \$3,200, and \$5,500 respectively—for a total of \$12,200. The current interest rates for the loans are 7%, 5%, and 9%, respectively.

$$\$3,500 \times .07 = \$245$$

$$\$3,200 \times .05 = \$160$$

$$\$5,500 \times .09 = \$495$$

### Step 2

Add the results of all calculations made under *Step 1*. Then divide this sum by the outstanding balance of all loans being consolidated.

Example:  $\$245 + \$160 + \$495 = \$900$   
 $\$900 \div \$12,200 = .07377$  or 7.377%

### Step 3

Round the result of *Step 2* up to the nearest one-eighth of one percent, not to exceed 8.25%.

Example: 7.377% is rounded up to 7.5%

A lender may charge the borrower a rate that is less than the statutory maximum. 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.

[§682.202(a)(5)]

A lender must notify the borrower, at the time a lower interest rate is offered, that the lower-rate interest 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.

## 15.4 Disbursement

The lender may disburse a Consolidation loan upon receiving the borrower's signed [application](#) and [promissory note](#) and completed verification certificates from the [holder\(s\)](#) of all loans to be consolidated. In disbursing the loan, the consolidating lender must pay to each holder of a loan that is being consolidated the outstanding [principal balance](#) plus any accrued unpaid interest, [late charges](#) (as certified on the verification certificate), and [collection costs](#), as applicable.

A 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](#), or the [application receipt date](#), is used to determine its terms and conditions.<sup>1</sup>

<sup>1</sup> Policy 991 (Batch 153), approved November 20, 2008

The first disbursement date for the Consolidation loan, or the application receipt date, establishes the terms and conditions for every loan servicing record established under a single promissory note for the borrower. For loan guarantee purposes, the single Consolidation loan application and promissory note represents a single Consolidation loan. The lender must ensure that all servicing aspects for the multiple portions of the loan remain synchronized. Failure to establish and maintain a single repayment schedule, first and next payment due date, and to consistently apply deferment, forbearance, and loan discharge provisions may result in the loss of the entire loan's guarantee. (See Subsection 14.1.E "Violations and Cures Associated with Unsynchronized Servicing of a Consolidation Loan with Multiple Loan Records.")<sup>1</sup>

Upon receiving sufficient proceeds from the consolidating lender, the holder of each loan being consolidated must promptly apply the proceeds to pay the borrower's obligation in full. If proceeds disbursed by the consolidating lender are not sufficient to pay a loan in full, the holder should contact the consolidating lender to resolve the discrepancy.

The holder of a loan that is paid in full by a Consolidation loan must promptly make the following notifications:

- Notify the consolidating lender that the consolidating funds were received and provide certification that the underlying loan has been paid in full. [§682.209(h)(5)]
- Report the payment in full to at least one appropriate national credit bureau. [§682.208(b)(1)]
- Report to the loan's guarantor that the loan has been paid in full by consolidation. [§682.209(h)(5)]

## 15.5 Repayment

A Federal Consolidation loan enters repayment on the date the loan is disbursed. When establishing the repayment terms for a Consolidation loan, the lender must consider the borrower's financial ability to repay the loan and ensure that the terms meet the requirements described in this section.

[§682.102(e)(5); §682.209(a)(1); §682.209(h)(1)]

Lenders must offer Consolidation loan borrowers the choice of a standard, graduated, income-sensitive or, if applicable, an extended repayment schedule. See Section 10.8 and Subsection 10.6.D for more information on these repayment schedules and minimum payment requirements. [§682.209(a)(6)]

### 15.5.A Establishing the First Payment Due Date

A lender must establish the first payment due date on a Consolidation loan that is no later than:

- 60 days after the date of the last disbursement that pays underlying loans in full. [§682.102(e)(5); §682.209(a)(1); §682.209(h)(1)]
- 60 days after the last day of a deferment or forbearance period, unless the borrower makes a prepayment during this period that advances the due date (see Subsections 10.11.B and 10.11.D). For more information about establishing repayment after a deferment or forbearance period, see Subsections 11.1.I and 11.20.J, respectively. [§682.209(a)(3)(ii)(B)]

A consolidating lender must establish a single payment due date and amount for the single Consolidation loan, even if the lender establishes an additional loan servicing record for the add-on portion of the loan. In addition, a consolidating lender must establish a single repayment schedule with one first payment due date, even if the lender establishes more than a single loan servicing record for the subsidized, unsubsidized, and HEAL portions of the loan. The lender must ensure that all servicing aspects for the multiple portions of the loan remain synchronized.<sup>2</sup>

### 15.5.B Disclosing Repayment Terms

The lender must disclose repayment terms for a Federal Consolidation loan to the borrower at the time the loan is disbursed. For more information on repayment disclosure requirements, see Section 10.7. [§682.205(c)]

If the terms of a borrower's Consolidation loan change due to the addition of a loan(s) within the 180-day add-on period, a lender must disclose new repayment terms to the borrower. A lender may establish a new effective date for a revised payment amount that is no more than 60 days after the last disbursement that paid the add-on loan(s) in full.

<sup>1</sup> Policy 991 (Batch 153), approved November 20, 2008

<sup>2</sup> Policy 991 (Batch 153), approved November 20, 2008

The lender must disclose to the borrower a single payment due date and amount for the single Consolidation loan that contains multiple records.<sup>1</sup>

[§682.102(e)(5)]

A lender may capitalize the sum of **collection costs** assessed by any previous **holders** if the borrower has agreed in writing to have those costs capitalized in the Consolidation loan. A borrower applying to consolidate any **defaulted** loans must agree to the **capitalization** of collection costs to qualify for a Consolidation loan.

[§682.202(g); §682.401(b)(27)]

<sup>1</sup> Policy 991 (Batch 153), approved November 20, 2008

## 15.5.C Maximum Repayment Period

The length of the **repayment period** for a Federal Consolidation loan varies according to the sum of the beginning balance of the Consolidation loan and the amount of the borrower's other education loans. Other education loans are those made to a borrower by an organization under a public or private student loan program exclusively for the purpose of financing the borrower's or a **dependent student's** postsecondary education. For the purposes of determining the borrower's repayment terms, the sum of other education loans may not exceed the amount of the Consolidation loan and may not include non-**Title IV** education loans that are in **default**. The sum of other education loans may include any defaulted Title IV loans for which **satisfactory repayment arrangements** have been made (see **Section 15.2**).

[§682.209(h)]

*The lender is not required to verify the balance of any other education loans that are used to determine the length of the repayment period for a Federal Consolidation loan.*

### Maximum Repayment Periods for Consolidation Loans

Figure 15-2

Sum of Consolidation Loan Balance plus Balances of Other Education Loans	Maximum Repayment Period*
Less than \$7,500	10 years
\$7,500 or more, but less than \$10,000	12 years
\$10,000 or more, but less than \$20,000	15 years
\$20,000 or more, but less than \$40,000**	20 years
\$40,000 or more, but less than \$60,000	25 years
\$60,000 or more	30 years

\*Maximum repayment periods exclude authorized periods of deferment and forbearance. [§682.209(h)(2) and (h)(3)]

\*\*A "new borrower" on or after October 7, 1998, with an outstanding balance of principal and interest in FFELP loans totaling more than \$30,000, may select an extended repayment schedule that allows for a repayment period not to exceed 25 years. [§682.209(a)(6)(ix)]

which the borrower is an affected individual, including a 3-month transition period that immediately follows, will not be considered an interruption in the required service for the borrower to receive loan forgiveness.

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

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

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

## 23. *Collection Activities on Defaulted Loans* (see [34 CFR 682.410](#) and the [07-08 FSA Handbook, Volume 6](#))

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

The provisions that require collection activities on defaulted Title IV loans are waived for the time period during which the borrower is an affected individual. Collection activities may cease upon notification by the borrower, a member of the borrower's family, or another reliable source that the borrower is an affected individual. The loan holder is not required to obtain evidence of the borrower's status as an affected individual. Collection activities must resume after the borrower has notified the loan's holder that he or she is no longer an affected individual, and must include the

3-month transition period that immediately follows. The loan holder must document in the loan file the reason that it suspended collection activities.

## Documentation Requirements

A school, lender, or [guarantor](#) must document the application of a waiver or modification in such a way that it can report to the Department, upon request, the effect of the waivers and modifications.

## H.4.C Higher Education Hurricane Relief Act Waivers

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

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

See Subsection H.4.D for additional waivers pertaining to a student or borrower who is affected by a hurricane or other disaster.

## H.4.D Disaster Waivers

In [DCL GEN-04-04](#) posted on February 24, 2004, the Department issued general guidance for helping Title IV participants affected by a disaster. This guidance supplements the [FSA Handbook](#) and [Disaster Letter 99-28](#), published August, 5, 1999, which provided separate guidance on the treatment of borrowers who have been affected by a disaster.<sup>1</sup>

<sup>1</sup> Policy 1064 (Batch 153), approved November 20, 2008

The Pell Grant Hurricane and Disaster Relief Act (P.L. 109-66) and the Student Grant Hurricane and Disaster Relief Act (P.L. 109-67) authorized the Department to provide a waiver of a student's Title IV grant overpayment if the student withdrew from a school because of a major disaster. On November 9, 2005, the Department issued DCL GEN-05-17, to implement the Title IV grant overpayment waiver.

On June 24, 2008, the Department issued GEN-08-10 to remind Title IV participants that the waivers first published in DCL GEN-04-04 and DCL GEN-05-17 remain in effect.

Unless stated otherwise, this regulatory relief applies to all Title IV recipients and their families who, at the time of a disaster, were residing in, employed in, or attending a school located in a federally-declared disaster area. This relief also applies to schools that are located in such areas. Federally-declared disaster designations are available on the Federal Emergency Management Agency's (FEMA) Website.

A school or lender that deviates from otherwise required actions on the basis of these waivers must document that fact and indicate what alternative procedures were followed.

Schools should consult DCL GEN-04-04 for additional information about waivers that are specific to the Federal Pell Grant, Campus-Based, and Federal Direct Loan Programs.

### **Need Analysis**

A financial aid administrator (FAA) will not count special financial relief aid (for example, grants or low-interest loans) that a victim of a disaster received from the federal government or from a state as estimated financial assistance (EFA) or income for the purpose of calculating a student's expected family contribution (EFC).

### **Professional Judgment**

An FAA may exercise professional judgment to make adjustments to the cost of attendance (COA) or to the values of the items used in calculating the EFC to reflect a student's special circumstances (see Subsections 6.5.D and 6.6.B). The Department encourages an FAA to use professional judgment in order to reflect more accurately the financial need of students and families who are affected by a disaster. The FAA still must make adjustments on a case-by-case basis and clearly document the student's file with the reason(s) for any adjustment.

### **Verification**

A school is not required to complete verification during the award year for Title IV federal student aid applicants selected for verification whose records were lost or destroyed because of a disaster. A school must document when it does not perform verification for this reason.

### **Recordkeeping Requirements for Schools**

A school that is affected by a disaster is required to attempt to reconstruct Title IV federal student aid records that are lost because of the disaster. (See Section 4.5 and the 08-09 FSA Handbook, Volume 2, Chapter 9 for more information about required records that a school must maintain.) However, a school will not be held responsible for records and documentation that, because of disaster damage, cannot be reconstructed. The school must document that the records were lost due to a disaster.

### **Disbursement of FFELP Loan Proceeds**

A lender is not required to disburse FFELP loan proceeds to a school according to the school's original disbursement schedule if the lender has been informed that the school has delayed or will delay opening for a scheduled term, or has ceased operations for an undetermined period of time because the school was affected by a disaster. Such a school should request a revised disbursement date(s), and the lender should await a revised disbursement schedule from the affected school. A loan holder may revise information on the loan period and graduation date on a loan record related to the revised disbursement schedule as the information becomes available from the school. In this case, neither the school nor the lender should require a borrower to reapply for a loan.

### **Credit Balances**

If a Title IV credit balance exists for any reason when a student withdraws, including as a result of the school's policy for refunding institutional charges, that credit balance must first be applied to any Title IV grant overpayment that exists as a result of the student's withdrawal. However, if a school grants a waiver of any Title IV grant overpayment that exists as a result of the student's withdrawal, the school must not apply any Title IV credit balance toward the grant overpayment. See "Grant Overpayment Waiver" below.<sup>1</sup>

<sup>1</sup> Policy 1064 (Batch 153), approved November 20, 2008

### Satisfactory Academic Progress

If a student fails to meet a school's [satisfactory academic progress](#) standards due to a disaster, the school should suspend the satisfactory academic progress standards for that student in accordance with its policies for satisfactory academic progress appeals due to mitigating circumstances. (For more information, see the [2008-09 FSA Handbook, Volume 2, Chapter 10, pp. 2-127 and 2-130](#).) The school must document in the student's file that a disaster constituted the mitigating circumstances that caused the student's failure to maintain satisfactory academic progress.

### Enrollment Reporting

If, as a direct result of a disaster, a school is unable to complete and return its Enrollment Reporting Submittal File to the [National Student Loan Data System \(NSLDS\)](#) according to the school's established schedule, the school must contact the NSLDS Customer Service Center (see [Section D.6](#)) to modify its reporting schedule. A school that uses a servicer to report enrollment information to the NSLDS should contact its servicer to determine whether the school's [enrollment reporting](#) data submission schedule should be adjusted. If a school receives a warning letter from NSLDS regarding missed reporting deadlines, it should contact NSLDS Customer Service to ensure that reporting schedule modifications have been made.

### In-School Period

A Stafford loan borrower who was in an [in-school period](#) on the date the borrower's attendance at a school was interrupted due to a disaster should be continued in an in-school status until such time as the borrower withdraws or re-enrolls in the next regular enrollment period, whichever is earlier. This period of disaster-related nonattendance should not result in a borrower entering or using any of his or her [grace period](#). This guidance does not affect the way a school should report a borrower's enrollment status on its Enrollment Reporting Submittal File (see [Section 9.2](#)).

### Leaves of Absence

A school is not required to collect a written request for an approved [leave of absence](#) from a student who was directly affected by a disaster. A school's documentation of its decision to grant the leave of absence must include the reason for the leave of absence and the reason for waiving the required written request. For more information about the requirements for an approved leave of absence, see [Section 9.3](#).

### Institutional Charges and Refunds

A school is strongly encouraged to provide a full [refund](#) of tuition, fees, and other institutional charges, or to provide a credit in a comparable amount against future charges for a student who withdraws from school as a direct result of a disaster. The Department urges a school to consider providing easy and flexible re-enrollment options to such a student. However, before a school makes a refund of institutional charges, it must perform the required [return of Title IV funds](#) calculation based upon the originally assessed institutional charges (see [Subsection 9.5.A](#)). After determining the amount that the school must return to the Title IV programs, any reduction of institutional charges should take into account the funds that the school is required to return. The Department does not expect that a school would both return funds to the Title IV programs and also provide a refund of those same funds to the student.

### Grant Overpayment Waiver

A withdrawn student is not required to repay a Title IV grant overpayment if the circumstances of the student's withdrawal meet all of the following conditions:

- The student was residing in, employed in, or attending a school that is located in a federally-declared disaster area.
- The student withdrew because of the impact of the disaster on the student or the school.
- The student's withdrawal occurred within the [academic year](#) during which the federal disaster designation occurred or during the next succeeding academic year, beginning with any academic year that occurs, in whole or in part, with the 2005-06 [award year](#).

A school that waives a student's grant overpayment under these conditions is not required to notify the student or the NSLDS of the overpayment, or refer any portion of the overpayment to the Department. In addition, a school must not apply any Title IV credit balance toward the grant overpayment.

In addition to documenting the application of this waiver in the student's file, a school must also document the amount of any overpayment that has been waived.<sup>1</sup>

<sup>1</sup> Policy 1064 (Batch 153), approved November 20, 2008



### **Deferment – In-School**

A loan holder must treat a loan that was in an in-school deferment status on the date disaster conditions interrupted normal operations at a school as if the loan continues in an in-school deferment until such time as the borrower withdraws or re-enrolls at the next regular enrollment period, whichever is earlier. The borrower, a member of the borrower’s family, or another reliable source should notify the loan holder(s) of the borrower’s status. This guidance does not affect the way a school should report a borrower’s enrollment status on its Enrollment Reporting Submittal File (see [Section 9.2](#)).

### **Administrative Forbearance**

A loan holder may grant an administrative forbearance for up to 3 months to a borrower who has been adversely affected by a disaster. See [Subsection 11.21.L](#).

### **Other Regulatory Requirements**

A school that is affected by a disaster should contact the appropriate School Participation Team (see [Section D.1](#)) to address case-by-case concerns about the following regulatory requirements:

- [Credit balances.](#)
- [Notices and authorizations.](#)
- [Borrower request for loan cancellation.](#)
- [Time frames for delivery or return of FFELP funds.](#)
- [Institutional eligibility.](#)
- [Financial responsibility.](#)
- [Administrative capability.](#)
- [Late disbursements.](#)
- [Return of Title IV funds deadlines and time frames, including the time frame for allowing a student, or parent borrower, to respond to the offer of a post-withdrawal disbursement.](#)<sup>1</sup>

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<sup>1</sup> Policy 1064 (Batch 153), approved November 20, 2008