

## Summary of Changes Approved August through September 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 September 18, 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 3: Lender Participation</b>			
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 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
5.11 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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
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
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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 12: Due Diligence in Collecting Loans</b>			
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>Appendix G: Glossary</b>			
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
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

- Court order.
- Marriage certificate.
- W-2 Form.
- Passport.
- Unexpired U.S. military ID.
- U.S. military discharge papers (Form DD214).
- U.S. Certificate of Citizenship (Form N-560 or N-561).
- Alien Registration Card (Form I-551 or I-151).

### 3.5.G NSLDS Reporting

The [National Student Loan Data System \(NSLDS\)](#) is a national ~~data base~~ database of information on [Title IV](#) student aid, including [FFELP](#) loans. The NSLDS was developed to provide ~~current~~ loan-level information on [Title IV aid loans](#) and to provide an integrated view of ~~other Title IV programs in terms of aid approval, disbursements, repayments, delinquencies, and school closings.~~ The overall goals of the NSLDS are to improve the [quality and accessibility of student aid data, reduce the burden of administering Title IV aid, and minimize abuse within the aid programs through accurate tracking of funds awarded to assist the postsecondary students for whom the programs were designed](#) ~~efficiency of the Title IV delivery system and to support research on improving program administration.~~

~~Each quarter, a~~ A lender must report NSLDS data on each FFELP loan it holds to the appropriate [guarantor](#). [A lender is strongly encouraged to report this data on a monthly basis, but must report it at least quarterly. A lender may arrange for a designated servicer to report on its behalf.](#)

A lender [may](#) reports NSLDS data to the guarantor using the NSLDS Lender Manifest, a common report format developed by the [National Council of Higher Education Loan Programs \(NCHELP\)](#). [The lender reporting requirement may also be met through the Common Account Maintenance \(CAM\) process if the guarantor agrees and the lender provides all the required data, including any resubmission that may be necessary as the result of an error. The lender and guarantor may agree to another format, in which case the guarantor may opt to discontinue the NSLDS Lender Manifest reporting](#)

~~requirement.~~ Although ~~this the~~ NSLDS Lender Manifest record layout will be used throughout the program, specific data requirements may vary slightly among guarantors.

Instructions for the NSLDS Lender Manifest provide complete details on lender reporting requirements. A lender will receive reporting instructions from each guarantor represented in its portfolio of FFELP loans. It is critical that the lender review each guarantor's instructions carefully; the required frequency of reporting and requirements for reporting certain fields may vary among guarantors. [[§682.201\(i\)](#); [DCL 95-L-177](#); [NSLDS Technical Update for Lenders and Lender Servicers 2000-01](#)]<sup>1</sup>

### 3.5.H Reporting Loans Paid in Full

A [lender](#) must report promptly to the [guarantor](#) each loan that is paid in full, including the date that the loan was paid in full. The transaction must be reported on the appropriate guarantor form or by an equivalent tape or electronic exchange. If the lender wants to report a loan that has been paid in full using its own form or listing, the format must contain all data elements required by the guarantor.

If a loan is paid in full as a result of the [borrower](#) obtaining a Consolidation loan, the lender must note this in its reporting and provide the date on which the loan was paid in full by consolidation. A guarantor must differentiate between loans paid in full by consolidation and those paid in full by another source (such as borrower payments) in its [National Student Loan Data System \(NSLDS\)](#) reporting. The guarantor relies on the lender's report to ensure the accuracy of this distinction.

When a loan is paid in full by the borrower or another source, the lender must notify the borrower that the loan is paid in full. The lender must report the paid-in-full status to at least one credit bureau, as required in [Subsection 3.5.C](#).

<sup>1</sup> Policy 1050 (Batch 151), approved September 18, 2008

## Prior Default

~~A prospective Stafford or PLUS loan borrower is ineligible for a FFELP loan if he or she, or the student for whom a parent borrower is seeking a PLUS loan, has an outstanding, unresolved default on any Title IV loan (a FFELP loan, FDLP loan, Federal Perkins loan, or Federal Insured Student Loan) obtained for attendance at any school. 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 in one of the ways described below. However, a parent's unresolved default on a Title IV loan does not adversely impact a dependent student's eligibility for Title IV aid, except that a school must not certify a parent PLUS loan for the defaulted parent borrower.~~  
[\[08-09 FSA Handbook, Volume 1, Chapter 3, pp. 1-47 to 1-48 and Chapter 7, p. 1-74\]](#)

In determining whether the student or parent borrower has ever defaulted on any Title IV loan, a school may rely on the information provided by the ~~student or parent~~ borrower during the loan process and on NSLDS financial aid history information unless the school receives conflicting information. The school must reconcile all conflicting information before delivering any Title IV funds to a borrower who has an unresolved default on a Title IV loan, and must retain documentation that clearly substantiates its determination that the ~~student or parent~~ borrower's prior default was resolved. Documentation stating that the reporting entity has "no record" of the ~~student or parent~~ borrower's default is not considered adequate.  
[\[§668.19; DCL GEN-96-13; DPL GEN-00-12; DPL GEN-00-18\]](#)

A ~~student or parent~~ borrower who has defaulted on any Title IV loan is eligible for a new FFELP loan only if each defaulted loan has been resolved. A defaulted FFELP loan may be resolved in one of the following ways:

- The defaulted loan ~~has been~~ is paid in full.  
[\[§668.35\(a\)\(1\)\]](#)
- The defaulted loan ~~has been~~ is discharged or determined to be dischargeable in a **bankruptcy** action.  
[\[§668.35\(h\)\]](#)
- The borrower's eligibility for Title IV funds ~~has been~~ is reinstated as a result of the borrower making satisfactory repayment arrangements with the loan holder (see "Reinstatement of Title IV Eligibility after Default" later in this subsection).  
[\[§668.35\(a\)\(2\)\]](#)

- The defaulted loan ~~has been~~ is rehabilitated as a result of the borrower making nine voluntary, on-time, full monthly payments of a reasonable and affordable amount, during a period of 10 consecutive months, and each loan ~~has been~~ is purchased by a lender. For more information on loan **rehabilitation**, see [Section 13.7](#).  
[\[HEA §428F\(a\)\(1\)\(A\); §682.405\(a\)\(2\)\]](#)
- The defaulted loan ~~has been~~ is discharged because the student for whom the Stafford or PLUS loan was obtained was unable to complete the **program of study** due to the school's closing.  
[\[§682.402\(d\)\]](#)
- The defaulted loan ~~has been~~ is discharged ~~by the Department~~ because the borrower's eligibility for the loan was falsely certified by the school.  
[\[§682.402\(e\)\]](#)
- The borrower ~~has been~~ makes satisfactory repayment arrangements on the defaulted loan and ~~consolidated~~ consolidates that loan, or the borrower ~~has agreed~~ agrees to repay a Consolidation loan under an **income-sensitive repayment schedule**. For more information on consolidating defaulted loans, see [Section 15.2](#).  
[\[§682.201\(c\)\(1\)\]<sup>1</sup>](#)

Some guarantors have additional eligibility requirements and restrictions on Consolidation loans. These requirements are noted in [Appendix C](#).

### Reinstatement of Title IV Eligibility after Default

A borrower with one or more defaulted **Title IV** loans, or defaulted Title IV loans for which a judgment has been obtained, may have his or her eligibility for Title IV aid reinstated by requesting **reinstatement** and making satisfactory repayment arrangements, and fulfilling those arrangements with the **holder** of each defaulted loan or with the holder of each defaulted loan for which a judgment has been obtained.  
[\[§668.35\(a\) and \(b\); §682.401\(b\)\(4\)\]](#)

A borrower who receives loan funds for which he or she is ineligible due solely to his or her error may not have Title IV eligibility reinstated until the ineligible funds are repaid in full.  
[\[§682.412\]](#)

To have eligibility for Title IV aid reinstated, a borrower must make six consecutive full monthly payments to the appropriate holder for each defaulted loan. These payments

<sup>1</sup> Policy 1056 (Batch 151), approved September 18, 2008

certification or recertification course that uses direct assessment rather than credit hours or clock hours to measure student progress.

The school must develop a process to identify the student as pursuing teacher certification or recertification (e.g., collect a written statement from the student or have a special classification assigned by the school), and must document that the courses are required by the state for teacher certification or recertification. A student who is enrolled in a teacher-certification or recertification program is considered a fifth-year **undergraduate student** (see [Section 6.11](#) for applicable loan limits).

[HEA §484(b)(4); §668.2; §668.32(a)(1)(iii); 07-08 FSA Handbook, Volume 1, Chapter 1, p. 1-5]

For more information about defining a student's enrollment status, see [Section 6.9](#).<sup>1</sup>

## 5.12 Use of Telecommunications and Correspondence in Programs of Study

A student's enrollment in **telecommunications** or **correspondence** courses can affect his or her eligibility for Stafford loans and **Grad PLUS** loans, and a parent's eligibility for **parent PLUS** loans.

### 5.12.A Telecommunications Program of Study

An otherwise **eligible student** enrolled in a **program of study** offered in whole or in part through **telecommunications** is eligible for Title IV aid if each of the following applies:

- The program leads to a recognized certificate, or to an associate, bachelor's, or graduate degree. [HEA §484(l)(1); DCL GEN-06-05]
- The school providing the program has been evaluated by an **accrediting agency** recognized by the Department as having the evaluation of distance education programs within its scope of recognition. The accrediting agency must determine that the school has the capability to effectively deliver distance education programs. Beginning July 1, 2006, the Department provides an 18-month waiver of the distance education evaluation component. The waiver

applies to certain distance education programs that were offered as of July 1, 2006, but for which the Department did not recognize the accrediting agency as having the evaluation of distance education programs within its scope of recognition.

[HEA §481(b)(3); §668.8(m); DCL GEN-06-05; GEN-06-17]

If a **foreign school** offers a program of study that includes even a single **telecommunications course**, that program of study is ineligible for Title IV aid. Telecommunications technologies may be used in the foreign school classroom to supplement and support instruction offered as part of an otherwise eligible program, as long as the student and instructor are physically present in the classroom.

[§600.51(d)(4); §668.8(m); DCL GEN-06-11]

### 5.12.B Correspondence Program of Study

An otherwise eligible student enrolled in a **correspondence** course is eligible to receive Title IV program assistance only if the student is enrolled in a program of study that leads to an associate, bachelor's, or graduate degree. [§668.38(a)]

A school is not eligible to participate in the Title IV programs if, during its most recently completed **award year**, either of the following conditions applies:

- More than 50% of the school's courses were correspondence courses. This limitation does not apply to a school that mainly provides vocational adult education or job training defined under section 521(4)(C) of the **Carl D. Perkins Vocational and Applied Technology Education Act**.
- 50% or more of the school's regularly enrolled students were enrolled in correspondence courses. [07-08 FSA Handbook, Volume 2, Chapter 1, pp. 2-8 to 2-11]

### 5.13 Foreign Schools and Study-Abroad Programs

Students who participate in programs of study at foreign schools or in study-abroad programs sponsored by a home school that is in the United States are eligible for FFELP loan funds in certain cases.

<sup>1</sup> Policy 1051 (Batch 151), approved September 18, 2008

the dependency questions on the FAFSA.

[07-08 FSA Handbook, Application and Verification Guide, Chapter 5, p. AVG-97]

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

[07-08 FSA Handbook, Application and Verification Guide, Chapter 2, p. AVG-29]

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

[07-08 FSA Handbook, Application and Verification Guide, Chapter 5, p. AVG-97]

## 6.9 Defining Enrollment Status

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

Non-credit or reduced-credit remedial courses must be included in the determination of the student's enrollment status if the student qualifies for Title IV aid for those courses. A student's enrollment status may affect the student's [cost of attendance \(COA\)](#), and, therefore, the amount of loan funds the school may certify.

[§668.2(b); 07-08 FSA Handbook, Volume 1, Chapter 1, p. 1-11; 08-09 FSA Handbook, Volume 1, Chapter 1, pp. 1-11 and 1-12]

### Undergraduate Students

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

- 12 semester or quarter hours per academic term, for a program that measures in which academic progress is measured in semester, trimester, or quarter hours and uses standard terms (i.e., semesters, trimesters, or quarters).

- ~~24 semester or 36 quarter hours per 30-week academic year, for a program in which academic progress is measured in credit hours without using a semester, trimester, or quarter system. In this case, a week is any period of 7 consecutive days in which the school provides for at least one day of regularly scheduled instruction, examinations, or preparation for final examinations. Any time frame allotted to such preparation for final examinations must be after the last scheduled day of classes for the term or payment period.~~

- For a nonstandard term-based credit-hour program, the product of:

$$\frac{\text{number of weeks of instructional time in the term}}{\text{number of weeks of instructional time in the program's academic year}} \times \frac{\text{number of credit hours in the program's academic year}}{\text{number of credit hours in the program's academic year}}$$

- 24 semester or 36 quarter hours over the weeks of instructional time in the academic year, for a non-term based credit-hour program, or the prorated equivalent if the program is less than an academic year in length. In this case, a week is any period of 7 consecutive days in which the school provides for at least one day of regularly scheduled instruction, examinations, or preparation for final examinations. Any time frame allotted to such preparation for final examinations must be after the last scheduled day of classes for the term or payment period.
- 24 [clock hours](#) per week of instructional time, for a program that measures in which academic progress is measured in clock hours.
- A series of courses or seminars that equals 12 semester hours or 12 quarter hours in a maximum of 18 weeks.
- The work portion of a cooperative education program in which the amount of work performed is equal to the academic workload of a [full-time student](#).
- ~~In an educational program using both credit and clock hours, any combination of credit and clock hours in which the sum of the following fractions is equal to or greater than one:<sup>1</sup>~~

<sup>1</sup> Policy 1051 (Batch 151), approved September 18, 2008

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

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

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

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

The school's definition of half-time enrollment for an undergraduate program must include at least half of the academic workload of the applicable regulatory minimum full-time enrollment standard for that program, as outlined above.

[§668.2(b)]<sup>1</sup>

### Graduate or Professional Students

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

[§668.2(b)]

### Students Enrolled in a Correspondence Program or Coursework

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

[§668.2(b); 07-08 FSA Handbook, Volume 3, Chapter 3, p. 3-50]

A student who is enrolled in a non-correspondence study program and combines correspondence coursework with regular coursework may be considered full-time. For a graduate or professional student, a school must define full-

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

[§668.2(b)]

## 6.10 Determining the Student's Grade Level

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

### Undergraduate Students

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

[§668.3(a)(2)]

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

<sup>1</sup> Policy 1051 (Batch 151), approved September 18, 2008



## Graduate and Professional Students

A graduate or professional student's grade level is advanced according to the school's academic standards for the program of study in which the student is enrolled.

### 6.11 Loan Limits

Based on all information available, a school is responsible for certifying a loan amount that ensures a borrower does not receive a loan in excess of the Stafford **annual or aggregate loan limits**. A PLUS loan may not exceed the **cost of attendance (COA) minus the student's estimated financial assistance (EFA) for the loan period**. There is no annual or aggregate loan limit for a PLUS loan.

[§682.506(a); §682.603(e)(2)(i); DCL GEN-92-21; 07-08 FSA Handbook, Volume 3, Chapter 5, pp. 3-78 and 3-90]

For more information on **Stafford annual and aggregate loan limits**, schools should refer to **Subsections 6.11.A and 6.11.B, Figure 6-4**, and the guidelines issued by the Department in the **07-08 FSA Handbook, Volume 3, Chapter 5, pp. 3-77 to 3-87**.<sup>1</sup>

#### 6.11.A Stafford Annual Loan Limits

The amount of Stafford loan funds that a student may borrow for each **academic year**—the **annual loan limit**—is based on whether the student is **enrolled** in an undergraduate, graduate, or professional **program of study**. For an **undergraduate student**, the annual loan limit varies according to several factors:

- The student's dependency status, as defined in **Section 6.8**.
- For a dependent student, the student's enrollment in **undergraduate or graduate preparatory coursework, or teacher certification or recertification coursework** (see **Figure 6-4**).  
[DCL GEN-08-08]<sup>2</sup>
- The year of study in which the student is enrolled (first, second, third, fourth, or subsequent year).
- The length of the undergraduate program of study, regardless of how long it takes the student to complete the program.

- The length of the student's program or final **period of enrollment**, expressed as a proportion of the school's academic year.  
[§682.204(i)]

A Stafford annual loan limit does not include the amount of **capitalized interest** or any **collection costs** that may have been added to the **principal balance** of the borrower's prior loans. When determining the borrower's Stafford loan eligibility, the **financial aid administrator (FAA)** may assume that all outstanding principal balances include only the balance of original principal. However, the school must secure and retain documentation of the capitalized amount included in any reported loan balances if the school's **certification** of a new loan would otherwise cause the borrower to exceed his or her annual limit.

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

#### Undergraduate Students

The Stafford annual and aggregate loan limits for undergraduate students are detailed in **Figure 6-4**.

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

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

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

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

<sup>1</sup> Policy 1057 (Batch 151), approved September 18, 2008

<sup>2</sup> Policy 1052 (Batch 151), approved September 18, 2008

- A student who is enrolled in an undergraduate program that is one academic year or less in length is eligible for Stafford loan funds not to exceed the annual loan limits applicable to first-year undergraduate students, regardless of the actual length of time it takes the student to complete the program.  
[§682.204(a)(1), (a)(8), (d)(1) and (7)]
- A student who is enrolled in an undergraduate program that is more than one academic year in length and has successfully completed the first year in that program but has not successfully completed the second year of the program is eligible for Stafford loan funds not to exceed the annual loan limits applicable to second-year undergraduate students, regardless of the actual length of time it takes the student to complete the second academic year of the program.  
[§682.204(a)(2), (a)(9)(ii), (d)(2) and (8)(ii)]
- A student who has an associate degree or bachelor's degree that is required for admission into a program and who is not a [graduate or professional student](#) is eligible for Stafford loan funds not to exceed the [annual loan limits](#) applicable to ~~third, fourth, and fifth year~~ [third-year and beyond](#) undergraduate students. In this case, in order to determine the student's [grade level](#) and the applicable annual loan limit, the school may consider the number of years the student completed in the required degree program.  
[§682.204(a)(3), (a)(4), and (d)(4)]
- In a standard term-based program, a student who experiences a grade level change within the academic year becomes eligible for the Stafford annual loan limits that are applicable to the new grade level, minus any loan funds already received for that academic year. In a nonstandard term-based or non-term-based credit-hour program, or [clock-hour](#) program, the school may not certify the higher loan limit associated with the next grade level until the student completes both the minimum number of weeks and the minimum number of credit or clock hours in the program's defined academic year.
- A student who transfers from one [program of study](#) to another at the same school or a different school within an academic year is eligible for Stafford loan funds not to exceed the annual loan limits applicable to the student's grade level in the student's new program of study (even if that student is at a lower grade level in the new program or has previously obtained an undergraduate degree in a different program), as

determined by the school, minus any outstanding loan funds received in the prior program for the current academic year.

*Exception:* When a student transfers from a graduate program to an undergraduate program within an academic year, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher (graduate/professional) annual loan limit. See [Section 6.1](#) for detailed information about defining an academic year and calculating Stafford annual loan limits for a student who transfers.

[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88]

- A student who transfers to a standard term-based credit-hour program at the same school or a different school within an academic year and receives the remaining annual loan limit from the initial academic year for attendance in the new program is eligible to receive an additional Stafford loan in a subsequent term(s) that begins within the initial academic year of the new program, but after the end of the academic year in the prior program. In this case, the student is eligible to receive the annual loan limit applicable to the student's grade level minus the outstanding loan amount the student has already received in that academic year in the new program. See [Section 6.1](#) for detailed information about defining an academic year and calculating Stafford annual loan amounts for a student who transfers. See [Section 6.10](#) for information about determining a student's grade level.  
[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88]
- A [dependent student](#) who is enrolled as a regular student in an eligible undergraduate degree or certificate program and whose parent has *not* been determined to be unable to obtain a PLUS loan is eligible to borrow up to the base Stafford annual loan limit applicable to the student's current grade level plus an additional \$2,000 in unsubsidized Stafford loan funds (see [Figure 6-4](#)). Such a student who is enrolled in preparatory coursework necessary for the student to enroll in an undergraduate or graduate program, or teacher certification or recertification coursework, is eligible to borrow only the base Stafford annual loan limit (see the following three bullets).  
[\[HEA §428H\(d\)\(3\)\(A\); DCL GEN-08-08\]](#)<sup>1</sup>

<sup>1</sup> Policy 1052 (Batch 151), approved September 18, 2008

- A student who has a bachelor's degree and is enrolled or accepted for enrollment in coursework necessary for a professional credential or certification from a state that is required for employment as a teacher in an elementary or secondary school in that state is eligible to borrow the following:

- = For a ~~A-dependent student, who has a bachelor's degree and is enrolled or accepted for enrollment in coursework necessary for a professional credential or certification from a state that is required for employment as a teacher in an elementary or secondary school in that state is eligible to borrow~~ the base Stafford annual loan limit of up to \$5,500.
- = For an ~~An-independent student, or a dependent student whose parent is not eligible for~~ unable to obtain a PLUS loan (because the parent has adverse credit or other exceptional circumstances that are documented by the FAA), is eligible to borrow a the combined subsidized and unsubsidized Stafford annual loan limit of up to \$12,500. Of the total amount borrowed for the year, no more than \$5,500 may consist of subsidized Stafford loan funds (see Figure 6-4).

The loan limits for this category of student are not prorated.

[HEA §428H(d)(2)(A)(ii); §682.204(a)(7) and (d)(6)(iii); DCL GEN-08-08]

- A student who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in an undergraduate program is eligible to borrow the following:
- = For a ~~A-dependent student, who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in an undergraduate program is eligible to borrow~~ the base Stafford annual loan limit of up to \$2,625.
- = For an ~~An-independent student, or a dependent student whose parent is not eligible for~~ unable to obtain a PLUS loan (because the parent has adverse credit or other exceptional circumstances that are documented by the FAA), is eligible to borrow a the combined subsidized and unsubsidized Stafford annual loan limit of up to

~~\$6,625~~ \$8,625. Of the total amount borrowed for the year, no more than \$2,625 may consist of subsidized Stafford loan funds (see Figure 6-4).

A student is eligible for loans for one period of 12 consecutive months beginning on the first day of the **loan period** for which the student is enrolled. The loan limits for this category of student are not prorated ~~if the coursework is less than an academic year.~~

[HEA §428H(d)(4)(A)(iii); §682.204(a)(6)(i) and (d)(6)(i); 07-08 FSA Handbook, Volume 3, Chapter 4, p. 3-94; DCL GEN-08-08]

- A student who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in a graduate or professional program is eligible to borrow the following:
- = For a ~~A-dependent student, who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in a graduate or professional program is eligible to borrow~~ the base Stafford annual loan limit of up to \$5,500.
- = For an ~~An-independent student, or a dependent student whose parent is not eligible for~~ unable to obtain a PLUS loan (because the parent has adverse credit or other exceptional circumstances that are documented by the FAA), is eligible to borrow a the combined subsidized and unsubsidized Stafford annual loan limit of up to \$12,500. Of the total amount borrowed for the year, no more than \$5,500 may consist of subsidized Stafford loan funds (see Figure 6-4).

Preparatory coursework required for admission into a graduate or professional program may be taken at a school that is not generally permitted to certify loans at the fifth-year undergraduate loan level. A student is eligible for loans for one period of 12 consecutive months beginning on the first day of the **loan period** for which the student is **enrolled**. The loan limits for this category of student are not prorated.

[HEA §428H(d)(2)(A)(ii); §682.204(a)(6)(ii) and (d)(6)(ii); DCL GEN-98-2; DCL GEN-08-08]<sup>1</sup>

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

<sup>1</sup> Policy 1052 (Batch 151), approved September 18, 2008

receive based on the length of the program.  
[§682.204(a) through (d); DCL GEN-98-2; 07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88]

### Graduate and Professional Students

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

Stafford loan funds. If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire \$20,500 Stafford annual loan limit in unsubsidized Stafford loan funds.

[§682.204(a)(5) and (d)(5)]

Exception: Increased unsubsidized Stafford annual loan limits are authorized for certain health profession students (see **Subsection 6.11.D**).

## Stafford Undergraduate Annual and Aggregate Loan Limits for Undergraduate Students

Figure 6-4

	Length of Program or Final Period of Enrollment		
	Program of study of at least a full academic year in length	One-year program of study with less than a full academic year remaining	Program of study of less than one academic year
<b>Preparatory Coursework for Undergraduate Program</b>			
Base Stafford eligibility (subsidized and unsubsidized)	\$2,625	N/A	N/A
<u>Additional unsubsidized Stafford eligibility (dependent student, excluding a student whose parent is unable to obtain a PLUS loan)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>Additional unsubsidized Stafford eligibility (independent student or dependent student whose parent is unable to obtain a PLUS loan)</u>	<u>\$4,000-\$6,000</u>	N/A	N/A
<b>First-Year Undergraduates</b>			
Base Stafford eligibility (subsidized and unsubsidized)	\$3,500	Proportional Proration Calculation #1	Proportional Proration Calculation #2
<u>Additional unsubsidized Stafford eligibility (dependent student, excluding a student whose parent is unable to obtain a PLUS loan)</u>	<u>\$2,000</u>	<u>Proportional Proration Calculation #1</u>	<u>Proportional Proration Calculation #2</u>
<u>Additional unsubsidized Stafford eligibility (independent student or dependent student whose parent is unable to obtain a PLUS loan)</u>	<u>\$4,000-\$6,000</u>	Proportional Proration Calculation #1	Proportional Proration Calculation #2
<b>Second-Year Undergraduates</b>			
Base Stafford eligibility (subsidized and unsubsidized)	\$4,500	Proportional Proration Calculation #1	
<u>Additional unsubsidized Stafford eligibility (dependent student, excluding a student whose parent is unable to obtain a PLUS loan)</u>	<u>\$2,000</u>	<u>Proportional Proration Calculation #1</u>	
<u>Additional unsubsidized Stafford eligibility (independent student or dependent student whose parent is unable to obtain a PLUS loan)</u>	<u>\$4,000-\$6,000*</u>	Proportional Proration Calculation #1	

\* Policy 1052 (Batch 151), approved September 18, 2008

**Third-, Fourth-, and Fifth-Year Third-Year and Beyond Undergraduates**

Base Stafford eligibility (subsidized and unsubsidized)	\$5,500	Proportional Proration Calculation #1
<u>Additional unsubsidized Stafford eligibility (dependent student, excluding a student whose parent is unable to obtain a PLUS loan)</u>	<u>\$2,000</u>	<u>Proportional Proration Calculation #1</u>
<u>Additional unsubsidized Stafford eligibility (independent student or dependent student whose parent is unable to obtain a PLUS loan)</u>	<u>\$5,000-\$7,000</u>	<u>Proportional Proration Calculation #1</u>

**Teacher Certification or Preparatory Coursework for Graduate or Professional Program**

Base Stafford eligibility (subsidized and unsubsidized)	\$5,500	<del>N/A</del> <u>Proportional Proration Calculation #1</u>
<u>Additional unsubsidized Stafford eligibility (dependent student, excluding a student whose parent is unable to obtain a PLUS loan)</u>	<u>N/A</u>	<u>N/A</u>
<u>Additional unsubsidized Stafford eligibility (independent student or dependent student whose parent is unable to obtain a PLUS loan)</u>	<u>\$7,000</u>	<u>N/A</u>

**Proportional Proration Calculation #1**

Multiply the following ratio by the applicable Stafford annual loan limit for a full academic year:

$$\frac{\text{Number of semester, trimester, quarter, or clock hours enrolled}}{\text{Number of semester, trimester, quarter, or clock hours in academic year}}$$

[§682.204(a)(ii) and (d)(ii)]

**Proportional Proration Calculation #2**

Multiply the lesser of the following ratios by \$3,500 for base Stafford annual loan limit and by \$2,000 (for a dependent student) or ~~\$4,000~~ \$6,000 (for an independent student or a dependent student whose parent is unable to obtain a PLUS loan) for additional unsubsidized Stafford annual loan limit:

$$\frac{\text{Number of semester, trimester, quarter, or clock hours enrolled}}{\text{Number of semester, trimester, quarter, or clock hours in academic year}}$$

or

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

[§682.204(a)(iii) and (d)(iii)]

**Dependent Undergraduate Students**

The total amount of subsidized and unsubsidized Stafford loans made for any academic year to a dependent undergraduate student enrolled in undergraduate or graduate preparatory coursework, or teacher certification coursework, for any academic year may not exceed the “base Stafford eligibility” specified above for that student’s grade level. The total amount of subsidized and unsubsidized Stafford loans made for any academic year to a dependent, first-year and beyond undergraduate student may not exceed the “base Stafford eligibility” specified above for that student’s grade level plus an “additional unsubsidized Stafford eligibility” amount of \$2,000. A dependent undergraduate student’s unpaid principal amount of subsidized and unsubsidized Stafford loans (including all Direct Stafford loans received or any portion of an outstanding Consolidation loan that paid in full a Stafford or Direct Stafford loan) may not exceed ~~\$23,000~~ \$31,000. Of the total amount borrowed, no more than \$23,000 may consist of subsidized Stafford loan funds.

[HEA §428(b)(1)(B)(i); HEA §428H(d)(3); §682.204(b)(1) and (c)(1); DCL GEN-08-08]

If a dependent undergraduate student’s parent is unable to obtain a PLUS loan (because the parent has adverse credit or other exceptional circumstances exist that are documented by the FAA), the total amount of subsidized and unsubsidized Stafford loans for any academic year may not exceed the “base Stafford eligibility” plus the “additional unsubsidized Stafford eligibility” specified above for that student’s grade level. Only one

parent need be unable to obtain a PLUS loan for the student to be eligible for the additional loan funds. See [Subsection 6.15.D](#) for more information. [HEA §428H(d)(4)(A); §682.204(d); DCL GEN-08-08]

The student’s aggregate unpaid principal amount of all Stafford loans (including all ~~SLS loans and~~ Direct Stafford loans received or any portion of any outstanding Consolidation loan that paid in full a Stafford, SLS, or Direct Stafford loan) may not exceed ~~\$46,000~~ \$57,500 for undergraduate study, ~~with subsidized Stafford loans comprising no more than \$23,000 of the total limit. See Section 6.11 for more information. Of the total amount borrowed, no more than \$23,000 may consist of subsidized Stafford loan funds.~~ [HEA §428(b)(1)(B)(ii); HEA §428H(d)(4)(B); §682.204(b)(1) and (e)(1); DCL GEN-08-08]

**Independent Undergraduate Students**

The total amount of subsidized and unsubsidized Stafford loans for any academic year may not exceed the “base Stafford eligibility” plus the “additional unsubsidized Stafford eligibility” specified above for that student’s grade level. An independent undergraduate student’s unpaid principal amount of all Stafford loans (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that paid in full a Stafford, SLS, or Direct Stafford loan) may not exceed ~~\$46,000~~ \$57,500 for undergraduate study, ~~with subsidized Stafford loans comprising no more than \$23,000 of the total limit. See Section 6.11 for more information. Of the total amount borrowed, no more than \$23,000 may consist of subsidized Stafford loan funds.~~ [HEA §428(d)(4); HEA §428H(d)(4)(B); §682.204(b)(1) and (e)(1); DCL GEN-08-08]<sup>1</sup>

<sup>1</sup> Policy 1052 (Batch 151), approved September 18, 2008

## 6.11.B Stafford Aggregate Loan Limits

In determining the student's eligibility for loans in the current year, the school must also consider the outstanding loans the student has previously borrowed. The school may not certify a loan amount that would cause the student to exceed applicable [aggregate loan limits](#).

[§682.204(e)]

A Stafford aggregate loan limit does not include the amount of [capitalized interest](#) or any [collection costs](#) that may have been added to the [principal balance](#) of the borrower's prior loans. When determining the borrower's Stafford loan eligibility, the [financial aid administrator \(FAA\)](#) may assume that all outstanding principal balances include only the balance of original principal. However, the school must secure and retain documentation of the capitalized amount included in any reported loan balances if the school's [certification](#) of a new loan would otherwise cause the borrower to exceed his or her aggregate limit.

A Stafford [aggregate loan limit](#) also does not include the amount of any PLUS loan borrowed by the student or his or her parents. A [borrower](#) who has reached the ~~FFELP~~ [Stafford aggregate loan limit](#) and whose principal is paid in part through [refunds](#), returned funds, [prepayments](#), payments, [cancellations](#), [discharge](#), or other reductions in principal regains eligibility up to the lesser of the applicable [annual loan limit](#) or the aggregate amount.

A Stafford aggregate loan limit must also include:

- The portion of any outstanding Consolidation loan made under the FFELP or [FDLP](#) that was derived from a Stafford or SLS loan included in the consolidation. See [Subsection 6.11.G](#) for more information. [§682.204(j)]
- The amount of any outstanding Direct Stafford loan made under the [FDLP](#). [§682.204(e)]

The amount that a student borrows while [enrolled](#) as a [graduate or professional student](#) does not count toward the student's undergraduate Stafford [aggregate loan limit](#). However, the loans borrowed for graduate or professional study must be included in determining if the student has exceeded the combined Stafford aggregate loan limit of \$138,500. Subsidized Stafford loans for undergraduate and graduate or professional study may comprise no more than \$65,500 of the combined Stafford aggregate loan limit. [07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-96]

In determining the appropriate Stafford [aggregate loan limit](#) for an independent [undergraduate student](#) borrower, a [dependent student](#) borrower whose [parent](#) is unable to obtain a PLUS loan, or a [graduate or professional student](#) borrower, schools and lenders must adhere to the following additional parameters:

- An [eligible student](#) may continue to borrow until he or she reaches the aggregate loan limits for subsidized and unsubsidized loans, regardless of the "base" or "additional" [unsubsidized loan](#) amounts borrowed.
- If a student's status changes from independent to dependent or if the student's parent is initially unable to obtain a PLUS loan but is later determined eligible, special calculations are required to determine the student borrower's remaining loan eligibility. In these cases, the school must calculate the remaining aggregate loan eligibility by totaling only those portions of loans previously received that represent base loan amounts. Any additional unsubsidized loan amounts received when the borrower was an [independent student](#), or when his or her parent was unable to obtain a PLUS loan, are *not* to be included in the loan limit calculations.

### Undergraduate Students

A dependent undergraduate student borrower is eligible to borrow up to a combined subsidized and unsubsidized base Stafford aggregate loan amount limit of up to \$23,000-\$31,000 (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans). Of the total amount borrowed, no more than \$23,000 may consist of subsidized Stafford loan funds. If a student-borrower is ineligible for subsidized Stafford loan funds, the student-he or she may borrow up to the entire \$23,000-\$31,000 Stafford aggregate loan limit in unsubsidized Stafford loan funds. If the borrower has not reached the \$31,000 limit, the borrower may be eligible for the Stafford annual loan limit applicable to his or her current grade level. To calculate the borrower's remaining Stafford aggregate loan eligibility, subtract the subsidized and unsubsidized Stafford loan amounts the borrower has received from the combined Stafford aggregate loan limit of \$31,000. [\[HEA §428\(b\)\(1\)\(B\)\(i\); §428H\(d\)\(3\)\(B\); DCL GEN-08-08\]](#)<sup>1</sup>

<sup>1</sup>. Policy 1052 (Batch 151), approved September 18, 2008

An independent undergraduate student borrower or a dependent student borrower whose parent is unable to obtain a PLUS loan (because the parent has adverse credit or other exceptional circumstances that are documented by the FAA) is eligible to borrow up to a combined subsidized and unsubsidized Stafford aggregate loan amount limit of up to \$46,000-\$57,500 (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans). Of the total amount borrowed, Subsidized Stafford loans may comprise no more than \$23,000 may consist of subsidized Stafford loan funds of the total amount borrowed. If a student-borrower is ineligible for subsidized Stafford loan funds, the student-he or she may borrow up to the entire \$46,000-\$57,500 Stafford aggregate loan limit in unsubsidized Stafford loan funds. If the borrower has not reached the \$46,000-\$57,500 limit, the borrower may qualify be eligible for the Stafford annual loan amount limit applicable to his or her current grade level. To calculate the borrower's remaining Stafford aggregate loan eligibility, subtract the subsidized and unsubsidized Stafford loan amounts the borrower has received from the combined Stafford aggregate loan limit of \$46,000 \$57,500. [HEA §428(b)(1)(B)(ii); HEA §428H(d)(4)(B); DCL GEN-97-3; DCL GEN-08-08; 07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-96]<sup>1</sup>

### Graduate and Professional Students

A graduate or professional student is eligible to borrow a combined subsidized and unsubsidized Stafford aggregate loan amount of up to \$138,500 (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans). Subsidized Stafford loans may comprise no more than \$65,500 of the total amount borrowed. If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire \$138,500 Stafford aggregate loan limit in unsubsidized Stafford loan funds.

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

### 6.11.C PLUS Loans for Graduate and Professional Students

A graduate or professional student is eligible to borrow [Grad PLUS loan](#) funds not to exceed his or her the cost of attendance (COA) minus the student's estimated financial assistance (EFA) for the loan period. There is no annual or

[aggregate loan limit for a Grad PLUS loan](#). A graduate or professional PLUS loan borrower must meet the student eligibility criteria set forth in [Subsections 5.1.A and 5.1.B](#) and the graduate or professional PLUS loan borrower eligibility criteria set forth in [Subsection 5.1.C](#). [[§682.204\(h\)](#); [DCL GEN-92-21](#); [07-08 FSA Handbook, Volume 3, Chapter 5, pp. 3-78 and 3-90](#)]<sup>2</sup>

### 6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students

In some cases, the school may certify loan amounts that exceed the standard annual and aggregate loan limits. These instances are limited to loans for certain health profession students who may be eligible to borrow increased unsubsidized Stafford loan limits that exceed the annual and aggregate limits listed in [Subsections 6.11.A and 6.11.B](#).

[[DCL GEN-99-21](#); [07-08 FSA Handbook, Volume 3, Chapter 5, pp. 3-103 to 3-104](#)]

#### School Eligibility

For loan periods beginning on or after May 1, 1999, schools offering eligible health profession programs are eligible to award the increased unsubsidized Stafford loan limits to students enrolled in those programs, regardless of the school's past participation in the HEAL Program. Foreign schools are not eligible to award the increased unsubsidized Stafford loan limits.

Eligible health profession programs include:

- Allopathic medicine programs accredited by the Liaison Committee on Medical Education.
- Osteopathic medicine programs accredited by the American Osteopathic Association, Bureau of Professional Education.
- Dentistry programs accredited by the American Dental Association, Commission on Dental Accreditation.
- Veterinary medicine programs accredited by the American Veterinary Medical Association, Council on Education.
- Optometry programs accredited by the American Optometric Association, Council on Optometric Education.

<sup>1</sup> Policy 1052 (Batch 151), approved September 18, 2008

<sup>2</sup> Policy 1057 (Batch 151), approved September 18, 2008

a school that does not require the bachelor or master of science in pharmacy as a prerequisite for the doctor of pharmacy degree.

- \$20,000 for a 9-month academic year, not to exceed \$26,667 for a 12-month academic year, for students enrolled in doctoral programs in allopathic medicine, osteopathic medicine, dentistry, veterinary medicine, optometry, podiatric medicine, and naturopathic medicine.

Schools must follow HEAL [proration](#) requirements and other HEAL program restrictions when awarding students increased unsubsidized Stafford loans, except that the HEAL program needs test is not required for increased unsubsidized Stafford loan limits.

[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-102]

### Special ~~Aggregate~~ Stafford Aggregate Loan Limits

Graduate and professional health Health profession students who are eligible for increased unsubsidized Stafford loans may receive an aggregate amount of ~~\$189,125~~ \$224,000 (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans). Subsidized Stafford loans may comprise no more than \$65,500 of this amount. If a student is ineligible for subsidized Stafford loan funds, the student may borrow the ~~entire \$189,125~~ \$224,000 aggregate loan limit in unsubsidized Stafford loan funds.<sup>1</sup>

Undergraduate 5-year Bachelor of Pharmacology students may receive an aggregate amount of \$70,625 (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans). Subsidized Stafford loans may comprise no more than \$23,000 of this amount. If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire \$70,625 [aggregate loan limit](#) in unsubsidized Stafford loan funds.

[DCL GEN-99-21; GEN-99-7; GEN-98-18; GEN-97-14; GEN-97-4; GEN-96-14]

## 6.11.E Exceeding Loan Limits

A Stafford or PLUS loan amount must never exceed the maximum amount the [borrower](#) is eligible to receive or the amount the borrower requested, whichever is less. A loan disbursed in excess of the lesser of these two amounts may lose its [guarantee](#) and eligibility for [interest benefits](#) and/or [special allowance](#) payments. A PLUS loan may not exceed

the [cost of attendance \(COA\)](#) minus [estimated financial assistance \(EFA\)](#), but otherwise is not limited. See [Subsection 6.11.A](#) for more information regarding Stafford loan limits.

[§682.204(h); §682.401(b); §682.603(g)(2)(ii)]

If a Stafford borrower inadvertently exceeds an annual or [aggregate loan limit](#) under a [Title IV](#) program, the borrower will not be eligible for any additional Title IV funds until one of the following occurs:

- The borrower authorizes the school to adjust the excess loan amount or reallocate funds between a subsidized Stafford loan and an unsubsidized Stafford loan for which the borrower is eligible. For more information on adjusting or reallocating loan amounts, see [Section 6.20](#).
- The borrower repays in full the excess loan amount. [§668.35(d)(1)]
- The borrower makes arrangements satisfactory to the [holder](#) of the loan to repay the excess loan amount. These arrangements may include having the borrower sign an agreement acknowledging the debt and affirming his or her intention to repay the excess amount as part of the normal repayment process. Consolidation of the loan(s) that exceeded the annual or aggregate loan limit (provided that the loan(s) is otherwise eligible for consolidation) is also considered to be a [satisfactory repayment arrangement](#). [§668.35(d)(2); 07-08 FSA Handbook, Volume 1, Chapter 3, p. 1-41]

If a Stafford borrower exceeds an annual or aggregate loan limit as a result of providing false or misleading information, the borrower can only regain eligibility for Title IV aid by paying excess funds in full.

A school may not certify a new loan for any amount that will cause the borrower to again exceed the annual or aggregate loan limit.

## 6.11.F Prorated Loan Limits

A school also is responsible for determining whether prorated loan limits are applicable and how [annual loan limits](#) must be prorated. An undergraduate Stafford loan

<sup>1</sup> Policy 1053 (Batch 151), approved September 18, 2008



## 6.15.C PLUS Loan Certification

PLUS loans are available both to [parent](#) borrowers who wish to borrow on behalf of their dependent undergraduate students, and to graduate and professional student borrowers. A school that participates in the Federal PLUS Loan Program and offers both undergraduate and graduate or professional programs must offer PLUS loans both to parents and to the school's graduate and professional students. Schools are not permitted to exclude either category of borrower from participation in the Federal PLUS Loan Program.

[DCL FP-06-05]

### Parent Borrowers

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

A school determines a parent borrower's maximum eligibility for a parent PLUS loan by subtracting from the [cost of attendance \(COA\)](#) the [student's estimated financial assistance \(EFA\)](#) ~~that both the student, and the parent on behalf of the student, are expected to receive for the loan period.~~ There is no annual or aggregate loan limit for a parent PLUS loan.

[\[§682.204\(h\); DCL GEN-92-21; 07-08 FSA Handbook, Volume 3, Chapter 5, pp. 3-78 and 3-90\]](#)

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

[\[07-08 FSA Handbook, Volume 3, Chapter 5, pp. 3-115 to 3-118\]](#)

### Graduate and Professional Student Borrowers

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

A school determines a student borrower's maximum eligibility for a [Grad PLUS loan](#) by subtracting from the [cost of attendance \(COA\)](#) the [student's estimated financial assistance \(EFA\)](#) ~~that the student is expected to receive for the loan period.~~ There is no annual or aggregate loan limit for a Grad PLUS loan.

[\[§682.204\(h\); DCL GEN-92-21; 07-08 FSA Handbook, Volume 3, Chapter 5, pp. 3-78 and 3-90\]](#)<sup>1</sup>

Before applying for a Grad PLUS loan, a student is required to submit a completed [Free Application for Federal Student Aid \(FAFSA\)](#). Before certifying a Grad PLUS loan, the school must determine the student's maximum eligibility for subsidized and unsubsidized Stafford loan funds in the program (FFELP or Direct) in which the school is participating for Stafford loan purposes. If the student has not requested the maximum Stafford loan amount for which he or she is eligible, the school must notify the student of his or her maximum Stafford loan eligibility, and provide the student the following information on each loan type (Stafford and PLUS):

- The maximum interest rate.
- The periods during which interest that accrues must be paid by the borrower.
- The point at which the loan enters repayment.

The school must then provide the student with an opportunity to request the maximum Stafford loan funds for which he or she is eligible. However, the student may decline the Stafford loan funds and the school may not require the student to accept Stafford loan funds as a condition of applying for a Grad PLUS loan.

[\[§682.201\(b\)\(3\); §682.603\(d\); DCL GEN-06-02/FP-06-01; DCL FP-06-05\]](#)

<sup>1</sup> Policy 1057 (Batch 151), approved September 18, 2008

- Return to the lender the portion of the [disbursement](#) for which the student is ineligible and provide the lender with a written statement explaining the return of proceeds.  
[§682.604(h)(3)]

- ▲ Schools may contact individual guarantors for more information on procedures for reducing or eliminating overawards. See [Section 1.5](#) for contact information.

If a school determines that an [overaward](#) exists, it must contact the lender or [guarantor](#) promptly to request an adjustment to the amount of each remaining disbursement. If all disbursements of the loan have been delivered to the student before the overaward occurs, no adjustment is required under current federal regulations. However, the school may adjust campus-based aid, as appropriate, to offset the student's receipt of Title IV [funds](#).  
[§682.604(h)]

## 8.7 Delivering Loan Funds at Eligible Schools

The school must hold Stafford and PLUS [loan proceeds](#) until the student is [enrolled](#) in classes for the applicable [payment period](#). (For more information on payment periods, see [Section 6.3](#).) The school must deliver loan proceeds on a payment-period basis in substantially equal installments, with no installment exceeding one half of the loan amount. For a [loan period](#) that consists of more than one payment period, the school must deliver loan proceeds at least once in each payment period. If a loan period consists of only one payment period, the school must deliver loan proceeds at least twice during that payment period (see [Subsection 7.7.B](#), subheading “Exceptions to Multiple Disbursement Requirements”).  
[§668.164(b)(1); §682.604(c)(1), (6), and (7)]

A school must ensure that it does not deliver the proceeds of a Stafford loan or a [Grad PLUS loan](#) to a student who has lost his or her eligibility to receive the loan, or for whom the school never certified a loan. A school also must ensure that it does not deliver the proceeds of a [parent PLUS loan](#) to a student (to whom the [parent](#) borrower authorized the delivery of proceeds) if the student and/or the parent borrower has lost his or her eligibility to receive the loan, or if the school never certified a loan.

Generally, a school may deliver the proceeds of any loan disbursement only if it determines that the student has maintained continuous eligibility for the [loan period](#) certified by the school. See [Subsections 8.7.E \(Late Delivery\)](#), [8.7.F \(Delivery to Borrowers in Special Circumstances\)](#), subheading “[Temporary Change in](#)

[Enrollment Status](#)”) and [8.11.A \(Exceptions to Delivery Restrictions at Ineligible Schools\)](#) for exceptions to this [general rule](#).  
[§668.164(b); §682.604(b)(2)(i), (iii) and (iv)]<sup>1</sup>

[Figure 8-3](#) illustrates a school's required activities before delivering a FFELP loan.

## 8.7.A Delivery Time Frames

The time frame within which schools must deliver or return loan proceeds covers three separate periods:

- **Initial Period** — A period of time a school has to deliver loan proceeds directly to the student or parent borrower, or to credit the student's account at the school. The length of this period of time is determined by whether the proceeds were received by the school by [electronic funds transfer \(EFT\)](#), [master check](#), or individual check.
- **Conditional Period** — A 10-business-day delivery period after the last day of the initial period. A school may deliver funds during this period only if the school expects the student to complete the required number of [clock or credit hours](#) in a preceding [payment period](#), or the school expects the student to meet all FFELP eligibility requirements within the conditional period.
- **Return Period** — A 10-business-day period following the initial or conditional period, as applicable, during which the school must return undelivered proceeds to the lender. If, during the return period, the school determines that the student has become eligible to receive the loan proceeds, the school may deliver the proceeds rather than return them to the lender, provided the delivery is made on or before the last day of the return period.

[[Department of Education Policy Bulletin dated June 2, 1997](#)]

<sup>1</sup> Policy 1058 (Batch 151), approved September 18, 2008

- That the student continues to qualify for the entire amount of the loan, notwithstanding any reduction in the student's COA caused by the student's temporary cessation of enrollment at least half time. [§682.604(b)(2)(iv)(C)]

### Unverified Social Security Number

If the [Social Security number \(SSN\)](#) has not been verified, and a FFELP loan has been guaranteed for the student, the school must instruct the lender and [guarantor](#) to cease further disbursements of the loan until the Department or the school determines that the student's SSN is correct. If the student fails to verify the SSN within the delivery time frames in [Subsection 8.7.A](#), the school must return to the lender the affected FFELP loan disbursements for the student.

[§668.36]

## 8.7.G Delivery to Transfer Students

A Stafford or PLUS loan may be used only to cover the [cost of attendance \(COA\)](#) at the school that certifies the borrower's eligibility for the loan. If a student transfers between schools, both the student's COA and [estimated financial assistance \(EFA\)](#) may change substantially at the new school, and the change could affect the borrower's eligibility for the loan. Under these circumstances, unless the borrower is eligible for a [late disbursement](#) or a [post-withdrawal disbursement](#), neither the student nor the [parent borrower](#) is eligible to receive the undisbursed loan funds that were guaranteed for the student's attendance at the previous school. The student or parent borrower seeking additional Stafford or PLUS loan [funds](#) must reapply at the new school. For information on post-withdrawal disbursements, see [Subsection 9.5.A](#). For information on late disbursements, see [Subsection 7.7.G](#).

The school may not deliver Stafford or PLUS [loan proceeds](#) to a student or parent of a student who previously attended another eligible school until the school the student is attending determines, from information obtained through the [National Student Loan Data System \(NSLDS\)](#) or its successor system, all of the following:

- The student is not in [default](#) on any Title IV program loan. [§668.19(a)(1)]
- The student does not owe an overpayment on any Title IV program grant or Federal Perkins loan. [§668.19(a)(2)]

- For the [award year](#) for which a Federal [Pell grant](#), an [Academic Competitiveness grant \(ACG\)](#), and/or a [National SMART grant](#) is requested, the student's scheduled Federal Pell grant, ~~disbursement~~ [ACG](#), and/or [National SMART grant award](#) and the amount of any ~~Federal Pell grant, ACG, and/or National SMART grant~~ funds already ~~disbursed~~ [delivered](#) to the student. [§668.19(a)(3)]<sup>1</sup>

- The outstanding [principal balance](#) of loans made to the student under each of the Title IV loan programs. [§668.19(a)(4)]
- The amount of, and [loan period](#) for, loans made to the student under each of the Title IV loan programs for the [academic year](#) for which Title IV aid is requested. [§668.19(a)(5)]

For a student who transfers from one school to another during the same [award year](#) (i.e., a current-year transfer student), the school to which the student transfers must request or access from the NSLDS updated information about that student in order to determine the student's eligibility for Stafford or PLUS loan proceeds. The school must wait for 7 days following its request to the NSLDS. However, if, before the end of the 7-day period, the school receives the information from the NSLDS in response to its request or obtains that information itself by directly accessing the NSLDS, the school may deliver the loan proceeds as long as the student is otherwise eligible. A school is not required to respond to a request for a paper [financial aid transcript](#). [§668.19(b)(1) and (2)]

## 8.7.H Delivery Methods

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

- Crediting the proceeds to the student's account at the school. [§668.164(d)]
- Issuing a [check](#) or other instrument to the [borrower](#) that requires endorsement or [certification](#). The school may issue a check by releasing or mailing it to the borrower or by notifying the borrower that it is available for immediate pickup. [§668.164(c)(2)]

<sup>1</sup> Policy 1054 (Batch 151), approved September 18, 2008

Collection activities performed in accordance with a reduced-payment **forbearance** agreement must require payment based on the reduced-payment amount due during the forbearance period. If the loan remains delinquent at the expiration of the reduced-payment forbearance, any collection activities that follow must be based on the applicable monthly payment amounts.

## 12.4.A Due Diligence Requirements for Loans with Monthly Repayment Obligations

If a **lender** has a valid address and telephone number for a **borrower** with a monthly repayment obligation, the lender must perform—at a minimum—the following **due diligence** activities within the noted time frames. In at least one of the collection activities, the lender must inform the borrower of the availability of the Department’s Student Loan Ombudsman’s office (see **Appendix D**).  
[§682.411(b)(3)]

In all cases, the lender must ensure that no **gap** in collection activity of greater than 45 days (60 days in the case of a **loan sale** or **transfer**) occurs through the 270th day of **delinquency**. See **Subsection 14.1.D** for a definition of what constitutes a gap in collection activity and information on violations due to gaps in collection activity.  
[§682.411(b)(2); §682, **Appendix D**]

If the borrower’s address or telephone number is unknown, the lender must follow the **skip tracing** requirements described in **Sections 12.7** and **12.8**.

### 1–15 days delinquent

The lender must send the borrower at least one written notice or collection letter informing the borrower of the **delinquency** and urging the borrower to make payments sufficient to eliminate the delinquency. The notice or collection letter sent during this period must include, at a minimum, lender/**servicer** contact information and a telephone number (e.g., the name and telephone number of the customer service department). It also must include a prominent statement informing the borrower that assistance may be available if he or she is experiencing difficulty in making a scheduled repayment.  
[§682.411(c)]

### 16–180 days delinquent

If there is no **rolling delinquency** and no **special occurrences** exist on the account, the lender must perform the following activities:

- Make at least four **diligent efforts** (each consisting of one successful contact or ~~at least two unsuccessful~~ attempts) to contact the borrower by telephone. At least one diligent attempt to contact the borrower by telephone must occur on or before the 90th day of delinquency, and another must occur after that date (see **Subsection 12.4.D**).  
[§682.411(d)(1); §682, **Appendix D, Q&A #1; DCL 96-L-186/96-G-287, Q&A #53**]<sup>1</sup>
- Send the borrower at least four written notices or collection letters informing the borrower of the delinquency and urging the borrower to make payments. The required notices or collection letters sent during this period must include, at a minimum, information regarding **deferment, forbearance, income-sensitive repayment, loan consolidation, and other available options to avoid default**. At least two of the collection letters must warn the borrower that if the loan is not paid (a) the loan may be assigned to the **guarantor**, which would result in a default being reported to all **national credit bureaus**, and (b) the guarantor may offset the borrower’s **state** and federal tax refunds and other payments made by the federal government to the borrower, garnish the borrower’s wages, or assign the loan to the federal government for litigation against the borrower.  
[§682.411(d)(1) and (2)]

### Default Aversion Assistance Request Period

The lender must request **default aversion assistance** from the guarantor no earlier than the 60th day and no later than the 120th day of the borrower’s delinquency (see **Section 12.5**). The lender must request default aversion assistance regardless of the status of the borrower’s address (valid, invalid, unknown, etc.). If the default aversion assistance request is canceled and then the borrower’s loan again ages to the level at which default aversion assistance is required by the guarantor, the lender must submit a new request for default aversion assistance.  
[§682.411(i)]

<sup>1</sup>. Policy 1059 (Batch 151), approved September 18, 2008

## 181—270 Days Delinquent

The lender must engage in collection efforts that ensure that no **gap** in collection activity of greater than 45 days occurs through the 270th day of **delinquency**. These efforts must urge the borrower to make the required payments on the loan. At a minimum, these efforts must provide the borrower with options to avoid **default** and advise the borrower of the consequences of defaulting on a loan. The collection efforts must continue until the earlier of the date the lender mails the **final demand** letter or the 270th day of delinquency. However, any collection effort performed after the date the final demand letter is mailed must support the final demand letter. For more information on collection efforts after the final demand, see *Final Demand Letter* under the following subheading.

[§682.411(e); DCL FP-04-08]

## 241 Days or More Delinquent

### *Final Demand Letter*

The lender must mail a **final demand** letter to the borrower anytime the loan becomes 241 days or more delinquent. There are two exceptions to this requirement that excuse the lender from mailing the borrower a final demand letter:

- The loan becomes 241 days or more delinquent and the borrower's address is invalid and remains invalid after the lender has exhausted all required **skip tracing** activities and required diligent efforts.
- The lender previously mailed a timely final demand letter prior to a **rolling delinquency** or a **special occurrence** (see **Subsections 12.3.E** and **12.3.F**), and the borrower is 241 days or more delinquent.  
[§682.411(h)(3)]

The final demand letter must require the borrower to remit payment in full and warn that if the borrower defaults on the loan, the default will be reported to a **national credit bureau**. The lender must allow the borrower at least 30 days after the date the letter is mailed to respond to the final demand letter and to bring the loan out of default before filing a default **claim** on the loan.

[§682.411(f)]

After mailing the final demand letter, a lender may continue the collection efforts required in the 16–270 days of delinquency time frame. Any collection effort (verbal or written) made or performed as made-up activity after the date the final demand letter is mailed must support the final demand (see **Subsection 14.3.A**).

[DCL 96-L-186/96-G-287, Q&A #54]

Some guarantors have additional requirements regarding collection efforts after the final demand. These requirements are noted in **Appendix C**.

## Due Diligence with a Rolling Delinquency or Special Occurrence

If a rolling delinquency or special occurrence (see **Subsections 12.3.E** and **12.3.F**) exists on the account, the lender must perform the requirements applicable to the time frames noted:

- If the account is 1–15 days delinquent as a result of a rolling delinquency or at the time of a special occurrence, the lender must follow the preceding **due diligence** requirements for loans that subsequently become 16 days or more delinquent. These requirements must include at least four diligent efforts to contact the borrower by telephone and at least four collection letters. At least one **diligent effort** must be performed on or before the 90th day of delinquency and one after the 90th day of delinquency.  
[DCL 96-L-186/96-G-287, Q&A #50 and #51]
- If the account is 16–90 days delinquent as a result of a rolling delinquency or at the time of a special occurrence, the lender must make two diligent efforts to contact the borrower by telephone before the 181st day of delinquency (not applicable if the borrower's telephone number is invalid). Each diligent effort must involve one successful contact or at least two unsuccessful attempts to contact the borrower by telephone (see **Subsection 12.4.D**). Please note that the requirement to perform one diligent telephone effort on or before the 90th day of delinquency does not apply. If, despite these efforts, the lender is unable to contact the borrower by telephone, the lender must send at least two forceful collection letters. If the lender's telephone efforts result in only a single contact with the borrower, the lender must send at least one forceful collection letter.  
[§682.411(d)(3)(i); §682, **Appendix D**, Q&A #1; DCL 96-L-186/96-G-287, Q&As #50 and #51, and May 1996 supplement to the DCL]<sup>1</sup>

<sup>1</sup> Policy 1059 (Batch 151), approved September 18, 2008

- If the account is 91–120 days delinquent as a result of a **rolling delinquency** or at the time of a **special occurrence**, the lender must make one **diligent effort** to contact the borrower by telephone before the 181st day of **delinquency** (not applicable if the borrower’s telephone number is invalid). This diligent effort must involve one successful contact or **at least two unsuccessful** attempts to contact the borrower by telephone (see [Subsection 12.4.D](#)). If, despite these efforts, the lender is unable to contact the borrower by telephone, the lender must send at least one forceful collection letter.  
[§682.411(d)(3)(ii); §682, Appendix D, Q&A #1; DCL 96-L-186/96-G-287, Q&As #50 and #51, and May 1996 supplement to the DCL]<sup>1</sup>
- If the account is more than 120 days delinquent as a result of a rolling delinquency or at the time of the **special occurrence**, no further **diligent efforts** to contact the **borrower** by telephone are required. The **lender** must mail the **final demand** letter and ensure that no **gap** of greater than 45 days in collection activity occurs.  
[§682.411(b)(2); §682.411(d)(4); DCL FP-04-08]

### Due Diligence in Claim Filing

#### *271–360 Days Delinquent*

The lender must file a **default claim** with the **guarantor** no later than the 360th day of delinquency (see [Subsection 13.6.A](#)). A lender is encouraged to file a default claim on or after the 300th day of delinquency to permit the borrower the longest possible period in which to resolve the outstanding delinquency and avert default.

Loans on which claims are filed before the 330th day of delinquency generally are eligible for **special allowance** payment through the date of claim payment (see [Subsection A.2.B](#) for limitations). Loans on which claims are filed beyond the 330th day of delinquency are not eligible for special allowance payment beyond the 330th day of delinquency.

[§682.302(d)(1)(iv) and (v)]

<sup>1</sup> Policy 1059 (Batch 151), approved September 18, 2008

## 12.4.B Due Diligence Requirements for Loans with Repayment Obligations Less Frequent Than Monthly

If a lender has a valid address and telephone number for a borrower with a delinquent account scheduled for repayment in installments less frequent than monthly (such as quarterly), the lender must perform—at a minimum—the following **due diligence** activities within the noted time frames. In at least one of the collection activities, the lender must inform the borrower of the availability of the Department’s Student Loan Ombudsman’s office (see [Appendix D](#)).

[§682.411(b)(3)]

In all cases, the lender must ensure that no **gap** in collection activity of greater than 45 days (60 days in the case of a **loan sale** or **transfer**) occurs through the 330th day of **delinquency**. See [Subsection 14.1.D](#) for a definition of what constitutes a gap in collection activity and for information on violations due to gaps in collection activity.

[§682.411(b)(2); §682, [Appendix D](#); [DCL FP-04-08](#)]

If the borrower’s address or telephone number is unknown, the lender must follow the **skip tracing** requirements described in [Sections 12.7](#) and [12.8](#).

[§682.411(g) and (h)]

### 1–15 days delinquent

The lender must send the borrower at least one written notice or collection letter informing the borrower of the delinquency and urging the borrower to make payments sufficient to eliminate the delinquency. The notice or collection letter sent during this period must include, at a minimum, lender/**servicer** contact information and a telephone number (e.g., the name and telephone number of the customer service department). It also must include a prominent statement informing the borrower that assistance may be available if he or she is experiencing difficulty in making a scheduled repayment.

[§682.411(c)]

### 16–240 days delinquent

If there is no **rolling delinquency** and no **special occurrences** exist on the account, the **lender** must perform the following activities:

- Make at least four **diligent efforts** (each consisting of one successful contact or ~~at least two unsuccessful~~ attempts) to contact the **borrower** by telephone. At least one diligent effort to contact the borrower by telephone must occur on or before the 120th day of **delinquency**, and another must occur after that date (see [Subsection 12.4.D](#)).

[§682.411(d)(1); §682, [Appendix D, Q&A #1](#); [DCL 96-L-186/96-G-287, Q&A #53](#)]<sup>1</sup>

- Send the borrower at least four written notices or collection letters informing the borrower of the delinquency and urging the borrower to make payments. The required notices or collection letters sent during this period must include, at a minimum, information regarding **deferment**, **forbearance**, income-sensitive repayment, loan consolidation, and other available options to avoid **default**. At least two of the collection letters must warn the borrower that if the loan is not paid (a) the loan may be assigned to the **guarantor**, which would result in a default being reported to all **national credit bureaus**, and (b) the guarantor may offset the borrower’s **state** and federal tax refunds and other payments made by the federal government to the borrower, garnish the borrower’s wages, or assign the loan to the federal government for litigation against the borrower.

[§682.411(d)(1) and (2)]

### Default Aversion Assistance Request Period

The lender must request **default aversion assistance** from the guarantor no earlier than the 60th day and no later than the 120th day of the borrower’s delinquency (see [Subsection 12.5.A](#)). The lender must request default aversion assistance regardless of the status of the borrower’s address (valid, invalid, unknown, etc.). If the default aversion assistance request is canceled and then the borrower’s loan again ages to the level at which default aversion assistance is required by the guarantor, the lender must submit a new request for default aversion assistance.

[§682.411(i)]

<sup>1</sup> Policy 1059 (Batch 151), approved September 18, 2008

### 241–330 Days Delinquent

The lender must engage in collection efforts that ensure no **gap** in collection activity of greater than 45 days occurs through the 330th day of **delinquency**. These efforts must urge the borrower to make the required payments on the loan. At a minimum, these efforts must provide the borrower with options to avoid **default** and advise the borrower of the consequences of defaulting on a loan. The collection efforts must continue until the earlier of the date the lender mails the **final demand** letter or the 330th day of delinquency. However, any collection effort performed after the date the final demand letter is mailed must support the final demand letter. For more information on collection efforts after the final demand, see *Final Demand Letter* under the following subheading.

[§682.411(e); DCL FP-04-08]

### 301 Days or More Delinquent

#### *Final Demand Letter*

The lender must mail a **final demand** letter to the borrower if the borrower's address is known (see [Section 12.6](#)) anytime the loan becomes 301 days or more delinquent. There are two exceptions to this requirement that excuse the lender from mailing the borrower a final demand letter:

- The loan becomes 301 days or more delinquent and the borrower's address is invalid and remains invalid after the lender has exhausted all required **skip tracing** activities and required diligent efforts.
- The lender previously mailed a timely final demand letter prior to a **rolling delinquency** or a **special occurrence** (see [Subsections 12.3.E](#) and [12.3.F](#)) and the borrower is 301 days or more delinquent.  
[§682.411(h)(3)]

The final demand letter must require the borrower to remit payment in full and warn that if the borrower defaults on the loan, the default will be reported to a **national credit bureau**. The lender must allow the borrower at least 30 days after the date the letter is mailed to respond to the final demand letter and to bring the loan out of default before filing a default **claim** on the loan.

[§682.411(f)]

After mailing the final demand letter, a lender may continue the collection efforts required in the 16–330 days of delinquency time frame. Any collection effort (verbal or written) made or performed as made-up activity after the

date the final demand letter is mailed must support the final demand (see [Subsection 14.3.A](#)).

[DCL 96-L-186/96-G-287, Q&A #54]

Some **guarantors** have additional requirements regarding collection efforts after the final demand. These requirements are noted in [Appendix C](#).

### Due Diligence with a Rolling Delinquency or Special Occurrence

If a rolling delinquency or a special occurrence (see [Subsections 12.3.E](#) and [12.3.F](#)) exists on the account, the lender must perform the requirements applicable to the time frames noted:

- If the account is 1–15 days delinquent as a result of a rolling delinquency or at the time of a special occurrence, the lender must follow the preceding **due diligence** requirements for loans that subsequently become 16 or more days delinquent. These requirements must include at least four diligent efforts to contact the borrower by telephone and at least four collection letters. At least one **diligent effort** must be performed on or before the 120th day of delinquency and one after the 120th day of delinquency.  
[DCL 96-L-186/96-G-287, Q&As #50 and #51]

- If the account is 16–120 days delinquent as a result of a rolling delinquency or at the time of a special occurrence, the lender must make two diligent efforts to contact the borrower by telephone before the 241st day of delinquency (not applicable if the borrower's telephone number is invalid). Each diligent effort must involve one successful contact or **at least two unsuccessful** attempts to contact the borrower by telephone (see [Subsection 12.4.D](#)). Please note that the requirement to perform one diligent telephone effort on or before the 120th day of delinquency does not apply. If, despite these efforts, the lender is unable to contact the borrower by telephone, the lender must send at least two forceful collection letters. If the lender's telephone efforts result in only a single contact with the borrower, the lender must send at least one forceful collection letter.

[§682.411(d)(3)(i); §682, [Appendix D](#), Q&A #1; DCL 96-L-186/96-G-287, Q&As #50 and #51, and May 1996 supplement to the DCL]<sup>1</sup>

<sup>1</sup> Policy 1059 (Batch 151), approved September 18, 2008



- If the account is 121–180 days delinquent as a result of a rolling delinquency or at the time of a special occurrence, the lender must make one diligent effort to contact the borrower by telephone before the 241st day of delinquency (not applicable if the borrower’s telephone number is invalid). This diligent effort must involve one successful contact or at least two unsuccessful attempts to contact the borrower by telephone (see [Subsection 12.4.D](#)). If, despite these efforts, the lender is unable to contact the borrower by telephone, the lender must send at least one forceful collection letter.  
[§682.411(d)(3)(ii); §682, Appendix D, Q&A #1; DCL 96-L-186/96-G-287, Q&As #50 and #51, and May 1996 supplement to the DCL]
- If the account is more than 180 days delinquent as a result of a [rolling delinquency](#) or at the time of a [special occurrence](#), no further [diligent efforts](#) to contact the borrower by telephone are required. The lender must mail the [final demand](#) letter and ensure that no [gap](#) of greater than 45 days in collection activity occurs.  
[§682.411(b)(2); §682.411(d)(4); DCL FP-04-08]

### Due Diligence in Claim Filing

#### *331–420 Days Delinquent*

The lender must file a [default claim](#) with the [guarantor](#) no later than the 420th day of delinquency (see [Subsection 13.6.A](#)). A lender is encouraged to file a default claim on or after the 360th day of delinquency to permit the borrower the longest possible period in which to resolve the outstanding delinquency and avert default.

Loans on which claims are filed before the 390th day of delinquency generally are eligible for [special allowance](#) payment through the date of claim payment (see [Subsection A.2.B](#) for limitations). Loans on which claims are filed beyond the 390th day of delinquency are not eligible for special allowance payment beyond the 390th day of delinquency.

[§682.302(d)(1)(iv) and (v)]

### 12.4.C Written Notices and Collection Letters

All written notices and collection letters sent to a [borrower](#) should include the lender’s or [servicer](#)’s address and telephone number. The notices and letters should instruct the borrower to contact the lender or servicer to resolve the delinquent status of his or her loan. When sending collection letters, the lender must use language consistent

with the guidelines provided in federal regulations (see [Subsections 12.4.A and 12.4.B](#)).  
[§682.411(c)]

### 12.4.D Contact by Telephone

When required to make [diligent efforts](#) to contact the borrower by telephone, the lender must do so periodically through the date of default.

Federal regulations define a diligent effort as any one of the following:

- One successful telephone contact with the borrower.  
[§682.411(m)(1)(i)]
- At least two ~~unsuccessful~~ attempts to contact the borrower by telephone at a number that the lender reasonably believes to be the borrower’s valid telephone number.  
[§682.411(m)(1)(ii); §682, Appendix D, Q&A #1]
- An unsuccessful effort to obtain the valid telephone number for a borrower—including, but not limited to, a directory assistance inquiry as to the borrower’s telephone number—and a diligent effort to contact each [comaker](#), [endorser](#), reference, relative, individual, or [entity](#) identified on the borrower’s most recent loan records for a loan held by the lender. For more information on [skip tracing](#) to obtain a valid telephone number, see [Section 12.8](#).  
[§682.411(m)(1)(iii)]

Generally speaking, one actual telephone contact with the borrower, or two attempts to make such contact on different days and at different times, will satisfy the “diligent effort” requirement. However, the “diligent effort” requirement is intended to be a flexible one, requiring the lender to act on information it receives in the course of attempting telephone contact regarding the borrower’s actual telephone number and the best time to call and reach the borrower.  
[§682, Appendix D, Q & A #1]<sup>1</sup>

If a borrower calls or meets with the lender and the delinquency is discussed, the requirement to contact the borrower is satisfied. The contact must be noted in the borrower’s file or the servicing history of the loan.  
[§682.411(1)(5)]

<sup>1</sup> Policy 1059 (Batch 151), approved September 18, 2008

A lender must act on any information it receives. If, while attempting to reach the borrower, the lender is advised that the borrower can be reached at another telephone number or at another time of day, the lender must make an additional attempt to call the borrower at that number or at that time of day.

A lender is not required to make diligent efforts to contact a borrower by telephone in the following cases:

- The borrower resides outside a [state](#), Mexico, or Canada.
- The borrower is [incarcerated](#).
- The borrower’s telephone number is invalid, and all required [skip tracing](#) activities have been performed.
- The lender is advised that the borrower has no telephone number or that there is no telephone service in the general geographic area in which the borrower lives, and the lender verifies and documents this in the borrower’s file or the servicing history of the loan. [[§682.411\(a\)](#)]

In the last two of the preceding cases, the lender may—but is not required to—send one letter in place of each of the otherwise required efforts to contact the borrower by telephone. However, in the case of a borrower who is [incarcerated](#) or who resides outside a state, Mexico, or Canada, a lender that chooses not to contact the borrower by telephone must substitute a forceful collection letter for each of the four diligent efforts to contact the borrower by telephone. This would result in a total of eight letters, in addition to the [final demand](#) letter, between the 16–180 days of [delinquency](#) (four letters in the delinquency series and four replacing the telephone efforts). [[§682.411\(a\) and \(d\)\(4\)](#); [DCL 96-L-186/96-G-287, Q&A #45](#)]

## 12.4.E Endorser Due Diligence

An [endorser](#) is an individual who signs the borrower’s [promissory note](#), or completes an endorser addendum in the case of a PLUS loan, and agrees to be secondarily liable for the debt. Lenders are required to perform some collection activities to inform any [endorser](#) (sometimes referred to as [cosigner](#)) of the loan’s delinquency. These requirements are defined in this subsection. This subsection also describes some situations in which the lender is excused from endorser [due diligence](#) requirements.

### Endorser Due Diligence Activities

The following collection efforts must be performed for any [endorser](#) on a FFELP loan. Endorser [due diligence](#) may be performed concurrently with borrower due diligence. Before filing a [default claim](#) on a loan with an endorser, the lender must:

- Make at least one [diligent effort](#) (consisting of one successful contact or ~~at least two unsuccessful~~ attempts) to contact the endorser by telephone (see [Subsection 12.4.D](#)). [[§682.411\(n\)\(1\)\(i\)](#); [§682, Appendix D, Q&A #1](#)]<sup>1</sup>
- Send the endorser at least two collection letters advising the endorser of the loan’s delinquent status and urging the endorser to resolve the delinquency. At least one of the letters must warn the endorser of the consequences of default (see [Subsections 12.4.A and 12.4.B](#)). [[§682.411\(n\)\(1\)\(ii\)](#)]
- Mail the endorser a [final demand](#) letter on or after the 241st day of delinquency, as specified in [Section 12.6](#). The endorser must be permitted at least 30 days to comply with the terms of the final demand letter before a claim may be filed on the loan. [[§682.411\(n\)\(2\)](#)]

A [diligent effort](#) to contact an endorser may be used to satisfy both an endorser due diligence requirement and a borrower [skip tracing](#) requirement, provided the activity is documented as both in the lender’s servicing history. If the endorser is reached, the lender must discuss both the [delinquency](#) of the loan and the endorser’s obligation to repay the debt and must ask about the borrower’s location and telephone number. [[§682.411\(n\)\(3\)](#)]

If a “[rolling delinquency](#)” exists on the account and the account rolls forward (becomes more delinquent) late in [delinquency](#), the [lender](#) is required to complete the [endorser due diligence](#) activities. The endorser must be given notice of the severe delinquency and ample opportunity to honor the debt before the loan is paid as a [default claim](#). [[§682.411\(n\)\(2\)](#); [DCL 96-L-186/96-G-287, Q&As #59 and #60](#)]

If the lender has not performed all required collection activities for the endorser, the claim file will be returned to the lender, and the lender will be required to perform any missed activities before the claim will be purchased. The

<sup>1</sup> Policy 1059 (Batch 151), approved September 18, 2008

## 12.7.B Address Skip Tracing When the Loan Is Not Delinquent

If a borrower's loan is not delinquent or has not yet been converted to repayment, the lender is encouraged to initiate [skip tracing](#) activities rather than delaying them until the loan becomes delinquent. Some guarantors provide skip tracing assistance for loans that are not delinquent (see [Subsection 12.5.A](#)). If the lender completes a thorough skip tracing effort before a borrower becomes delinquent, it is not required to perform skip tracing again unless it receives a good address and the borrower becomes a "skip" before the [final demand](#) letter is mailed. If the lender chooses to perform skip tracing during a period of [grace](#), [deferment](#), [forbearance](#), or current repayment, no violations or [gaps](#) will be monitored.

[§682.208(g)]

## 12.7.C Required Address Skip Tracing Activities

A lender's address [skip tracing](#) efforts must include, but are not limited to, the following activities:

- Sending a letter to or making a [diligent effort](#) (consisting of one successful contact or at least two unsuccessful attempts) to contact by telephone each of the following (see [Subsection 12.4.D](#)):  
[§682, Appendix D, Q&A #1]<sup>1</sup>
  - Each [comaker](#), [endorser](#), relative, reference, individual, and entity (any prior holders of the loan) identified in the borrower's loan file.
  - The schools in the borrower's loan file. This contact should be with the [financial aid administrator](#) or other school official who may reasonably be expected to know the borrower's address.
- Other [effective commercial skip tracing](#) activities that the lender would conduct in pursuit of information on any other loan in its consumer loan portfolio.

Lenders must perform at least two additional effective commercial skip tracing activities but are encouraged to pursue all available sources of information to obtain a valid address. All skip tracing activities must be completed by the

date of [default](#), with no [gaps](#) of more than 45 days between activities.

[§682.411(h)]

A lender is not considered to be exercising reasonable care and [due diligence](#) if it mails a series of letters or notices to the address at which it has determined that the borrower no longer resides. Although sending a collection letter to the borrower in care of the references—or to the borrower at the reference's address—may be an effective due diligence technique, such an action does not meet the [Department's](#) definition of a skip tracing activity. A letter sent to the borrower in care of the reference—or to another person such as a comaker or endorser—may not be substituted for a required attempt to directly contact the borrower by telephone or to satisfy a requirement to send a letter to the borrower.

If a lender obtains a valid address for a borrower on or before the 240th day of [delinquency](#) (the 300th day for loans payable in installments that are less frequent than monthly), it must resume the appropriate due diligence activities (see [Subsections 12.4.A](#) and [12.4.B](#)). If, after determining the borrower's valid address, the lender still does not have a valid telephone number for the borrower, telephone skip tracing should be performed (see [Section 12.8](#)).

[§682.411(g); §682.411(h)(3)]

## 12.7.D Endorser Address Skip Tracing Requirements

If a lender determines that it does not know the current address for the [endorser](#) of a delinquent loan, the lender must diligently attempt to locate the endorser through the use of [effective commercial skip tracing](#) techniques. This effort must include an inquiry to directory assistance or a comparable service. If the lender determines that the endorser's address is invalid after it mails the [final demand](#) letter, [skip tracing](#) activities are not required.

[§682.411(n)(3)]

The lender is strongly encouraged to initiate skip tracing activities on the endorser if the endorser's address becomes invalid during any period when the loan is not delinquent.

[DCL 96-L-186/96-G-287, Q&As #59 and #60]

<sup>1</sup> Policy 1059 (Batch 151), approved September 18, 2008

receives updated telephone information before the 211th day of delinquency. Although telephone calls are not specifically required on or after the 121st day of delinquency, if the lender receives updated telephone information, the lender must continue to ensure that no gap of more than 45 days occurs.

[§682.411(g); §682.411(m)(2)]

If the lender obtains a valid telephone number for a borrower, it must resume the diligent efforts to contact the borrower by telephone that are applicable to the level of delinquency of the loan at the time the lender is notified of the borrower's valid telephone number (see Subsections 12.4.A and 12.4.B).

During the period the lender is attempting to obtain a valid telephone number for the borrower, the lender must send all required collection letters. The lender may cease sending such letters only if it determines that the borrower's address is invalid, in which case the lender must perform address skip tracing (see Section 12.7).

The lender must file a default aversion assistance request at the appropriate delinquency level (see Subsection 12.5.A).

## 12.8.A Telephone Skip Tracing Activities

If a lender discovers that it does not have a valid telephone number for a delinquent borrower, the lender must attempt to obtain the borrower's number using all available resources, including the following:

- Inquiring of directory assistance or a comparable service to obtain the borrower's telephone number.
- Sending a letter or making a diligent effort (one contact or at least two unsuccessful attempts) to contact by telephone each comaker, endorser, reference, relative, or individual identified on the most recent loan record or school certification for that borrower (see Subsection 12.4.D).
- Contacting, either in writing or by telephone, the school identified on the most recent school certification. This contact should be with the financial aid administrator or other school official who may reasonably be expected to know the borrower's telephone number or address.

[§682.411(m)(1)(iii); §682, Appendix D, Q&A #1]<sup>1</sup>

<sup>1</sup> Policy 1059 (Batch 151), approved September 18, 2008

## 12.8.B Endorser Telephone Skip Tracing Requirements

If a lender determines that it does not know the current telephone number for the endorser of a delinquent loan, the lender must diligently attempt to locate the endorser through the use of effective commercial skip tracing techniques. This effort must include an inquiry to directory assistance or a comparable service. If the lender determines that the endorser's telephone number is incorrect after it sends the final demand letter, skip tracing activities are not required.

[§682.411(n)(3)]

## 12.9 Resuming Loan Servicing after Claim Return

If a guarantor returns a claim to a lender for a reason other than inadequate documentation or loss of guarantee, the lender must resume servicing activities on the loan from the point of delinquency, if any, at which it ceased performing due diligence. The lender must ensure that all due diligence activities are performed accurately and timely, and that no gaps of 46 days or more occur.

The lender may not capitalize the interest accrued between the date the claim was inadvertently filed and the date it was subsequently returned, unless it obtains written authorization from the borrower. Guarantors recommend that a lender attempt to obtain authorization in the form of a forbearance agreement that enables the lender to capitalize all accrued interest and bring the loan current.

**Delinquency:** A period that begins on the day after the due date of a payment when the borrower fails to make the equivalent of one full payment. See [Section 12.2](#).

**Department, the:** The U.S. Department of Education or an official or employee of the Department acting for the Department under a delegation of authority.

**Dependent Student:** A student who does not meet the eligibility requirements for an “Independent Student,” under the Higher Education Act of 1965, as amended. See [Independent Student](#).

**Diligent Effort:** An attempt to perform a required activity in a matter that complies with federally mandated procedures and requirements. See [Chapter 10](#). See [Chapter 12](#).<sup>1</sup>

**Disability:** A medically determined condition that renders a person unable to work and earn money, or, in some cases, to attend school. A borrower (or his spouse or dependent) is considered to be *temporarily totally disabled* if the condition is expected to be of a short and finite duration (see [Section 11.17](#)); a borrower is considered *totally and permanently disabled* if this condition is expected to continue for a long or indefinite period of time, or to result in death (see [Subsection 13.8.G](#)).

**Disbursement:** The transfer of loan proceeds by individual check, master check, or electronic funds transfer (EFT) by a lender to a borrower, a school, or an escrow agent (see [Section 7.7](#)). For a Consolidation loan, disbursement is the transfer of borrower loan proceeds from the consolidating lender to the current holder of the loan being consolidated (see [Section 15.4](#)).

**Disbursement Date:** For a loan disbursed by check or draft, the date the check or draft is issued. For a loan disbursed by electronic funds transfer (EFT) or wire transfer, the date the funds are transferred from the lender to the school or escrow agent.

**Discharge:** The release of a borrower or any comaker from all or a portion of his or her loan obligation, as applicable, due to bankruptcy, school closure, death, spouses and parents of September 11, 2001, victims, total and permanent disability, an unpaid refund by the school, or the school’s false certification of a FFELP loan. See [Section 13.8](#).

**Documentation:** A written or printed paper, a supporting reference, or a record that can be used to furnish evidence, proof, or information.

**DPL:** See [Dear Partner Letter](#)

**Dual-Program Cohort Default Rate:** For a school that has former students entering repayment in a fiscal year on both FFELP and FDLP loans, the Department calculates a dual-program cohort default rate. See [Section 16.2](#) for calculation formulas.

**Due Diligence:** The procedures required for attempting to satisfactorily resolve a delinquency and prevent a default in accordance with federal regulations. The lender must document the performance of these attempts, and the attempts must be at least as forceful as those generally used for consumer loans. See [Chapter 12](#).

## E

**Economic Hardship:** A period during which the borrower is working full time but is earning an amount that does not exceed the greater of the minimum wage or 150% of the poverty line for the borrower’s family size. Economic hardship also exists if a borrower’s monthly payments on federal education loans are equal to or greater than 20% of the borrower’s monthly income, as defined in FFELP regulations.

**EFA:** See [Estimated Financial Assistance](#)

**EFC:** See [Expected Family Contribution](#)

**Effective Commercial Skip Tracing:** Techniques used to locate a person whose address is unknown. Examples of these techniques may include contacting an endorser (e.g., to locate a borrower), a borrower (e.g., to locate an endorser or comaker), a relative, a reference, individuals, entity identified in a borrower’s loan file, Directory Assistance or a comparable service; attempting to contact the person by calling the last known telephone number; performing a Social Security number search via a credit report; reviewing city directories; processing information contained on the current credit report; or checking with a state licensing agency, a trade association, or a motor vehicle bureau (see [Section 12.7](#) for address skip tracing requirements). See also [Skip Tracing](#).

**EFT:** See [Electronic Funds Transfer](#)

**Electronic Funds Transfer: (EFT)** The electronic transfer of Stafford or PLUS loan proceeds from the lender to an account at the school or the school’s financial institution. See [Subsection 7.7.D](#).

<sup>1</sup> Policy 1059 (Batch 151), approved September 18, 2008

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**Final Demand:** A letter that the lender mails to the borrower demanding full payment of a delinquent or ineligible account. The letter is required as part of the due diligence procedures for collecting a loan that is seriously delinquent or ineligible. The final demand letter is mailed on or after the 241st day of delinquency for loans payable in monthly installments. The letter must be mailed at least 30 days before the lender files a default claim.

**Final Regulations:** Federal program rules, which are published in the *Federal Register*. Final regulations usually take effect 45 days after the date of publication.

**Financial Aid Administrator: (FAA)** A staff member at an eligible school who is charged with the administration of financial aid programs.

**Financial Aid Package:** The total amount of financial aid that a school awards a student. Federal and nonfederal aid such as loans, grants, or work-study are combined into a “package” to help meet the student’s cost of attendance. Using available resources to give each student the best possible aid package is one of the major responsibilities of a school’s financial aid administrator.

**Financial Aid Transcript: (FAT)** An official record of the federal financial aid a student has received at schools the student previously attended. The record is used to assess the amount of federal financial aid the student has received and to prevent the award of federal funds for which the student or the parent of a dependent student is not eligible. The record may be obtained from the National Student Loan Data System (NSLDS) or may be a paper report received from the previous schools.

**Financial Need:** The student’s cost of attendance less the expected family contribution. In determining a student’s eligibility for a subsidized Stafford loan and a FFELP borrower’s total loan amount, the student’s estimated financial assistance is also subtracted from the cost of attendance.

**FM:** See [Federal Need Analysis Methodology](#)

**Forbearance:** A period of time during which the borrower is permitted to temporarily cease making payments or reduce the amount of the payments. The borrower is liable for the interest that accrues on the loan during the forbearance period. Some forbearances are entitlements for eligible borrowers; others are granted at the discretion of the lender. See [Section 11.20](#).

**Foreign School:** An eligible school located outside the United States and its territories.

**Forgiveness:** The release of a borrower or any comaker, as applicable, from all or a portion of his or her loan obligation due to qualifying child care service or qualifying teaching service as authorized by [Title IV, Part B of the Higher Education Act, as amended](#). See [Section 13.9](#).

**Free Application for Federal Student Aid: (FAFSA)** The form the student must complete to apply for federal Title IV financial assistance, including Stafford loans. The student must include financial information on the student’s household so that the expected family contribution can be calculated. See [Section 6.6](#).

**Freely Associated States:** The Republic of the Marshall Islands, the Federal States of Micronesia, and the Republic of Palau. See also [State](#).

**FTP:** See [File Transfer Protocol](#)

**Full-Time Student:** An enrolled student (other than a student enrolled in a program of study by correspondence) who is carrying a full academic workload as determined by the school under standards applicable to all students enrolled in the same program of study. The student’s workload may include any combination of courses, work, research, or special studies, ~~whether or not for credit~~, that the school considers sufficient to classify the student as a full-time student. Non-credit and reduced-credit remedial courses must be included when determining enrollment status if the student qualifies for Title IV aid for those courses. See [Section 6.9](#) for a detailed definition of a full-time student that includes credit- and clock-hour requirements.<sup>1</sup>

**Funds:** Any monies (including checks, drafts, or other instruments); any commitment to provide money; or any commitment of insurance that has been, or may be, provided under the guarantor’s programs to a borrower enrolled at and attending a participating school, or a borrower accepted for enrollment at a participating school.

## G

**Gap:** A period during the servicing of a loan in repayment when due diligence activities are required by regulations but no due diligence activities (collection activities) are performed. For a loan serviced under regulations published December 18, 1992, a gap greater than 45 days (greater than 60 days in the case of a transfer) results in the loss of the loan’s guarantee.

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<sup>1</sup> Policy 1051 (Batch 151), approved September 18, 2008