

Summary of Changes Approved August 2008 through January 2009

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 January 15, 2009.

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	#
Chapter 2: About the FFELP			
2.2.C Repayment	Adds the crime of identity theft to the list of eligible circumstances for which a lender may be eligible for claim payment for discharge in the FFELP overview in Chapter 2. Updates the definition of the term 'discharge' to include the crime of identity theft.	False Certification as a result of identity theft loan discharge claims processed by the lender on or after September 8, 2006.	1060/152
Chapter 3: Lender Participation			
3.1 Eligible Lenders	Adds a third exemption for the criterion that FFELP loans may not represent more than 50% of a lender's consumer credit loan portfolio in order for the lender to be considered eligible to participate in the FFELP. This exemption is for a National or State chartered bank or credit union with assets of less than \$1 billion.	August 14, 2008.	1072/155
3.2 Schools Acting as Lenders and Eligible Lender Trustee Relationships	Adds the requirement that a school-as-lender (SAL), a lender serving as a trustee for a school, or a school-affiliated organization participating as a lender in the FFELP must have an annual audit of its lending function that focuses on ensuring that the income (special allowance, interest received from students and the Department, proceeds of any loan sale, etc.) is used to provide need-based grants and that the school applies only a reasonable portion of those proceeds to administrative expenses. The audit must confirm that the proceeds of the loan portfolio are used to supplement and not to supplant federal and non-federal funds that would otherwise be directed to need-based grant programs.	First auditable period of the school lender or ELT that begins on or after August 14, 2008.	1073/155
3.5.C Reporting to Consumer Reporting Agencies	Changes credit bureaus to "consumer reporting agencies" to align with new statutory terminology. The policy also requires the lender to report to all national consumer reporting agencies, and adds to the list of data that the lender is required to report that the lender must report that the loan is an education loan.	Loans on which the lender reports credit transactions on or after August 14, 2008.	1074/155

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
3.5.E Reporting Loan Assignments, Sales, and Transfers	<p>Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor.</p> <p>Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.</p>	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153
3.5.G NSLDS Reporting	Incorporates the directive from the Department that strongly encourages monthly reporting of NSLDS data by a lender or servicer, while retaining the minimum quarterly reporting requirement.	Publication date of NSLDS Technical Update 2000-01.	1050/151
3.7.A Eligible Lenders 3.7.C How the LLR Program Works	Includes new and amended provisions for lender of last resort (LLR) loans outlined in the Ensuring Continued Access to Student Loans Act (ECASLA) and subsequent federal guidance.	May 7, 2008.	1075/155
Chapter 4: School Participation			
4.4.A Recommended Lender Lists	Aligns the Manual with Departmental guidance that provides additional clarifications regarding alternatives to a school's recommended lender list, and how a school may provide important lender information to their FFELP applicants.	Information provided by schools regarding lenders participating with the school on or after May 9, 2008.	1063/153
4.4.B Consumer Information	<p>Adds the requirement that a school must provide a written notice to a student who has been convicted of a state or federal offense involving drug possession or sale while the student is enrolled in school and receiving Title IV aid.</p> <p>Adds the requirement that a school must provide a written notice to a student who loses Title IV eligibility due to a drug-related conviction that advises the student of his or her loss of Title IV eligibility and the ways in which the student may regain eligibility for Title IV aid.</p>	<p>For the notice upon enrollment: Students who enroll at the school on or after August 14, 2008.</p> <p>For the notice upon loss of Title IV eligibility due to a drug conviction: School determinations of a student's loss of Title IV eligibility on or after August 14, 2008.</p> <p><i>If the Department publishes guidance with a different triggering event, the Common Manual will immediately notify the FFELP community of the change.</i></p>	1076/155

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 5: Borrower Eligibility			
5.2.D NSLDS Data Match	Clarifies that an individual who is in default on any Title IV loan is ineligible to receive any Title IV aid, including the benefit of a parent PLUS loan, until the default is resolved. However, a parent's unresolved default on a Title IV loan, including a PLUS loan, does not adversely impact a dependent student's eligibility for other Title IV aid.	Retroactive to the implementation of the <i>Common Manual</i> .	1056/151
5.2.D NSLDS Data Match	Adds the crime of identity theft to the list of eligible circumstances for which a lender may be eligible for claim payment for discharge in the FFELP overview in Chapter 2. Updates the definition of the term 'discharge' to include the crime of identity theft.	False Certification as a result of identity theft loan discharge claims processed by the lender on or after September 8, 2006.	1060/152
5.8 Effect of Drug Conviction on Eligibility	<p>Adds the requirement that a school must provide a written notice to a student who has been convicted of a state or federal offense involving drug possession or sale while the student is enrolled in school and receiving Title IV aid.</p> <p>Adds the requirement that a school must provide a written notice to a student who loses Title IV eligibility due to a drug-related conviction that advises the student of his or her loss of Title IV eligibility and the ways in which the student may regain eligibility for Title IV aid.</p>	<p>For the notice upon enrollment: Students who enroll at the school on or after August 14, 2008.</p> <p>For the notice upon loss of Title IV eligibility due to a drug conviction: School determinations of a student's loss of Title IV eligibility on or after August 14, 2008.</p> <p><i>If the Department publishes guidance with a different triggering event, the Common Manual will immediately notify the FFELP community of the change.</i></p>	1076/155
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
5.15 Multiple School Enrollment	Adds that for a student enrolled simultaneously at multiple schools, any Stafford or PLUS loan certified by one school is not included as estimated financial assistance (EFA) by any other school when determining a student or parent borrower's loan eligibility for the same payment period or period of enrollment.	Publication date of the 05-06 FSA Handbook.	1077/155
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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 6: School Certification			
6.6 Determining the Expected Family Contribution (EFC) 6.7 Determining the Amount of Estimated Financial Assistance (EFA)	<p>Adds information on certain TEACH grant provisions and their implications for FFELP borrowers and loan eligibility. These provisions relate to: estimated financial assistance (EFA); Stafford annual and aggregate loan limits; return of Title IV funds calculation; total and permanent disability; and a school's cohort default rate.</p> <p>Adds a glossary definition to the Manual for TEACH grants.</p>	<p>For provisions regarding estimated financial assistance (EFA), annual, and aggregate Stafford loan limits: Loan eligibility determinations made by a school on or after July 1, 2008.</p> <p>For provisions regarding the return of Title IV funds: TEACH Grant recipients who withdraw on or after July 1, 2008.</p> <p>For total and permanent disability discharge determinations: total and permanent disability discharge applications received by the lender on or after July 1, 2008.</p> <p>For all other provisions: July 1, 2008.</p>	1078/155
6.7 Determining the Amount of Estimated Financial Assistance (EFA)	Adds that for a student enrolled simultaneously at multiple schools, any Stafford or PLUS loan certified by one school is not included as estimated financial assistance (EFA) by any other school when determining a student or parent borrower's loan eligibility for the same payment period or period of enrollment.	Publication date of the 05-06 FSA Handbook.	1077/155
6.9 Defining Enrollment Status	Includes new standards for determining full-time enrollment status for a student enrolled in a nonstandard term-based, credit hour program or in correspondence coursework. Deletes obsolete formulas for determining full-time enrollment status for students enrolled in a program using both credit and clock hours. Clarifies that noncredit and reduced-credit remedial courses must be included when determining a student's enrollment status, if the student qualifies for aid for the remedial courses.	Loans first disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1051/151
6.11 Loan Limits	Revises text to state explicitly that there is no annual or aggregate loan limit for a parent or Grad PLUS loan. A PLUS loan may not exceed the cost of attendance minus estimated financial assistance for the student.	Retroactive to the implementation of the <i>Common Manual</i> .	1057/151
6.11 Loan Limits	Adds that for a student enrolled simultaneously at multiple schools, any Stafford or PLUS loan certified by one school is not included as estimated financial assistance (EFA) by any other school when determining a student or parent borrower's loan eligibility for the same payment period or period of enrollment.	Publication date of the 05-06 FSA Handbook.	1077/155
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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.11.A Stafford Annual Loan Limits 6.11.B Stafford Aggregate Loan Limits	<p>Adds information on certain TEACH grant provisions and their implications for FFELP borrowers and loan eligibility. These provisions relate to: estimated financial assistance (EFA); Stafford annual and aggregate loan limits; return of Title IV funds calculation; total and permanent disability; and a school's cohort default rate.</p> <p>Adds a glossary definition to the Manual for TEACH grants.</p>	<p>For provisions regarding estimated financial assistance (EFA), annual, and aggregate Stafford loan limits: Loan eligibility determinations made by a school on or after July 1, 2008.</p> <p>For provisions regarding the return of Title IV funds: TEACH Grant recipients who withdraw on or after July 1, 2008.</p> <p>For total and permanent disability discharge determinations: total and permanent disability discharge applications received by the lender on or after July 1, 2008.</p> <p>For all other provisions: July 1, 2008.</p>	1078/155
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
Chapter 8: Loan Delivery			
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
8.7.H Delivery Methods	Provides that if the borrower does not pick up the check within 21 days of the school's notice to the borrower, the school must immediately mail it to the borrower, initiate an EFT of the funds to the borrower's bank account, or return the loan funds to the lender.	Checks issued for direct payment by the school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1067/154
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

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Chapter 9: School Reporting Responsibilities and the Return of Title IV Funds			
9.2.A National Student Loan Data System (NSLDS) Enrollment Reporting	Updates information concerning a school that fails to provide updated enrollment data to the NSLDS in a timely manner. Adds technical information regarding the timing and format of the NSLDS Late Enrollment Reporting Notification. Defines the date that NSLDS "created" the school's Enrollment Reporting Roster File as the date and time stamp that the NSLDS enters into the Roster File's header record.	Eligibility determinations made on or after July 1, 2007, unless implemented earlier by the school.	1055/153
9.5.A Return Amounts for Title IV Grant and Loan Programs	Provides separate glossary definitions of the Federal Work-Study, Federal Supplemental Educational Opportunity Grant, and the Federal Perkins Loan Programs. A cross-reference to the FSA Handbook has also been added to the definition of each program.	Retroactive to the implementation of the <i>Common Manual</i> .	1070/154
9.5.A Return Amounts for Title IV Grant and Loan Programs 9.5.B Processing Returned Funds	<p>Adds information on certain TEACH grant provisions and their implications for FFELP borrowers and loan eligibility. These provisions relate to: estimated financial assistance (EFA); Stafford annual and aggregate loan limits; return of Title IV funds calculation; total and permanent disability; and a school's cohort default rate.</p> <p>Adds a glossary definition to the Manual for TEACH grants.</p>	<p>For provisions regarding estimated financial assistance (EFA), annual, and aggregate Stafford loan limits: Loan eligibility determinations made by a school on or after July 1, 2008.</p> <p>For provisions regarding the return of Title IV funds: TEACH Grant recipients who withdraw on or after July 1, 2008.</p> <p>For total and permanent disability discharge determinations: total and permanent disability discharge applications received by the lender on or after July 1, 2008.</p> <p>For all other provisions: July 1, 2008.</p>	1078/155
Chapter 11: Deferment and Forbearance			
11.1.A General Deferment Eligibility Criteria	<p>Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor.</p> <p>Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.</p>	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
11.4.A Eligibility Criteria—Economic Hardship	Clarifies that non-taxable income, defined by the IRS as child support, life insurance proceeds, and gifts and bequests, is not to be treated as income for purposes of determining eligibility for an economic hardship deferment.	Economic hardship deferment eligibility determinations made on or after July 1, 2009, unless implemented earlier by the guarantor.	1003/154
11.4.D Simplified Deferment Processing 11.5.D Simplified Deferment Processing 11.8.D Simplified Deferment Processing 11.9.D Simplified Deferment Processing 11.14.D Simplified Deferment Processing 11.18.D Simplified Deferment Processing	States that when granting a deferment using the simplified deferment processing method, the lender may base the deferment on information from an authoritative electronic database maintained or authorized by the Secretary that supports eligibility for the deferment for the same reason and same time period.	Deferment requests granted by the lender on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007.	1071/154
11.20 Forbearance	<p>Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor.</p> <p>Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.</p>	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153

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Chapter 12: Due Diligence in Collecting Loans			
12.4 Due Diligence Requirements	<p>Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor.</p> <p>Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.</p>	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153
12.4.A Due Diligence Requirements for Loans with Monthly Repayment Obligations	<p>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.</p>	Retroactive to the implementation of the <i>Common Manual</i> .	1059/151
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			
Chapter 13: Claim Filing, Discharge, and Forgiveness			
13.1.A Claim Filing Requirements	<p>Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor.</p> <p>Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.</p>	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
13.8 Discharge	Changes credit bureaus to “consumer reporting agencies” to align with new statutory terminology. The policy also requires the lender to report to all national consumer reporting agencies, and adds to the list of data that the lender is required to report that the lender must report that the loan is an education loan.	Loans on which the lender reports credit transactions on or after August 14, 2008.	1074/155
13.8.E False Certification as a Result of the Crime of Identity Theft	Relocates current Manual text regarding the loss of insurance as a result of the crime of identity theft and the refunding of interest benefits and special allowance to a more appropriate subsection of the Manual.	False Certification as a result of identity theft loan discharge claims processed by the lender on or after September 8, 2006.	1066/153
13.8.G Total and Permanent Disability	States that the borrower must submit the total and permanent disability certification to the lender within 90 days of the date that the physician completed and certified the discharge application. If the borrower submits the discharge application after this 90-day time frame, the borrower must have the physician complete a new application and the borrower must submit the application to the lender within 90 days of the physician’s certification of the new discharge application.	Total and permanent disability applications received by the lender on or after July 1, 2008.	1068/154
13.8.G Total and Permanent Disability	Adds information on certain TEACH grant provisions and their implications for FFELP borrowers and loan eligibility. These provisions relate to: estimated financial assistance (EFA); Stafford annual and aggregate loan limits; return of Title IV funds calculation; total and permanent disability; and a school’s cohort default rate. Adds a glossary definition to the Manual for TEACH grants.	For provisions regarding estimated financial assistance (EFA), annual, and aggregate Stafford loan limits: Loan eligibility determinations made by a school on or after July 1, 2008. For provisions regarding the return of Title IV funds: TEACH Grant recipients who withdraw on or after July 1, 2008. For total and permanent disability discharge determinations: total and permanent disability discharge applications received by the lender on or after July 1, 2008. For all other provisions: July 1, 2008.	1078/155
13.9.B Teacher Loan Forgiveness Program	Aligns the Manual with Departmental clarifying guidance that states in the case of a borrower who has taught more than 5 years, any consecutive 5-year period of qualifying service may be counted for teacher loan forgiveness purposes.	Teacher Loan Forgiveness discharge determinations made after October 8, 1998.	1065/153
Chapter 14: Violations, Penalties, and Cures			
14.1.E Violations and Cures Associated with Unsynchronized Servicing of a Consolidation Loan with Multiple Loan Records	Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender’s system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. If a lender fails to perform due diligence activities on a single payment due date and amount, the lender may incur due diligence violations and penalties sufficient to cause a loss of guarantee on the loan. Also clarifies what a lender may do to cure these violations.	Claims filed by the lender on or after January 1, 2009, unless implemented earlier by the guarantor.	997/153

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 15: Federal Consolidation Loans			
15.1.A Agreement to Guarantee Federal Consolidation Loans 15.2 Borrower Eligibility and Underlying Loan Holder Requirements 15.4 Disbursement 15.5.A Establishing the First Payment Due Date 15.5.B Disclosing Repayment Terms	<p>Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor.</p> <p>Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.</p>	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153
Chapter 16: Cohort Default Rates and Appeals			
16.2 Calculation of School Cohort Default Rates	<p>Adds information on certain TEACH grant provisions and their implications for FFELP borrowers and loan eligibility. These provisions relate to: estimated financial assistance (EFA); Stafford annual and aggregate loan limits; return of Title IV funds calculation; total and permanent disability; and a school's cohort default rate.</p> <p>Adds a glossary definition to the Manual for TEACH grants.</p>	<p>For provisions regarding estimated financial assistance (EFA), annual, and aggregate Stafford loan limits: Loan eligibility determinations made by a school on or after July 1, 2008.</p> <p>For provisions regarding the return of Title IV funds: TEACH Grant recipients who withdraw on or after July 1, 2008.</p> <p>For total and permanent disability discharge determinations: total and permanent disability discharge applications received by the lender on or after July 1, 2008.</p> <p>For all other provisions: July 1, 2008.</p>	1078/155
Chapter 17: Program Reviews			
Introduction	Moves the CRI information from Appendix F to Chapter 17, and updates the information to include ED's approval of the CRI process.	January 1, 2008.	1062/152
Appendix A: Interest Benefits and Special Allowance			
Figure A-5 LaRS Special Allowance and Interest Rate Reporting for FFELP Loans	Provides an updated version of the LaRS Special Allowance and Interest Rate Reporting for FFELP Loans chart from the NCHELP Program Regulations Committee for inclusion in the Manual. This version is dated March 2008, and contains statutory changes made to special allowance codes as a result of the College Cost Reduction and Access Act (CCRAA) of 2007.	Loans first disbursed on or after October 1, 2007.	1069/154

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Appendix F: FFELP Community Initiatives			
Common Review Initiative (CRI)	Moves the CRI information from Appendix F to Chapter 17, and updates the information to include ED's approval of the CRI process.	January 1, 2008.	1062/152
Appendix G: Glossary			
Academic Competitiveness Grant	Includes glossary definitions for the ACG and National SMART Grant programs.	July 1, 2006.	1061/152
Diligent Effort	Specifies that a diligent effort is one successful contact or two attempts to contact the borrower or endorser by telephone. Each effort consists of one successful contact or two attempts to contact the borrower or endorser on different days and at different times.	Retroactive to the implementation of the <i>Common Manual</i> .	1059/151
Discharge	Updates the definition of the term 'discharge' to include the crime of identity theft.	False Certification as a result of identity theft loan discharge claims processed by the lender on or after September 8, 2006.	1060/152
Federal Perkins Loan Federal Supplemental Educational Opportunity Grant Federal Work-Study	Provides separate glossary definitions of the Federal Work-Study, Federal Supplemental Educational Opportunity Grant, and the Federal Perkins Loan Programs. A cross-reference to the FSA Handbook has also been added to the definition of each program.	Retroactive to the implementation of the <i>Common Manual</i> .	1070/154
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
Lender of Last Resort	Includes new and amended provisions for lender of last resort (LLR) loans outlined in the Ensuring Continued Access to Student Loans Act (ECASLA) and subsequent federal guidance.	May 7, 2008.	1075/155
National Science and Mathematics Access to Retain Talent Grant	Includes glossary definitions for the ACG and National SMART Grant programs.	July 1, 2006.	1061/152
Pell Grant	Adds a cross-reference to the FSA Handbook to the existing Pell Grant glossary definition.	July 1, 2006.	1061/152

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
TEACH Grant Teacher Education Assistance for College and Higher Education (TEACH) Grant	<p>Adds information on certain TEACH grant provisions and their implications for FFELP borrowers and loan eligibility. These provisions relate to: estimated financial assistance (EFA); Stafford annual and aggregate loan limits; return of Title IV funds calculation; total and permanent disability; and a school's cohort default rate.</p> <p>Adds a glossary definition to the Manual for TEACH grants.</p>	<p>For provisions regarding estimated financial assistance (EFA), annual, and aggregate Stafford loan limits: Loan eligibility determinations made by a school on or after July 1, 2008.</p> <p>For provisions regarding the return of Title IV funds: TEACH Grant recipients who withdraw on or after July 1, 2008.</p> <p>For total and permanent disability discharge determinations: total and permanent disability discharge applications received by the lender on or after July 1, 2008.</p> <p>For all other provisions: July 1, 2008.</p>	1078/155
Appendix H: History of the FFELP and the <i>Common Manual</i>			
H.4.C Higher Education Hurricane Relief Act Waivers H.4.D Disaster Waivers	Aligns the Manual with regulatory and statutory waivers that are still in effect for students, borrowers, schools, and lenders affected by a hurricane or other disaster per Departmental guidance.	For the 3-month administrative forbearance, August 5, 1999. For the Title IV grant overpayment waiver, November 9, 2005. For all other waivers, February 24, 2004.	1064/153
H.4.E Waiver of Borrower-by- Borrower LLR Designation	Includes new and amended provisions for lender of last resort (LLR) loans outlined in the Ensuring Continued Access to Student Loans Act (ECASLA) and subsequent federal guidance.	May 7, 2008.	1075/155

Chapter 3 explains the eligibility requirements, restrictions, and responsibilities of **lenders** participating in the **Federal Family Education Loan Program (FFELP)**. Additional information on lender participation in the Federal Consolidation Loan Program is contained in **Chapter 15**.

3.1 Eligible Lenders

Eligible lenders participate in the FFELP on a voluntary basis. An eligible lender can be any of the following:

- A national or **state** chartered bank, mutual savings bank, savings and loan association, stock savings bank, or credit union. To be considered eligible to participate in the FFELP, the lender must meet both of the following criteria:
 - The lender is subject to examination and supervision in its capacity as a lender by an agency of the United States or the **state** in which its principal place of operation is established. [HEA §435(d)(1)(A); §682.200(b)]
 - The lender does not have as its primary consumer credit function the making or holding of FFELP loans to students and **parents**. FFELP loans may not represent more than 50% of the lender’s consumer credit loan portfolio (including home mortgages). Loans held in trust by a trustee lender are not considered part of the trustee lender’s consumer credit function. A lender is exempt from this requirement in any one either of the two four following scenarios:
 - (1) ~~¶~~The lender is a bank wholly owned by a state, or a bank that is subject to examination and supervision by an agency of the United States; makes student loans as a trustee pursuant to an express trust; has operated as a lender under the loan programs before January 1, 1975; and has met these requirements before the enactment of the Higher Education Amendments of 1992.~~;~~¹
 - (2) ~~¶~~The lender is a single, wholly owned subsidiary of a bank holding company that does not have as its primary consumer credit function the making or holding of student loans.
 - (3) The lender is a bank [as defined in section 3(a)(1) of the Federal Deposit Insurance Act] that is a wholly owned subsidiary of a tax-exempt, nonprofit foundation [as described in section 501(c)(3) of Internal Revenue Code of 1986, and exempt from taxation under section 501(c)(1) of the Code], for purposes of making FFELP loans only to undergraduate students age 22 or younger, provided the bank’s FFELP portfolio does not exceed \$5 million.
 - (4) The lender is a national or state chartered bank, or credit union, with assets of less than \$1 billion.¹ [HEA §435(d)(1)(A)(ii); §682.200(b)]
- A pension fund, as defined in the **Employee Retirement Income Security Act**. [HEA §435(d)(1)(B); §682.101(a); §682.200(b)]
- An insurance company that is subject to examination and supervision by an agency of the United States or a state. [HEA §435(d)(1)(C); §682.101(a); §682.200(b)]
- A single state agency or a single nonprofit private agency designated by the state. [HEA §435(d)(1)(D); §682.101(a); §682.200(b)]
- The Student Loan Marketing Association (Sallie Mae), for purposes of making refinanced PLUS and SLS loans, Federal Consolidation loans, and loans made under **Lender of Last Resort** provisions—and for the purpose of purchasing and holding loans made by other eligible lenders. [HEA §435(d)(1)(F) and (G); §682.200(b)]
- A Rural Rehabilitation Corporation that has received federal **funds** under P.L. 499-81. [HEA §435(d)(1)(I); §682.200(b)]
- A state agency functioning as a **secondary market**, for purposes of purchasing and holding loans made by other eligible lenders. [HEA §435(d)(1)(F); §682.101(a)]
- A nonprofit private agency functioning in any state as a secondary market, for purposes of making Federal Consolidation loans. [HEA §435(d)(1)(J); §682.101(a)]

¹. Policy 1072 (Batch 155), approved January 15, 2009

- A bank [as defined in section 3(a)(1) of the Federal Deposit Insurance Act] that is a wholly owned subsidiary of a tax exempt, nonprofit foundation [as described in section 501(c)(3) of IRS Code of 1986, and exempt from taxation under section 501(c)(1) of the Code], for purposes of making FFELP loans only to undergraduate students aged 22 or younger, provided the bank's FFELP portfolio does not exceed \$5 million. [HEA §435(d)(1)(A)(ii); §682.200(b)]¹
- A consumer finance company subsidiary of a national bank that, on October 7, 1998, acted as a small business lending company (as defined in regulations prescribed by the Small Business Administration) through one or more subsidiaries. The bank's direct and indirect subsidiaries together must not have as their primary consumer function the making or holding of education loans. [HEA §435(d)(1)(K); §682.200(b)]
- A guarantor, for purposes of making loans permitted by the Higher Education Act, Sections 428(h) and 428(j). [HEA §435(d)(1)(H)]
- An eligible school (see Section 3.2). [HEA §435(d)(1)(E); §682.101(a)]

Any of the preceding entities may be further regulated or defined by state law, as applicable. For example, Texas state law and practice impose certain additional eligibility requirements on some lenders.

3.2 Schools Acting as Lenders and Eligible Lender Trustee Relationships

Special rules apply for a school that acts as a lender or for any party in an Eligible Lender Trustee (ELT) relationship.

Schools Acting as Lenders

An eligible school may act as a lender under the Federal Stafford Loan Program if it meets all eligibility requirements applicable as of February 7, 2006, and made its first loan under the FFELP on or before April 1, 2006. In addition, in order to continue to participate, the eligible school must meet all of the following criteria:

- The school makes loans only to students enrolled at the school. [HEA §435(d)(2)(A)(iii)(III); §682.601(a)(3)(iii)]
- The school makes only subsidized and unsubsidized Stafford loans. [HEA §435(d)(2)(A)(iii)(II); §682.601(a)(3)(ii)]
- The school makes loans to only graduate and professional students. [HEA §435(d)(2)(A)(iii)(I) and (III); §682.601(a)(3)(i)]
- The school employs at least one person whose full-time responsibilities are limited to the administration of the school's financial aid programs for students attending that school. [HEA §435(d)(2)(A)(i); §682.601(a)(1)]
- The school offers an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate. [HEA §435(d)(2)(A)(v); §682.601(a)(5)]
- The school uses the proceeds from its interest benefits and special allowance payments from the Department and from interest payments from its borrowers, as well as the proceeds from the sale or other disposition of its loans (exclusive of return of principal, any financing costs incurred by the school to acquire funds to make the loans, and the cost of charging origination fees and/or interest rates that are lower than the statutory maximum for those fees or rates), for need-based grant programs, except for reimbursement of reasonable and direct administrative expenses. Administrative expenses do not include costs associated with securing financing or offering reduced origination fees, interest rates, or federal default fees to the school's borrowers. The school must demonstrate that funds for need-based grants are used to supplement, rather than replace, the non-federal funds the school would otherwise use for need-based grant programs. [HEA §435(d)(2)(A)(viii); HEA §435(d)(2)(B) and (C); §682.601(a)(8), (b), and (c)]
- The school is not a home-study school. [HEA §435(d)(2)(A)(ii); §682.601(a)(2)]
- The school does not have a cohort default rate that exceeds 10%. [HEA §435(d)(2)(A)(vi); §682.601(a)(6)]

¹ Policy 1072 (Batch 155), approved January 15, 2009

- The school awards any contract for financing, servicing, or administration of its FFELP loans on a competitive basis.
[HEA §435(d)(2)(A)(iv); §682.601(a)(4)]
 - The school submits to the Department an annual lender compliance audit for each fiscal year ~~beginning on or after July 1, 2006,~~ in which the school engages in activities as an eligible lender. This requirement applies regardless of the size of the school's loan portfolio or annual loan volume. (See [Subsection 3.8.A](#) for more information regarding the annual compliance audit.)
[HEA §435(d)(2)(A)(vii); §682.601(a)(7)]
 - The school submits to the Department an annual audit of its lending function to document that the school's revenue from lending (special allowance payments, interest payments received from students and the Department, proceeds from any loan sale, etc.) is used to provide need-based grants and that the school applies only a reasonable portion of this revenue toward direct administrative expenses. The purpose of the program audit is to ensure that the revenue from the loan portfolio is used to supplement and not supplant federal and nonfederal funds that would otherwise be directed to need-based grant programs.
[HEA §435(d)(8)]
- Must employ at least one person whose full-time responsibilities are limited to the administration of the school's financial aid programs for students attending that school.
 - Must not be a home study school.
 - Must have a [cohort default rate](#) of 10% or less.
 - May lend only to its own students.
 - May make only Stafford loans to graduate and professional students.
 - Must offer an [origination fee](#) and/or interest rate that is lower than the statutory maximum for that fee or rate.
 - Must use the proceeds from interest payments from borrowers, interest subsidy and [special allowance](#) payments on the loans made and held in trust, and proceeds from the [sale](#) or other disposition of the loans, (exclusive of return of principal, any financing costs incurred by the school to acquire funds to make the loan, and the cost of charging an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate), for need-based grants if the school receives these proceeds directly or indirectly.
[§682.602(b)(1)]

Eligible Lender Trustee (ELT) Relationships

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

[§682.602(a)]

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

- A school directly involved in, or affiliated with an organization directly involved in an ELT relationship:

- A “[school-affiliated organization](#)” is defined as any organization that is directly or indirectly related to the school, and includes, but is not limited to, an alumni organization, foundation, athletics organization, and social, academic, and professional organizations. An organization affiliated with the school and involved in an ELT relationship:

- Must offer an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate.
- Must use the proceeds from interest payments from borrowers, interest subsidy and special allowance payments on the loans made and held in trust, and proceeds from the sale or other disposition of the loans, (exclusive of return of principal, any financing costs incurred by the school to acquire funds to make the loan, and the cost of charging an origination fee and/or interest rate that is lower than the statutory maximum for

¹ Policy 1073 (Batch 155), approved January 15, 2009

that fee or rate), for need-based grants if the school receives these proceeds directly or indirectly. [§682.602(b)(2)]

- An eligible lender acting as a trustee:
 - May lend only to students attending the school for which it is a trustee.
 - May make only Stafford loans to [graduate or professional students](#) on behalf of that school.
 - Must offer an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate.
 - Must ensure that ELT loans are included in the annual lender compliance audit. [§682.602; DCL GEN-06-21]
 - Must submit to the Department an annual program audit of its lending function that focuses on ensuring that the revenue from its lending function (special allowance payments, interest payments received from students and the Department, proceeds of any loan sale, etc.) is used to provide need-based grants and that the school applies only a reasonable portion of this revenue to direct administrative expenses. The purpose of the program audit is to ensure that the revenue from the loan portfolio is used to supplement and not supplant federal and nonfederal funds that would otherwise be directed to need-based grant programs. [HEA §435(d)(8)]¹

3.3 Participation and Guarantees

Before making FFELP loans to borrowers, lenders must enter into [agreements](#) with [guarantors](#) and receive U.S. Department of Education approval to participate (see [Subsections 3.3.A](#) and [3.3.B](#)).

During the course of program participation, loans made by a lender may undergo changes in ownership, servicing, or even [guarantee](#). Such changes are subject to the restrictions outlined in [Subsection 3.3.C](#).

3.3.A Approval for Participation

A lender must meet the following requirements to participate in the FFELP under a guarantor's loan programs:

- The lender must meet the federal and [state](#) definitions of an [eligible lender](#).
- The lender must execute an agreement to [guarantee](#) loans with the [guarantor](#) and meet any other guarantor requirements (see [Subsection 3.3.B](#)).
- The lender must obtain a lender identification number (LID) from the Department.

A lender that is obtaining an LID for the first time requests its number through the guarantor. The lender must provide the guarantor with its name, address, and employer identification number (the 9-digit identification number assigned to the lender by the Internal Revenue Service for reporting federal income taxes withheld). The Department will issue an LID after receiving this information from the guarantor. The lender must use its LID on all forms and reports submitted to the Department or the guarantor.

Upon receiving a confirmation letter of the assigned LID, the Department will forward a [Lender Participation Questionnaire](#) (LPQ) to the lender. The lender must complete and return the LPQ to the Department. Once the lender receives confirmation from the Department that its LPQ has been approved, the lender is eligible to begin making Stafford and PLUS loans.

An insurance company that participates as a lender in a guarantor's program must agree not to require a [borrower](#) to purchase an insurance policy as a prerequisite for receiving a FFELP loan.

A school that participates as a lender must agree to comply with all requirements associated with participation in the FFELP as a lender. [§682.601(a)(1) through (9)]

Some guarantors have One-Lender and One-Holder Rules. These requirements are noted in [Appendix C](#).

¹ Policy 1073 (Batch 155), approved January 15, 2009

3.5.B Interest Benefits and Special Allowance Reporting

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

3.5.C Credit Bureau Reporting to Consumer Reporting Agencies

A lender must report information on each FFELP loan it makes or holds to ~~at least one all~~ national ~~credit bureau~~ consumer reporting agencies. ~~Federal regulations require that~~ The lender must report all of the following information ~~be reported~~ within the specified time frames, as applicable: [[HEA §430A\(a\)](#); [§682.208\(b\)\(1\)](#)]

- The loan is an education loan. [[HEA §430A\(a\)](#)]
- The total amount of loans made to the borrower (to be reported within 90 days of each disbursement). [[§682.208\(b\)\(1\)\(i\)](#)]
- The outstanding balance of the borrower's FFELP loans held by the lender. [[§682.208\(b\)\(1\)\(ii\)](#)]
- The repayment status of ~~delinquent~~ loans, including delinquent loans, not to affect any otherwise applicable provisions of the Fair Credit Reporting Act. The minimum frequency with which a lender must report status changes to ~~at least one all~~ national ~~credit bureau~~ consumer reporting agencies is quarterly. To avoid unnecessarily confusing the borrower and damaging the borrower's credit history, a lender is strongly encouraged to wait until a borrower is at least 60 days delinquent before reporting the delinquency to a ~~credit bureau~~ the consumer reporting agencies. [[§682.208\(b\)\(1\)\(iii\)](#); [DCL 96-L-186/96-G-287, Q&A #16](#)]
- The date the loan is paid in full by or on behalf of the borrower (to be reported within 90 days of the date the loan is paid in full). [[§682.208\(b\)\(1\)\(iv\)](#)]

- The date the loan is discharged due to the borrower's death, disability, bankruptcy, or discharged under the spouses and parents of September 11, 2001, victims provisions (to be reported within 90 days of the date the loan is discharged). [[§682.208\(b\)\(1\)\(iv\)](#)]
- The date the loan is discharged due to a closed school or false certification (to be reported within 30 days of the date the lender is notified that the loan is discharged). The lender also must request that the ~~credit bureau~~ consumer reporting agency remove any negative or inaccurate information regarding a loan discharged due to a closed school or false certification. For more information on closed school and false certification claims, see [Subsections 13.8.B, 13.8.D, and 13.8.E](#). [[§682.402\(d\)\(7\)\(iv\)](#) and [\(e\)\(2\)\(iv\)](#)]
- Other information required by federal or state law. [[§682.208\(b\)\(1\)\(v\)](#)]

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

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

A guarantor will report each loan it purchases as a default claim to all national ~~credit bureau~~ consumer reporting agencies. [[§682.410\(b\)\(5\)](#)]¹

¹ Policy 1074 (Batch 155), approved January 15, 2009

If a lender receives a valid identity theft report or notification of an alleged identity theft from a ~~credit bureau~~ ~~of an alleged identity theft~~ consumer reporting agency, the lender must suspend ~~credit bureau~~ reporting on a ~~the loan to~~ the consumer reporting agency for a period not to exceed 120 days while the lender determines the legal enforceability of the loan. If a lender determines that a loan does not qualify for a false certification loan **discharge** as a result of the crime of identity theft, but the lender still determines the loan to be legally unenforceable, the lender must notify the ~~credit bureau~~ consumer reporting agency of the determination. FFELP ~~credit bureau~~ consumer reporting requirements do not preempt the provisions of the **Fair Credit Reporting Act (FCRA)** that provide relief to a borrower while a lender determines the legal enforceability of a loan after receiving a valid identity theft report or notification from a ~~credit bureau~~ consumer reporting agency of an alleged identity theft. See **Subsection 13.8.E** for more information on loan discharge as a result of the crime of identity theft.

[§682.208(b)(3); 682.411(o)(2)]¹

3.5.D Reporting Loan Information

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

- ▲ Lenders may contact individual guarantors for more information on reporting loan status changes. See **Section 1.5** for contact information.

For information on lender reporting of enrollment changes, see **Subsection 10.1.B**.

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

3.5.E Reporting Loan Assignments, Sales, and Transfers

If a loan **holder** assigns or sells a loan, either the assignee or the assignor on behalf of the assignee must notify the guarantor of the change within 45 days of the **assignment** or

sale. The notification should provide the new holder’s name, lender identification number (LID), address, and telephone number. A holder with more than one lender identification number must notify the guarantor if it changes a loan from one of its LIDs to another of its LIDs. [§682.208(e)(4)]

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

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

A consolidating lender must report the **assignment, sale, or transfer** transaction simultaneously for the entire Consolidation loan, even if the lender establishes more than a single loan servicing record for the subsidized, unsubsidized, and HEAL portions of the loan.²

- ▲ Lenders may contact individual guarantors for more information on alternative reporting options. See **Section 1.5** for contact information.

Loans that are sold or transferred should not be reported to a **guarantor** as paid in full.

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

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

¹ Policy 1074 (Batch 155), approved January 15, 2009

² Policy 991 (Batch 153), approved November 20, 2008

acquisition, use, or expenditure of federal, state, or local government funds, or has been administratively or judicially determined to have committed fraud or any other material violation of law involving such funds. An affiliated individual can be:

- The servicer’s owner, majority shareholder, or chief executive officer.
- Any person employed by the servicer in a capacity that involves the administration of a Title IV program or receipt of Title IV funds.
- Any person or entity—or officer or employee of an entity—with which the servicer contracts to administer any portion of the Title IV program or receive Title IV program funds.
[§682.416(d)(1)(i)]

The preceding requirement does not apply if any of the following has occurred:

- The funds that were fraudulently obtained—or criminally acquired, used, or expended—have been repaid to the United States, and any related penalty has been paid.
[§682.416(d)(1)(i)(A)]
- The persons who were convicted of—or who pled *nolo contendere* or guilty to—a crime involving the acquisition, use, or expenditure of the funds are no longer incarcerated for that crime.
[§682.416(d)(1)(i)(B)]
- At least five years have elapsed from the date of the conviction, *nolo contendere* plea, guilty plea, or administrative or judicial determinations.
[§682.416(d)(1)(i)(C)]
- The servicer, or any principal or affiliate of the servicer, is debarred or suspended under Executive Order 12549 or is engaging in any activity that is cause for debarment or suspension.
[§682.416(d)(1)(ii)(A) and (B)]
- Upon learning of a conviction, plea, or administrative or judicial determination described previously in this subsection, the servicer does not promptly remove the person, agency, or organization from any involvement in the administration of the servicer’s participation in Title IV programs, including, as applicable, the

removal or elimination of any substantial control over the servicer.

[§682.416(d)(2)]

3.7 Lender of Last Resort

Lender of Last Resort (LLR) programs are authorized by the Act and federal regulations to facilitate full access to postsecondary education for all eligible students. The principal guarantor for each state is responsible for developing rules and procedures for its LLR Program.
[§682.401(c)(4)]

3.7.A Eligible Lenders

The following entities may make LLR loans in any given state:

- The designated guarantor of FFELP loans in the state.
- An eligible FFELP lender that is an agency of the state, or a nonprofit private agency designated by the state.
- Any eligible FFELP lender, through arrangement with either of the eligible entities identified above.

If the Department determines that an eligible borrower is unable to obtain a subsidized or unsubsidized Stafford loan through the LLR program for the state, the Student Loan Marketing Association (Sallie Mae) may be authorized to make an LLR loan for the borrower.

[HEA §435(d)(1)(D); HEA §439(e); §682.401(c)(1)]¹

3.7.B Benefits of Participation

A lender that makes LLR loans receives the following benefits:

- LLR loans are eligible for 100% insurance coverage.
- Defaults on LLR loans will not be counted in the lender’s cohort default rate calculation.
[DCL 93-L-161; DCL 94-L-165]

¹ Policy 1075 (Batch 155), approved January 15, 2009

3.7.C How the LLR Program Works

A student or parent may request assistance under the lender of last resort (LLR) program if the student or parent is an eligible FFELP borrower and ~~to participate in the FFELP and meets all of the following conditions:~~

- ~~The student qualifies for interest benefits. [§682.401(c)(2)(i)]~~
- ~~The student is eligible for a combined subsidized and unsubsidized Stafford loan amount of at least \$200. [§682.401(c)(2)(ii)]~~
- ~~The student is otherwise unable to obtain loans from another eligible lender for the same period of enrollment or is attending a school that has been designated an LLR school. [§682.401(c)(2)(iii)]~~

~~A student who meets these conditions is entitled to receive Stafford loans under the LLR program. In addition, an LLR may offer unsubsidized Stafford loans and PLUS loans through LLR programs to eligible borrowers who have has been otherwise unable to obtain a Stafford or PLUS these loans, as applicable, from another eligible lender for the same period of enrollment. An eligible student or parent borrower who requests assistance under the LLR program may be referred to the designated guarantor in the student's state of residence or to the designated guarantor in the state where the student is attending school.~~

~~[§682.401(c)(3); DCL GEN-08-08]~~

Within 60 days of receiving a complete request from the borrower for an LLR loan, the guarantor must respond to the borrower with an approval or denial. If the LLR loan is approved, the guarantor will either serve as the lender or designate an eligible lender to make the LLR loan. A lender under the LLR program may refuse to make a loan if the borrower fails to meet the lender's credit standards. [§682.401(c)(4)(v); 07-08 FSA Handbook, Volume 4, Chapter 1, p. 4-8]

The LLR is required to charge the applicable statutory maximum interest rate and origination and federal default fees to students and parents borrowing under the LLR program. The LLR is not permitted to offer to the LLR borrowers other loan terms or conditions that are more favorable than those explicitly provided in statute and regulation. A lender that provides LLR loans is prohibited from marketing those loans and from violating the prohibited inducement provisions (see Subsection 3.4.C). [DCL GEN-08-08]

If the LLR chooses to cease its participation as an LLR, it must provide at least 60 days' notice to the designated guarantor of its intent to cease LLR operations and that it will ensure that all loans made under the LLR designation are fully disbursed prior to the date on which it ceases LLR operations. The lender must continue to accept additional certifications under the LLR provisions during this 60-day period.

[DCL GEN-08-05]¹

For More Information

- ▲ A lender may contact individual guarantors for more information on specific LLR operating procedures. See [Section 1.5](#) for contact information.

3.8 Independent Audits

Lenders, secondary markets, and third-party servicers must undergo independent compliance audits to continue eligibility to participate in the FFELP. These audits, which are required by federal law and regulation, are described in this section.

[HEA §428(b)(1)(U); §682.305(c)]

3.8.A Annual Compliance Audits

Except as provided below, a lender that makes or holds FFELP loans is subject to a compliance audit at least once a year. The audit must be conducted on a fiscal-year basis by a qualified independent organization or person, in accordance with standards established for the audit of governmental organizations and programs by the U.S. Comptroller General. The audit must cover the period since the most recent audit.

[§682.305(c)(1)]

The audit must examine the lender's compliance with the Act and applicable regulations and must examine the lender's financial management of its FFELP activities. If the lender is required to submit the audit report to the Department, the report must be submitted no later than 6 months after the close of the audit period.

[§682.305(c)(2)(i) through (iv)]

For each fiscal year beginning on or after July 1, 2006, a school lender must submit an annual compliance audit that includes its FFELP lending activities regardless of the size of the school's loan portfolio or annual loan volume. A

¹ Policy 1075 (Batch 155), approved January 15, 2009

- The requirements and procedures for officially withdrawing from the school.
[§668.43(a)(3)]
- A summary of the requirements under §668.22 for the [return of Title IV loan or grant assistance](#). For more information on school requirements for returning Stafford or PLUS loan funds, see [Section 9.5](#).
[§668.43(a)(4)]
- The school’s current degree programs and other educational and training programs.
[§668.43(a)(5)(i)]
- The school’s instructional, laboratory, and other physical facilities that relate to its academic programs.
[§668.43(a)(5)(ii)]
- The school’s faculty and other instructional personnel, including the names and qualifications of members.
[§668.43(a)(5)(iii)]
- The names of the school’s accrediting or licensing organizations and the procedures under which any current or prospective student may review—upon request—a copy of the documents describing the school’s accreditation, approval, or licensing.
[§668.43(a)(6)]
- Special facilities and services available to students who are physically challenged. This information may include detailed descriptions of all facilities (such as ramps and special parking arrangements) and services (such as special tutors, library books in Braille, and audio-visual materials available). If the school has chosen not to provide special facilities or services, the school may report that no facilities exist to accommodate students with special needs.
[§668.43(a)(7)]
- The titles of designated school personnel that are available on a full-time basis to assist students and prospective students in obtaining consumer information about the school—with information on how and where those persons may be contacted.
[§668.43(a)(8); §668.44]
- For schools with study-abroad programs, a statement to the effect that enrollment in the [foreign school](#) is equivalent to enrollment in the home school for purposes of establishing Title IV eligibility.
[§668.43(a)(9)]
- The licensing or certification requirements of the state in which the school is located.
[§668.43(b)]
- For schools that use job placement statistics in recruiting students, the job placement rate for students scheduled for program completion in the most recent calendar year. For these purposes, any graduate for whom the school does not possess documented evidence of employment in the occupation for which the program was offered may not be considered as having obtained employment.
[§668.45]
- The school’s annual security report containing the school’s security policies and crime statistics.
[§668.46]
- Any other information necessary to substantiate the truth of any claims made by the school relating to job placement or salary.
[§668.45]

Drug Conviction Penalty Information

Upon a student’s enrollment, a school must provide the student with a separate, clear, and conspicuous written notice of the penalty (i.e., the loss of Title IV eligibility) if the student is convicted of a state or federal offense involving the possession or sale of an illegal drug that occurred while the student was enrolled in school and receiving Title IV aid. See [Section 5.8](#) for detailed information about the time frame for which a student loses Title IV eligibility based on whether the student is convicted of a first, second, or third offense for drug possession, or a first or second offense for drug sale.
[HEA §485(k)(1)]

A school must provide a student who loses Title IV eligibility due to a drug-related conviction with a timely, separate, clear, and conspicuous written notice. The notice must advise the student of his or her loss of Title IV eligibility and the ways in which the student may regain that eligibility (see [Section 5.8](#)).
[HEA §485(k)(2)]¹

Format and Documentation Requirements

The [school’s](#) student consumer information must be disclosed to a student in a format that enables the student to read and sign the disclosure. A copy of the completed disclosure must be kept by the school in the student’s file.

¹. Policy 1076 (Batch 155), approved January 15, 2009

5.5 Effect of Exceeding Loan Limits on Eligibility

The school may not, under any circumstances, award additional Title IV funds for a student who has exceeded applicable annual or aggregate loan limits. If the school determines that the student inadvertently violated the annual or aggregate loan limits, the school must give the student an opportunity to resolve the excess borrowing before making a final determination on the student's eligibility for additional Title IV assistance. To resolve eligibility problems created by the NSLDS reporting of excessive borrowing by a student, a school can rely upon either paper documentation or information it accesses directly from a loan holder's database. Access to information directly from a loan holder's database may be facilitated by the use of third-party Web-based products that display a loan holder's real-time data. The school must be able to verify that the loan being reviewed is the problematic loan. The school must retain an image of the information it obtains from the real-time Website that clearly identifies the borrower, the status of the debt, and the source of the data. (See Subsection 6.11.E.) [§668.35(d); NSLDS Newsletter Number 12, June 2006]

5.6 Effect of Bankruptcy on Eligibility

The Bankruptcy Reform Act of 1994 prevents a school or lender from denying a federal loan or grant to an applicant solely because he or she has filed a bankruptcy petition. Thus, a FFELP applicant is eligible for new loan funds despite the filing of a bankruptcy petition. [DCL GEN-95-40]

Loan Certification and Professional Judgment

If the school has information about a previous or pending bankruptcy action by a Stafford or PLUS loan applicant, the school may not refuse to certify the loan if the applicant is otherwise eligible. Also, the school may not, solely because of the bankruptcy action, certify a loan for an amount that is less than the amount for which the applicant would otherwise be eligible. If circumstances other than the bankruptcy exist that would cause the school to reduce the borrower's loan amount, the financial aid administrator (FAA) may use professional judgment to refuse to certify a loan or to lower the loan amount. (See Subsection 6.15.E.) [§682.603(d)]

Reaffirmation

A Stafford or PLUS loan applicant who has had education loans previously discharged in bankruptcy is not required to reaffirm those loans to regain Title IV eligibility. If a borrower defaulted before the bankruptcy action was filed, and the debt has been discharged or has been determined to be dischargeable in a bankruptcy action, the borrower is eligible for additional funds without reinstatement and without reaffirming the debt. [DCL GEN-95-40]

5.7 Effect of Fraud on Eligibility

A student or parent borrower who has been convicted of, or has pled guilty or *nolo contendere* to, a crime involving fraud in obtaining Title IV financial assistance is not eligible for additional Title IV funds until the student or parent borrower, as applicable, repays in full the funds that were obtained fraudulently. Title IV grant funds that were obtained fraudulently must be repaid to the Department; Title IV loan funds that were obtained fraudulently must be repaid to the holder of the loan. The student or parent borrower's eligibility under this provision is based on the certification provided in the Master Promissory Note (MPN). Regardless of the borrower's certification on the MPN, if either the school or the lender has conflicting information regarding the eligibility of the student or parent borrower, this discrepancy must be resolved before additional Title IV funds may be disbursed or delivered.

5.8 Effect of Drug Conviction on Eligibility

As part of its consumer information disclosure requirements, a school must provide a separate, clear, and conspicuous written notice to the student about the penalty if the student is convicted of a drug-related offense that occurred while a student was enrolled in school and receiving Title IV aid. A school must provide the notice upon the student's enrollment at the school. [HEA §485(k)(1)]¹

A student who is convicted of a state or federal offense involving the possession or sale of an illegal drug that occurred while the student was enrolled in school and receiving Title IV aid, is not eligible for Title IV funds. [An illegal drug is a controlled substance as defined by section 102(6) of the Controlled Substance Act and does not include alcohol and tobacco.] The Department determines the borrower's eligibility under this section

¹ Policy 1076 (Batch 155), approved January 15, 2009

based on the student's self-certification on the [Free Application for Federal Student Aid \(FAFSA\)](#). The school is notified of the student's eligibility on the [Institutional Student Information Record \(ISIR\)](#). However, if the school has conflicting information regarding a drug conviction that affects the student's eligibility, this discrepancy must be resolved.

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

Convictions that are reversed, set aside, or removed from the student's record, or a determination arising from a juvenile court proceeding, do not affect eligibility and do not need to be reported by the student.

[§668.40(a)(2)]

A student who is convicted of a drug-related offense that occurred while the student was [enrolled](#) in school and receiving Title IV aid loses Title IV eligibility as follows:

- For the possession of illegal drugs:
 - 1st offense: one year from the date of conviction.
 - 2nd offense: two years from the date of the second conviction.
 - 3rd offense: indefinitely from the date of the third conviction.

[§668.40(b)(1)]
- For the sale of illegal drugs:
 - 1st offense: two years from the date of conviction.
 - 2nd offense: indefinitely from the date of the second conviction.

[§668.40(b)(2)]

A school must provide a student who loses Title IV eligibility due to a drug-related conviction with a timely, separate, clear, and conspicuous written notice. The notice must advise the student of his or her loss of Title IV eligibility and the ways in which the student may regain that eligibility.

[HEA §485(k)(2)]¹

A student may regain eligibility at any time by completing an approved drug rehabilitation program and by informing the school that he or she has done so. A student regains Title IV eligibility on the date he or she successfully completes the program. A drug rehabilitation program is considered approved for these purposes if it includes at

least two unannounced drug tests and meets one of the following criteria:

[§668.40(c)]

- The program received or is qualified to receive funds directly or indirectly under a federal, state, or local government program.

[§668.40(d)(2)(i)]
- The program is administered or recognized by a federal, state, or local government agency or court.

[§668.40(d)(2)(ii)]
- The program received or is qualified to receive payment directly or indirectly from a federally or state-licensed insurance company.

[§668.40(d)(2)(iii)]
- The program administered or recognized by a federally or state-licensed hospital, health clinic, or medical doctor.

[§668.40(d)(2)(iv)]

For a student whose Title IV eligibility is reinstated after a drug conviction, the maximum [loan period](#) that a school may certify is the [academic year](#) during which the student regains eligibility. However, the school may not certify eligibility prior to the date on which eligibility is regained. A student who loses eligibility during a loan period is immediately ineligible to receive subsequent [disbursements](#) of FFELP funds and is required to repay any Title IV funds received after the date he or she loses eligibility. Schools are not required to recalculate a student's loan amount.

[§668.40(c)]

5.9

Required High School Diploma or Equivalent

To be eligible for FFELP funds, the borrower, or the [dependent student](#) for whom a [parent](#) seeks a PLUS loan, must have a high school diploma or its equivalent, or must receive a passing score on an approved [ability-to-benefit](#) test (see [Section 5.10](#) for more information on ability-to-benefit provisions). The following are considered equivalent to a high [school](#) diploma for establishing Title IV eligibility:

[§668.32(e)(1) and (2)]

- A General Education Development (GED) Certificate—or a [state](#) certificate issued after a student passes an approved examination that the state recognizes as an equivalent to the GED.

[§668.32(e)(3)]

¹ Policy 1076 (Batch 155), approved January 15, 2009

5.14.B Students Who Transfer after Full Disbursement of the Loan

If a student transfers to another [school](#) after receiving all [disbursements](#) of a loan made for attendance at the previous school, the student or parent borrower is generally not eligible to receive a second loan during the same [period of enrollment](#). An exception to this policy is made if one of the following conditions exists:

- The [borrower](#) did not receive the maximum loan amount for which he or she is eligible, in which case the borrower may receive up to the remaining eligibility to pay for [cost of attendance \(COA\)](#) at the new school. See [Section 6.1](#) for more information regarding a student's loan eligibility after transferring.
- The student's first school returned funds for the student, in which case the borrower may receive up to the amount of the returned funds plus any remaining eligibility. The [lender](#) must report the returned funds to the [guarantor](#) so that a subsequent loan may be [guaranteed](#).
- The student advances to a higher [grade level](#) and, as a result of the grade level advancement, becomes eligible for additional Stafford loan funds.

5.15 Multiple School Enrollment

A student may be [enrolled](#) simultaneously on at least a half-time basis in more than one school. In this case, the student may be eligible to receive a Stafford and a [Grad PLUS loan](#), if applicable—and the [parent](#) of a dependent [undergraduate student](#) may be eligible to receive a PLUS loan—at more than one school for the same [payment period](#) or [period of enrollment](#). A Stafford or PLUS loan certified by one school is not included as [estimated financial assistance \(EFA\)](#) by another school when determining a student or parent borrower's eligibility for a Stafford or PLUS loan for the same payment period or period of enrollment. [\[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-90\]](#)¹

It is necessary for the two schools to coordinate with each other to ensure that the student's eligibility for a Stafford or Grad PLUS loan, if applicable—and the parent's eligibility

for a [parent PLUS loan](#)—is properly determined. If one school has already certified a loan for the student, the other school is required to take the following actions:

- Eliminate the student's living costs from the [cost of attendance \(COA\)](#) because those costs were included in the COA at the first school.
- Ensure that the student does not receive loan funds in excess of the annual Stafford loan limits at that school and that the total amount of the loans received by the student for enrollment at both schools does not exceed the student's highest applicable annual Stafford loan limit.

EXAMPLE: A fourth-year student at a 4-year school may decide to enroll simultaneously in a one-year computer program at a proprietary school. If the student requests and receives a \$3,000 [base Stafford loan amount](#) for his or her final year of study at the 4-year school, he or she has remaining base Stafford loan eligibility of \$2,500 as a fourth-year student. If the student subsequently applies for aid as a first-year student at the proprietary school, the student's base first-year loan eligibility at the proprietary school must be adjusted from \$2,625 to \$2,500 (because the \$5,500 maximum base fourth-year loan eligibility from the 4-year school minus the \$3,000 received at the 4-year school equals the student's remaining eligibility). In this case, the student does not exceed [annual loan limits](#) at either school and the combined total of the student's loans does not exceed his or her highest applicable annual loan limit of \$5,500. In this scenario, if the student had borrowed the fourth-year base annual loan limit at the 4-year school, he or she would have no eligibility for a base loan amount at the proprietary school. Likewise, if the student borrowed only \$1,000 at the 4-year school, he or she would be eligible to borrow a base loan amount of \$2,625 at the proprietary school (the first-year annual loan limit).

If neither school is aware of the student's simultaneous enrollment in two different schools until after both schools have certified Stafford loans and the student receives loan funds in excess of his or her highest applicable annual Stafford loan limit, the schools must coordinate with each other to adjust the student's aid package at one or both schools to eliminate the excess loan amount. If neither school is able to eliminate the excess loan amount, the excess loan amount must be reported to the lender. Refer to [Subsection 6.11.E](#) for information regarding borrowers who exceed annual loan limits.

[\[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-78\]](#)

¹ Policy 1077 (Batch 155), approved January 15, 2009

6.6 Determining the Expected Family Contribution (EFC)

Another factor that a school uses in the determination of the amount and type of loan funds a borrower is eligible to receive is the [expected family contribution \(EFC\)](#). The EFC is the amount a student and his or her family are expected to pay for education expenses and it is determined by the financial information provided by the student and [parent\(s\)](#) on the [Free Application for Federal Student Aid \(FAFSA\)](#). [[§668.2\(b\)](#), [definition of *expected family contribution*](#)]

The data provided on the [FAFSA](#) is processed using a federally prescribed [need analysis](#) formula to derive the EFC. The calculation is performed by the Central Processing System (CPS) contractor selected by the [Department](#). The [EFC](#) figure is sent to the school on a need analysis output document and is used by the school to determine the student's eligibility for a Stafford loan.

When calculating eligibility for a subsidized Stafford loan, a school may offset all or any portion of the student's EFC with any [TEACH grant amount](#), [PLUS loan amount](#), [unsubsidized Stafford loan amount](#), or other education loan [amount](#) obtained for the [loan period](#).

[[HEA §442\(c\)](#); [§682.200\(b\)\(2\)\(i\)](#); [§682.301\(c\)](#); ~~[HEA §442\(e\)](#)~~¹

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

6.6.A Performing Verification Requirements

A [school](#) may require a student financial aid applicant to document the data used in determining a student's [expected family contribution \(EFC\)](#). A school is required to use such documentation to verify the EFC if the student aid applicant is selected by the Central Processing System (CPS) according to criteria established by [the Department](#), or if the school has reason to believe that any information provided on the [Free Application for Federal Student Aid \(FAFSA\)](#) is incorrect. [[§668.54\(a\)\(3\)](#) and [\(5\)](#)]

A school must develop and apply an adequate system to identify and resolve discrepancies in the information provided by the aid applicant. The school must reconcile all conflicting information before disbursing any funds,

whether or not the student's application was selected for [verification](#). It is the school's responsibility to ensure compliance with federal requirements and verification procedures. For more information on verification, schools should refer to federal regulations and the [Department's](#) most recent [07-08 FSA Handbook, Application and Verification Guide](#).

[[§668, Subpart E](#); [07-08 FSA Handbook, Application and Verification Guide, Chapter 5](#), p. AVG-101]

Verification Exemptions

Unless the school has reason to believe that the information provided on the [FAFSA](#) is incorrect, [verification](#) is not required if the student has no need—even if the student is selected for verification. PLUS borrowers are not subject to verification, although PLUS loan eligibility may be affected by the verification process.

[Foreign schools](#) are exempt from verification requirements with respect to a Stafford or PLUS loan applicant's financial information. Other schools also may be exempt from certain verification requirements if they are participating in the [Department's Quality Assurance Program](#) (see [Section 4.7](#)).

[[HEA §487\(a\)\(3\)](#); [§668.51\(c\)](#)]

Certification and Verification

If an applicant is selected for verification and the [school](#) believes that the information provided on the [FAFSA](#) is correct, it may certify a loan, but may not release [loan proceeds](#) before the verification process is complete. If verification is not completed within 45 days from the date the school receives the loan proceeds, the school must return the proceeds to the lender promptly, but no later than 10 business days after the last day of the 45-day period.

[[§668.58\(c\)](#); [§668.167\(b\)\(2\)](#) and [\(3\)](#)]

If, during the 10-business-day return period, the verification process is completed, 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. For more information on delivery requirements, see [Section 8.7](#).

[[§668.167\(b\)\(3\)](#); [Department of Education Policy Bulletin dated June 2, 1997](#)]

Verification Not Completed before Withdrawal

If a student is selected for verification but withdraws before providing all required verification documentation, the school must comply with the [return of Title IV funds](#) requirements outlined in [Subsection 9.5.D](#).

¹ Policy 1078 (Batch 155), approved January 15, 2009

- The estimated amount of other federal student financial aid—including, but not limited to, Federal Pell grant, Academic Competitiveness Grant, National SMART Grant, TEACH grant, and campus-based aid. The gross amount (including fees) of any subsidized Stafford, unsubsidized Stafford, or PLUS loan is also included, except as noted below. [HEA §480(j); §682.200(b)(1)(viii)]

A student's EFA does not include:

- Amounts used to replace the expected family contribution (EFC), including any TEACH grant amounts, unsubsidized Stafford loan amounts, PLUS loan amounts, and non-federal non-need-based loans, including private, state-sponsored, and institutional loan funds. However, if the sum of the loan amounts received that are being used to replace the student's EFC exceeds the EFC, the excess amount is treated as EFA. [§682.200(b)(2)(i)]¹
- For a *subsidized* Stafford loan, veterans' educational benefits paid under Chapter 30 of Title 38 of the U.S. Code (Montgomery GI Bill—Active Duty) and national service education awards or postservice benefits paid under Title I of the National and Community Service Act of 1990 (AmeriCorps). [§682.200(b)(2)(iii)]
- Qualified education benefits, including qualified tuition programs (e.g., 529 prepaid tuition plans and savings plans), prepaid tuition plans offered by a state, and Coverdell education savings accounts. [HEA §480(f)(3) and (4); DCL GEN-06-05; DCL GEN-06-10]
- Federal Perkins loans and Federal Work-Study (FWS) funds the school determines the student has declined for any reason. [HEA §480(j); §682.200(b)(2)(ii)]
- Any portion of EFA previously described that is included in the calculation of the student's EFC. [§682.200(b)(2)(iv)]
- Non-need-based employment income. [§682.200(b)(2)(v)]
- Non-Title IV state assistance, if that state specifies that the funds must be used to pay a specific component of the student's COA. If the state assistance is excluded

from the EFA, then the costs paid by those state funds must also be excluded from the student's COA. [HEA §480(j)(3); §682.200(b)(2)(vi); DCL GEN-06-05]

- For a student who is enrolled simultaneously at multiple schools, the amount of a Stafford or PLUS loan certified at another school for the same payment period or period of enrollment. For more information about determining eligibility for a student who is enrolled simultaneously at multiple schools, see Section 5.15. [08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-90]²

6.8 Determining the Student's Dependency Status

A student's dependency status is determined from information provided on the Free Application for Federal Student Aid (FAFSA). A student's dependency status affects the expected family contribution (EFC) and the types and amounts of aid that the student may be eligible to receive.

For purposes of Title IV aid, a student is considered independent if he or she meets one or more of the following criteria:

- The student is at least 24 years old by December 31 of the award year.
- The student is an orphan or ward/dependent of the court, or was a ward/dependent of the court until he or she reached age 18.
- The student is a veteran of the U.S. Armed Forces. For the purposes of determining dependency status, a student is considered to be a veteran if he or she will meet both of the following criteria prior to the end of the award year for which the FAFSA is filed.
 - The student engaged in active duty in the U.S. Armed Forces; is a National Guard or Reserves enlistee, who was called to active duty for purposes other than training; or was a cadet or midshipman at a service academy (even if the student withdrew before graduation).

¹ Policy 1078 (Batch 155), approved January 15, 2009

² Policy 1077 (Batch 155), approved January 15, 2009

student completes less than 30 credits during his or her first academic year, the student remains eligible for first-year undergraduate loan limits at the beginning of his or her second academic year. The school may not certify a second-year undergraduate loan until the student successfully completes 30 credits, as required by the school to advance from freshman to sophomore standing.

Graduate and Professional Students

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

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**,¹ and the guidelines issued by the Department in the **07-08 FSA Handbook, Volume 3, Chapter 5, pp. 3-77 to 3-87**, **08-09 FSA Handbook, Volume 3, Chapter 5**. For more information about the **impact of simultaneous, multiple school enrollment on annual loan limits**, see [Section 5.15](#).²

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](#)]³
- 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 any of the following:

- ~~†~~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 amount of any **TEACH grant** that has been converted to an unsubsidized Direct Stafford loan. [[§682.204\(c\)](#)]⁴

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.

¹. Policy 1057 (Batch 151), approved September 18, 2008

². Policy 1077 (Batch 155), approved January 15, 2009

³. Policy 1052 (Batch 151), approved September 18, 2008

⁴. Policy 1078 (Batch 155), approved January 15, 2009

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 any of the following:

- ~~†~~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.
- The amount of any [TEACH grant](#) that has been converted to an unsubsidized Direct Stafford loan.
[§682.204(c)]¹

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 the²

¹ Policy 1078 (Batch 155), approved January 15, 2009

² Policy 1052 (Batch 151), approved September 18, 2008

Aid Types to Be Included in the Return Calculations

When calculating the return of Title IV funds, the school must include the following Title IV funds, as applicable:

- [Federal Perkins loan](#)
- Direct loan
- FFELP loan
- Federal Pell grant
- [Academic Competitiveness Grant](#)
- [National SMART Grant](#)
- [TEACH grant](#).¹
- [Federal Supplemental Educational Opportunity Grant \(FSEOG\)](#), FSEOG (not including the nonfederal share of an FSEOG award if the school meets its matching share by the individual recipient method or the aggregate method).²

[§668.22(a)(2)]

Aid Types to Be Excluded from the Return Calculations

When calculating the return of Title IV funds, the school must exclude amounts from the following Title IV programs, as applicable:

- [Federal Work-Study](#).
- Leveraging Educational Assistance Partnership (LEAP).
- Special Leveraging Educational Assistance Partnership (SLEAP).
- Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP).
- Student Support Services (SSS).
- The nonfederal share of an FSEOG award if the school meets its matching share by the individual recipient method or the aggregate method.

[HEA §484B(a)(3)(C)(i); §668.22(a); DCL GEN-06-05]

¹ Policy 1078 (Batch 155), approved January 15, 2009

² Policy 1070 (Batch 154), approved December 18, 2008

Percentage of Title IV Aid Earned

The percentage of Title IV loan and grant aid earned by the student is equal to the percentage of the [payment period](#) or [period of enrollment](#) that the student completed as of the date of the student's withdrawal. (See the explanation of this calculation under the subheading "Determining the Percentage of the Payment Period/Period of Enrollment Completed" earlier in this subsection.)

Amount of Title IV Aid Earned by the Student

The amount of [Title IV](#) loan and grant aid earned by the student equals the amount of aid that was delivered to the student plus the amount of aid that could have been disbursed or delivered during the [payment period](#) or [period of enrollment](#), multiplied by the calculated percentage of Title IV aid earned.

$$\text{Percentage of Title IV aid earned} \times (\text{Total Title IV aid delivered} + \text{total Title IV aid that could have been disbursed or delivered}) = \text{Title IV aid earned}$$

[07-08 FSA Handbook, Volume 5, Chapter 2, p. 5-78]

Determining the Amount of Unearned Aid to be Returned

If the total amount of disbursed aid is greater than the amount of Title IV aid earned by the student, the amount of Title IV loan and grant aid that is unearned and must be returned is calculated as follows:

$$\text{Total Title IV disbursed aid} - \text{Title IV aid earned} = \text{Title IV loan and grant aid to be returned}$$

Monetary amounts may be rounded normally, to the nearest cent. Return amounts, for both the school and the student, may be rounded to the nearest dollar.

When calculating the amount of loan funds to be returned to the lender, the school should use the net amount that was received from the lender (the gross amount minus the [guarantee](#) and [origination fees](#)) as the basis. The lender will adjust the guarantee and origination fees.

Aid to Be Returned by the School

The school must return the portion of unearned Title IV aid for which the school is responsible. The amount the school must return is the lesser of:

- The total amount of unearned aid.
- The amount that is equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of

The school's return of FFELP funds is considered timely if, within 45 days of the date the school determines that the student withdrew, the school does one of the following: [§668.173(b)]

- Deposits or transfers the amount of funds to be returned into an account the school maintains for federal funds (see [Section 8.1](#)). [§668.173(b)(1)]
- Initiates an [electronic funds transfer \(EFT\)](#) for the amount of returned funds. [§668.173(b)(2)]
- Initiates an electronic transaction that informs the lender to adjust the borrower's loan account for the amount of returned funds. [§668.173(b)(3)]
- Issues a check for the returned funds. In this case, the school's records must show that the lender's bank endorsed that check within 60 days of the date the school determined that the student withdrew. [§668.173(b)(4)]

For more information on sufficient cash reserve requirements to make required returns of unearned [Title IV](#) funds, see [Subsection 4.3.C](#). For more information on determining the student's [withdrawal date](#), see [Section 9.4](#). For more information on determining the amount of the Title IV funds to be returned, see [Subsection 9.5.A](#).

A school may be assessed financial liability for the late return of Title IV funds or willful nonpayment of applicable refunds. A school must ensure that all funds that must be returned for Stafford and PLUS loans are paid to lenders within the required time frame. [§668.173(c); §682.607]

Guarantors recommend that the school's notice accompanying the return of funds to lenders include the following information:

- The student's name and [Social Security number \(SSN\)](#).
- The parent's name and SSN (for PLUS loan funds).
- The check number, if applicable.
- The amount of the returned funds.
- The loan type (subsidized Stafford, unsubsidized Stafford, or PLUS).

- The [loan period](#).
- The student's [withdrawal date](#), graduation date, or [last date of attendance](#) as at least a [half-time student](#).
- The most recent address that the school has on file for the student.
- The [disbursement](#) number, if applicable.
- The reason for the return of funds (such as withdrawal, [overaward](#), [leave of absence](#)).
- Whether or not subsequent disbursements should be canceled or rescheduled.

Applying Returned Funds

The Higher Education Act and federal regulations specify the order in which unearned funds must be returned to the Title IV programs. The school must ensure that returned funds are applied to eliminate outstanding balances on loans and grants for the [payment period](#), or [period of enrollment](#), in the following order:

- FFELP unsubsidized Stafford loans.
- FFELP subsidized Stafford loans.
- Direct unsubsidized Stafford loans.
- Direct subsidized Stafford loans.
- [Federal Perkins loans](#).
- FFELP [parent](#) or [Grad PLUS loans](#).
- Direct parent or Grad PLUS loans.
- Federal [Pell grants](#).
- [Academic Competitiveness Grants](#).
- [National SMART Grants](#).
- [Federal SEOG Program aid](#).
- [TEACH grants](#).¹

¹ Policy 1078 (Batch 155), approved January 15, 2009

13.8 Discharge

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

Partial Discharge of a Consolidation Loan

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

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

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

The Request for Reimbursement Due to Partial Discharge of a Federal Consolidation Loan form is designed to be used by a lender to request a partial discharge of the Consolidation loan for the portion that represents any underlying loans that are eligible for discharge due to disability (only for comade Consolidation loans), closed school, death, or false certification discharge.

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

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

Comakers and Endorsers

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

[§682.402(a)(2) and (3)]

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

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

Credit Bureau Reporting to Consumer Reporting Agencies

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

[[HEA §430A\(a\)](#); [§682.208\(b\)\(1\)\(iv\)](#); [§682.402\(d\) and \(e\)](#)]¹

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

¹ Policy 1074 (Batch 155), approved January 15, 2009

obligation to repay all or a portion of the loan may be discharged. If a comaker on a joint Consolidation loan is determined to be totally and permanently disabled, the disabled comaker's underlying loans are discharged but the disabled comaker and the non-disabled comaker both remain jointly and severally liable for repayment of the balance of the loan. For a comade PLUS loan, if one comaker is determined to be totally and permanently disabled, that comaker's obligation on the loan is discharged and the non-disabled comaker assumes responsibility for repayment of the entire loan balance. If the lender has begun collection activities with respect to the endorser's obligation on a PLUS loan, and if the endorser is determined to be totally and permanently disabled, the endorser's obligation on the loan is discharged and the primary borrower assumes sole responsibility for repayment of the entire loan balance.

[§682.402(a)(2) and (3)]

For these purposes, a borrower, comaker, or endorser is considered **totally and permanently disabled** if he or she is unable to work and earn money because of an injury or illness that is expected to continue indefinitely or result in death.

[§682.200(b)]

If a borrower, comaker, or endorser receives a new [TEACH grant](#) or a new loan under the [Federal Perkins Loan Program](#), the FFELP, or the [Federal Direct Loan Program](#) (with the exception of a Consolidation loan that does not include any loans that are in a conditional **discharge** status) within 3 years of the date the physician completed and certified the discharge application stating that he or she is unable to work and earn money, the borrower, comaker, or endorser is not eligible for discharge on the loan on which he or she is a signatory or any loan made prior to that date. If a FFELP loan was certified prior to the date the physician certified the discharge application, any proceeds of the loan that will be or are disbursed after the date of the physician's certification must be canceled, or if the **disbursement** is made, must be returned to the **holder** within 120 days of the **disbursement date(s)** for the borrower to preserve his or her discharge eligibility. The 3-year period, i.e., the conditional discharge period, begins on the date the physician completes and certifies the discharge application. The lender must review its records for any new loan(s) or disbursements of prior loans made to the borrower, comaker, or endorser after the date the physician certified the discharge application stating that he or she is totally and permanently disabled. If the lender's records indicate (or the lender is otherwise aware) that a new loan(s) was made during the 3-year conditional discharge period, the lender must deny the discharge and inform the borrower, comaker, or endorser. If any FFELP loan was certified prior to the date the physician certified the discharge application, any

proceeds of the loan that are disbursed after the date of the physician's certification must be returned to the holder within 120 days of disbursement or the lender must deny the discharge and inform the borrower, comaker, or endorser. For information regarding a borrower's eligibility for a new loan(s) after the conditional period, see [Section 5.4](#).

[§682.402(c)(4)(~~ii~~)(i)(B) & (C); §682.402(c)(5)(vi)(B)]¹

Discharge When Guarantee Is Lost

If there have been servicing errors on the loan such that the loan has lost its **guarantee**, and those violations were not **cured** before the date the lender determined that the borrower was totally and permanently disabled, the lender must discharge the loan—even though the balance will not be reimbursed by the **guarantor**.

[§682, Appendix D, I.E.2]

Conditional Discharge Due to Total and Permanent Disability

Total and permanent disability loan discharge determinations made by the lender on or after July 1, 2002, and subsequently paid as a **claim** by the guarantor, may be permanently assigned to the Department. The Department then determines if the certification and information provided by the borrower, comaker, or endorser support the conclusion that he or she meets the criteria for a total and permanent disability loan discharge. If the Department determines that the certification and information provided by the borrower, comaker, or endorser do not support the conclusion that he or she meets the criteria for a total and permanent disability loan discharge, the Department notifies the borrower, comaker, or endorser that the application for a total and permanent disability loan discharge has been denied and that the loan is due and payable under the terms of the **promissory note**.

If the Department makes an initial determination that the borrower, comaker, or endorser is totally and permanently disabled, the Department sends notification to the borrower, comaker, or endorser that the loan—or the comaker's or endorser's obligation on the loan—is in a conditionally discharged status and that the conditional discharge period will last for up to 3 years after the date the physician completed and certified the discharge application. The Department's notification identifies the following conditions that apply during the 3-year conditional discharge period:

- The disabled borrower, comaker, or endorser is not required to make any payments on the loan.

¹ Policy 1078 (Batch 155), approved January 15, 2009

- The disabled borrower, comaker, or endorser is not considered delinquent or in **default** on the loan, unless he or she was delinquent or in default at the time the conditional discharge was granted.
- The disabled borrower, comaker, or endorser must promptly notify the Department of any changes in address or phone number.
- The disabled borrower, comaker, or endorser must notify the Department if his or her annual earnings from employment exceed 100% of the poverty line for a family of two.
- The disabled borrower, comaker, or endorser must provide the Department, upon request, with additional documentation or information related to his or her eligibility for a total and permanent disability loan discharge.
[§682.402(c)(14)]
- The disabled borrower, **comaker**, or **endorser** must provide the Department, upon request, with additional medical evidence if the Department determines that the borrower's, comaker's, or endorser's application does not conclusively prove that the borrower, comaker, or endorser is disabled. As part of this review or at any time through the end of the conditional **discharge** period, the Department may arrange for an additional review of the borrower's, comaker's, or endorser's condition by an independent physician at no expense to the applicant.
[§682.402(c)(4)(v)]
- The disabled borrower, comaker, or endorser must not receive a new **TEACH grant** or a new loan under the **Federal Perkins Loan Program**, the FFELP, or the **Federal Direct Loan Program**, except for a FFELP or Direct Consolidation loan that does not include any loans that are in a conditional discharge status.
[§682.402(c)(4)(ii)(B)(4)(i)(B)]¹
- If any FFELP loan was certified prior to the date the physician certified the discharge application, any proceeds of the loan that are disbursed after the date of the physician's certification must be returned to the **holder** within 120 days of the **disbursement date(s)** to preserve the borrower's discharge eligibility.
[§682.402(c)(4)(i)(C)]

The Department also notifies the disabled borrower, comaker, or endorser, for those loans assigned to the Department, that if at any time during the 3-year conditional discharge period he or she does not continue to meet the eligibility requirements for a total and permanent disability discharge, the Department or the loan holder, as applicable, will resume collection activity on the loan but will not require the borrower to pay any interest that accrued on the loan from the date of the initial determination of total and permanent disability through the end of the conditional discharge period.

[§682.402(c)(16)]

NSLDS Reporting during the Conditional Period for Comade Loans

In cases where a comaker of a joint Consolidation or PLUS loan has applied for a total and permanent disability loan discharge, the lender must ensure accurate reporting to the **guarantor** for NSLDS purposes. The lender must report the correct status of the non-dischargeable portion to the guarantor for subsequent reporting to the NSLDS in a timely manner. The NSLDS currently reports joint Consolidation loans and comade PLUS loans under one primary borrower only. However, to ensure proper reporting during the conditional discharge period, the lender should report the non-dischargeable portion under the non-disabled borrower's name and **Social Security number (SSN)** to the guarantor. If the borrower on record with the guarantor and the NSLDS is the disabled borrower, the guarantor's records and the NSLDS must be updated to reflect the non-disabled borrower as the borrower of record. If the discharge is denied, the lender may resume reporting the full balance of the loan under the borrower currently being reported. If a final discharge is granted, the lender continues to report the non-discharged portion of the Consolidation loan under the non-disabled borrower's name and SSN.

Total and Permanent Disability Loan Discharge Payment

Federal regulations require a guarantor to determine if the borrower, **comaker**, or **endorser** meets the eligibility criteria for a total and permanent disability (TPD) **discharge**. If the guarantor determines that the borrower, comaker, or endorser meets the criteria, the guarantor will take the following action, as appropriate:

- For a loan made solely to the borrower, or a PLUS loan with an endorser where the borrower is the party applying for the loan discharge, the guarantor will pay the lender the remaining balance on the loan and assign the loan to the Department.

¹ Policy 1078 (Batch 155), approved January 15, 2009

16.2 Calculation of School Cohort Default Rates

A **cohort default rate** is defined as the percentage of a school's student borrowers who enter repayment during a specific fiscal year on certain FFELP or FDLP loans and who **default** on those loans during the same or following fiscal year (see [Section 16.1](#)). This includes borrowers who borrow any of the following types of loans:

- A Federal Stafford loan, Federal SLS loan, or Direct Stafford loan.
- The portion of a Federal Consolidation loan or Federal Direct Consolidation loan used to repay a Federal Stafford loan, Federal SLS loan, or Direct Stafford loan.

A **TEACH** grant that has been converted to an unsubsidized Direct Stafford loan is not considered for the purpose of calculating a school's cohort default rate.
[§668.183(b)(3)]¹

A FFELP cohort default rate is calculated for each school participating in the FFELP or FDLP at the beginning of the fiscal year, whether or not the school actually had student borrowers entering repayment on Stafford or SLS loans during that fiscal year.

An official cohort default rate is calculated for a school according to the formulas that follow. Formula A is used for schools that had 30 or more student borrowers who entered repayment during the fiscal year for which the rate is being calculated. Formula B is used for schools that had fewer than 30 student borrowers who entered repayment during the fiscal year for which the rate is being calculated. A draft cohort default rate is calculated for a school based on one year of data (using Formula A), even if the official cohort default rate for the school will be calculated based on several years of data (using Formula B).

[*Cohort Default Rate Guide*]

A **dual-program cohort default rate** is calculated when a school has student borrowers who entered repayment on both FFELP and FDLP loans in the same fiscal year. Although the same basic formulas are used to calculate FFELP, FDLP, and dual-program cohort default rates, slightly different definitions of default are used to determine which FFELP and FDLP student borrowers are included in the numerator of the formulas. For all schools,

a FFELP loan is considered to be in default on the date the **guarantor** pays a default **claim**, and a FDLP loan is considered to be in default after 360 days of **delinquency**. For proprietary non-degree-granting schools only, the definition of default also includes student borrowers with FDLP loans that are in repayment for at least 360 days under the **income-contingent repayment plan** with scheduled payments that are less than \$15 per month and less than the **interest** accruing on the loan. These conditions must have occurred before the end of the fiscal year following the year in which the loan entered repayment.
[§668.183(c)(i) and (ii)]

In some cases, the **Department** calculates an “unofficial cohort default rate” for a school. An “unofficial rate” is applicable if a school had fewer than thirty borrowers who entered repayment during the fiscal year for which the rate is being calculated, and no cohort default rate was calculated by the Department for the school for either or both of the two previous fiscal years. An “unofficial cohort default rate” cannot be used to determine sanctions or benefits for a school because it does not meet the definition of an official cohort default rate.

[*Cohort Default Rate Guide*]

¹ Policy 1078 (Batch 155), approved January 15, 2009

Leave of Absence: For purposes of the *Common Manual*, a leave of absence is a status in which the student is considered to be continuously enrolled for Title IV program purposes, as approved by the school. An approved leave of absence is a break in enrollment, not including a semester or spring break, that is requested by the student and approved by the school based upon the school's published leave of absence policy. The student's request must be in writing and must include the reason for the leave. In an approved leave of absence, the student does not incur any additional charges. The total number of days of all approved leaves of absence may never exceed 180 days in any 12-month period.

For information on an *unapproved* leave of absence (i.e., a leave of absence that is not considered approved for Title IV purposes), see [Sections 9.3](#) and [9.4](#).

Lender: For purposes of the Federal Family Education Loan Program (FFELP), a lender is an entity that has entered into an agreement to participate in the FFELP. A lender may be a national or state chartered bank, a mutual savings bank, a savings and loan association, a stock savings bank, a credit union, a pension fund, an insurance company, a single state agency, the Student Loan Marketing Association (SLMA), a Rural Rehabilitation Corporation, a nonprofit private agency functioning in a state as a secondary market, a consumer finance company subsidiary of a national bank, a guarantor, or a school. Each entity must meet the specific eligibility qualifications, as applicable, outlined in [Sections 3.1](#) and [3.2](#).

Lender Fee: A fee that the holder of the loan must pay to the Department. For any loan first disbursed on or after October 1, 1993, and prior to October 1, 2007, the fee is equal to 0.5% of the principal amount of the loan. For loans first disbursed on or after October 1, 2007, the fee is equal to 1.0% of the principal amount of the loan. This fee is deducted from interest and special allowance due the lender. The lender remits the fee by making an entry on the Lender's Interest and Special Allowance Request and Report (LaRS report) that results in an offset of the amount of quarterly interest and special allowance benefits due to the lender. The lender may not pass this fee on to the borrower. For more information about the lender fee, see [Appendix A](#).

Lender of Last Resort: (LLR) A lender (or guarantor, in some cases) that agrees to make Stafford and/or PLUS loans to each of the following:

- Students and/or parent borrowers who qualify for interest benefits, who are eligible for combined subsidized and unsubsidized Stafford loan amounts of

at least \$200, and who are otherwise unable to obtain loans from other eligible lenders for the same period of enrollment. ~~(or~~

- Student borrowers who are attending schools that have been designated as LLR schools) and parents of students attending such schools. See [Section 3.7](#) and [Subsection H.4.E](#).¹

Lender Participation Questionnaire for New Lenders: The application form that a lender must complete and return to the Department before receiving approval to participate in the FFELP.

Lender's Interest and Special Allowance Request and Report: (LaRS Report) An accounting mechanism that a lender uses to report to the Department the loans that it has made and to request from the Department interest benefits and special allowance that it has earned. The federal origination and lender fees that the lender must pay to the Department are usually deducted from the amount that the Department owes the lender for interest benefits and special allowance. The lender may submit the report using the automated Lender Reporting System or the paper form. See [Appendix A](#).

Limitation: The continuation of a school's eligibility to participate in the guarantor's programs, subject to compliance with special conditions or restrictions established by agreement with the Department or the guarantor. See [Subsection 18.1.A](#).

LLR: See [Lender of Last Resort](#)

Loan Assignment: See [Assignment](#)

Loan Period: The period of time for which a loan is certified.

Loan Proceeds: The amount of loan funds that have been guaranteed.

Loan Sale: The change in ownership of a loan from one eligible FFELP lender or holder to another lender or holder.

Loan Transfer: Any action that results in a change of the system used to monitor or conduct collection activities on the loan, such as a change in servicer. See [Subsections 3.4.B](#) and [3.5.E](#).

¹ Policy 1075 (Batch 155), approved January 15, 2009

Suspension: Suspension of the eligibility of a school, lender, or servicer to participate in a guarantor's programs for a specified period of time until specified requirements are met. See [Subsection 18.1.B](#).

T

T-bill: See [Treasury Bill](#).

TEACH Grant: See [Teacher Education Assistance for College and Higher Education \(TEACH\) Grant](#).

Teacher Education Assistance for College and Higher Education (TEACH) Grant: A non-need-based grant intended for undergraduate, certain post-baccalaureate, and graduate students enrolled at TEACH grant-eligible schools who plan to become teachers. In exchange for the grant, a student must agree to serve as a full-time teacher in a high-need field, in a low-income school for at least four academic years within eight years of completing the program of study for which the student received the grant. If a TEACH grant recipient does not satisfy the service obligation, the TEACH grant funds that the student received convert to an unsubsidized Direct Stafford loan that must be repaid with interest accruing from the date of disbursement. See the [FSA Handbook](#) for more information about the TEACH grant.¹

Teacher Shortage Area: A federally designated geographic area, grade level, or academic, instructional, subject matter, or discipline that has been classified as a shortage area as defined by the Department. See [Section 11.16](#).

Teach-Out Program: A program of study offered by a school that is substantially similar to a borrower's program of study at a school that closed and ceased to provide educational services during the borrower's loan period.

Telecommunications Course: A course offered during an award year that principally uses one technology or a combination of technologies including television, audio, or computer transmission, through open broadcast, closed circuit, cable, microwave or satellite, audio conferencing, computer conferencing, or video cassettes or discs. These technologies may be used to deliver instruction to students who are separated from the instructor and to support regular and substantive interaction between these students and the instructor, either simultaneously or at different times. A course is not considered to be a telecommunications course if the course is delivered using video cassettes or discs

unless that same course is also delivered to students who are physically attending classes at the school providing the course during the same award year.

Term-Based School: A school that uses standard academic terms, such as semesters, trimesters, or quarters.

Termination: Withdrawal of the eligibility of a school, lender, or servicer to participate in the guarantor's programs. See [Subsection 18.1.C](#).

Third-Party Servicer: In the case of a lender or guarantor, a state or private for-profit or nonprofit organization or an individual that enters into a contract with the lender or guarantor to administer any aspect of the lender's or guarantor's FFELP as required by statutory or regulatory provisions related to [part B of Title IV of the Higher Education Act](#). In the case of a school, a state or private for-profit or nonprofit organization or an individual that enters into a contract with the school to administer any aspect of the school's participation in any Title IV program.

Three-Times Rule: The federal requirement that no single installment of a graduated or income-sensitive repayment schedule may be more than three times greater than any other installment.

Title IV: A section of the Higher Education Act of 1965, as amended, that authorizes federal loan, work, and grant education financial assistance programs.

Totally and Permanently Disabled: The condition of an individual who is unable to work and earn money due to an injury or illness that is expected to continue indefinitely or result in death.

Trailer, Summer Term: A summer term that comes at the end of a school's Scheduled Academic Year.

Transfer: For purposes of defining due diligence time frames, a transfer is any action (such as the sale of a loan) that results in a change of the system used to monitor or conduct collection activities on the loan.

Treasury Bill: (T-bill) A note or bill issued by the U.S. Treasury as legal tender for all debts.

Treasury Offset: An interception by the United States Treasury Department's Financial Management Service or a state agency of any payment of applicable federal funds (tax refunds, Social Security benefits, federal retirement benefits, etc.) or state funds otherwise due a borrower who has defaulted on a FFELP loan.

¹ Policy 1078 (Batch 155), approved January 15, 2009

Deferment – In-School

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

Administrative Forbearance

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

Other Regulatory Requirements

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

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

H.4.E**Waiver of Borrower-by-Borrower LLR Designation**

Through June 30, 2009, if a school requests and is granted a lender of last resort (LLR) designation by the Department, eligible student borrowers attending the school and eligible parent borrowers may obtain loans from the LLR. The LLR must make loans to eligible student borrowers attending the school and to eligible parent borrowers even if they are otherwise unable to obtain Stafford or PLUS loans from other eligible lenders for the same period of enrollment. [[HEA §428\(j\)\(3\)](#)]

A school that wishes to apply for the LLR designation must meet criteria established by the Department, including that the school, at a minimum:

- Demonstrates that it has made at least three attempts to identify participating lenders, beyond those lenders that had previously provided FFELP loans to students and parents of students attending the school, that will make FFELP loans.
- Documents its determination that 80% or more of the students and parents of students at its school are unable to obtain FFELP loans.
- Provides other documentation and information specified by the Department. [[HEA §428\(j\)\(4\)](#); [DCL GEN-08-08](#)]²

¹ Policy 1064 (Batch 153), approved November 20, 2008

² Policy 1075 (Batch 155), approved January 15, 2009