

## Summary of Changes Approved August 2008 through March 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 March 19, 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	#
<b>Chapter 2: About the FFELP</b>			
2.2.C Repayment	Adds the crime of identity theft to the list of eligible circumstances for which a lender may be eligible for claim payment for discharge in the FFELP overview in Chapter 2. Updates the definition of the term 'discharge' to include the crime of identity theft.	False Certification as a result of identity theft loan discharge claims processed by the lender on or after September 8, 2006.	1060/152
2.3.C Common Forms	Removes references throughout the Manual to the Child Care Providers Loan Forgiveness program.	August 14, 2008.	1080/156
<b>Chapter 3: Lender Participation</b>			
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
3.4.B Loan Assignment, Sale, or Transfer	Amends the Manual to require that the notification that the lender or holder sends to the borrower when the loan is assigned, sold, or transferred to another lender or holder also include the effective date of the transaction and the date on which the current holder will stop accepting payments, and the date on which the new loan holder will begin accepting payments.	Loans assigned, sold, or transferred by the lender or holder on or after August 14, 2008.	1081/156

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
3.4.C Permitted and Prohibited Activities	<p>Specifies that the assistance a lender may provide to a school is limited to technical assistance comparable to the kinds of technical assistance provided to a school by the Department under the Federal Direct Loan Program (FDLP).</p> <p>Amends the activities a lender is prohibited from providing to a school based on the provisions of Higher Education Opportunity Act (HEOA).</p>	Lender activities that occur on or after August 14, 2008.	1082/156
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
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
<b>Chapter 4: School Participation</b>			
4.4.A Recommended Lender Lists	Aligns the Manual with Departmental guidance that provides additional clarifications regarding alternatives to a school's recommended lender list, and how a school may provide important lender information to their FFELP applicants.	Information provided by schools regarding lenders participating with the school on or after May 9, 2008.	1063/153

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
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
4.4.B Consumer Information	<p>Adds to the Manual consumer information that a school must disclose to a student based on the provisions of the HEOA.</p> <p>Deletes from the Manual consumer information-related requirements that a school is no longer required to disclose to student borrowers.</p> <p>Clarifies that foreign schools are exempt from the requirement to publish an annual security report.</p> <p>Incorporates clarifications that are intended to be non-substantive in nature and align the Manual's text with existing regulatory language.</p>	<p>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> <p>The deletion of the requirement to retain a signed consumer information disclosure in the student's file is retroactive to the implementation of the <i>Common Manual</i>.</p>	1083/156
4.4.C Entrance Counseling	<p>Expands on the current text of the Manual to include new requirements made as part of the Higher Education Opportunity Act (HEOA) regarding what a school must provide a student during entrance counseling made as a result of the HEOA.</p> <p>Expands counseling specific to Grad PLUS borrowers and makes it consistent with counseling applicable to Stafford borrowers.</p> <p>Deletes audiovisual presentation as an acceptable means of entrance counseling.</p> <p>Deletes redundant text and makes other non-substantive changes to provide clarity.</p>	<p>Entrance counseling provided by the school on or after August 14, 2008.</p>	1090/157
4.4.D Exit Counseling	<p>Expands on the current text of the Manual to include new requirements made as part of the HEOA regarding what a school must provide a student during exit counseling.</p> <p>States that a school is required to ensure that the borrower is provided a copy of the Department's publication that describes federal student finance programs.</p> <p>Deletes redundant text and makes other non-substantive changes to provide clarity.</p>	<p>Exit counseling for Stafford and Grad PLUS borrowers on or after August 14, 2008.</p>	1091/157

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<b>Chapter 5: Borrower Eligibility</b>			
5.2.D NSLDS Data Match	Clarifies that an individual who is in default on any Title IV loan is ineligible to receive any Title IV aid, including the benefit of a parent PLUS loan, until the default is resolved. However, a parent's unresolved default on a Title IV loan, including a PLUS loan, does not adversely impact a dependent student's eligibility for other Title IV aid.	Retroactive to the implementation of the <i>Common Manual</i> .	1056/151
5.2.D NSLDS Data Match	Adds the crime of identity theft to the list of eligible circumstances for which a lender may be eligible for claim payment for discharge in the FFELP overview in Chapter 2. Updates the definition of the term 'discharge' to include the crime of identity theft.	False Certification as a result of identity theft loan discharge claims processed by the lender on or after September 8, 2006.	1060/152
5.8 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

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<b>Chapter 6: School Certification</b>			
6.6 Determining the Expected Family Contribution (EFC)	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.	1078/155
6.7 Determining the Amount of Estimated Financial Assistance (EFA)		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.	
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
6.10 Determining the Student's Grade Level	Incorporates various changes made in the Volume 3 of the 08-09 FSA Handbook regarding Stafford annual loan limit increases for a student who experiences a grade level change within an academic year.  Adds reference to a credit-hour program with nonstandard terms that are not SE9W when explaining that a school may not certify the higher loan limit associated with the next grade level until the student completes both the minimum number of weeks and the minimum number of credit or clock hours in the program's defined academic year.  Makes non-substantive changes to provide consistency throughout the Manual's text.	Publication date of Volume 3 of the 08-09 FSA Handbook, unless implemented earlier by the school on or after November 1, 2007.	1093/157
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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
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	Incorporates various changes made in the Volume 3 of the 08-09 FSA Handbook regarding Stafford annual loan limit increases for a student who experiences a grade level change within an academic year.  Adds reference to a credit-hour program with nonstandard terms that are not SE9W when explaining that a school may not certify the higher loan limit associated with the next grade level until the student completes both the minimum number of weeks and the minimum number of credit or clock hours in the program's defined academic year.  Makes non-substantive changes to provide consistency throughout the Manual's text.	Publication date of Volume 3 of the 08-09 FSA Handbook, unless implemented earlier by the school on or after November 1, 2007.	1093/157
6.11.A Stafford Annual Loan Limits Figure 6-4 Stafford Annual and Aggregate Loan Limits for Undergraduate Students 6.11.B Stafford Aggregate Loan Limits	Incorporates increases in the unsubsidized Stafford annual loan limits, and the combined Stafford aggregate loan limits, for undergraduate students authorized by the ECASLA.	Stafford loans first disbursed on or after July 1, 2008, for loan periods that include or begin on or after July 1, 2008.	1052/151
6.11.A Stafford Annual Loan Limits 6.11.B Stafford Aggregate Loan Limits	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
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

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6.11.E Exceeding Loan Limits	Incorporates private guidance received from the Department that will assist lenders in resolving inadvertent overawards that existed when loan limits increased due to the enactment of the Ensuring Continued Access to Student Loans Act (ECASLA).	Inadvertent overawards resulting from Stafford loans first disbursed before July 1, 2008, and inadvertent overawards that occur in the future prior to an annual or aggregate loan limit increase.	1094/157
6.15.C PLUS Loan Certification	Revises text to state explicitly that there is no annual or aggregate loan limit for a parent or Grad PLUS loan. A PLUS loan may not exceed the cost of attendance minus estimated financial assistance for the student.	Retroactive to the implementation of the <i>Common Manual</i> .	1057/151
<b>Chapter 7: Loan Origination</b>			
7.1.B Creditworthiness	Provides that in addition to the four examples of extenuating circumstances, a lender may approve a PLUS loan for an applicant with adverse credit if he or she is or has been 180 days or less delinquent, during the period beginning on January 1, 2007, and ending on December 31, 2009, on mortgage loan payments or on medical bill payments for the applicant or the applicant's family.	Effective for loans first disbursed on or after July 1, 2008, for extenuating circumstances existing between January 1, 2007, and December 31, 2009.	1084/156
7.4 Establishing Stafford Loan Interest Rates 7.4.B Reduced Stafford Interest Rates 7.5 Establishing PLUS Loan and SLS Loan Interest Rates 7.5.B Reduced PLUS Interest Rates	Incorporates HEOA-related changes that require FFELP lenders to comply with the provisions of the Servicemembers Civil Relief Act (SCRA) with respect to charging reduced interest (not to exceed 6%) on a FFELP loan. Qualifying borrowers must request the reduced interest rate in writing and provide the lender substantiating documentation of his or her eligibility.  Permits the lender to determine the applicable special allowance payment based on the loan's actual 6% interest rate if the loan was first disbursed on or after July 1, 2008.	Loans for which the lender receives a servicemember's written request for the reduced interest rate that is effective on or after August 14, 2008, for periods of military service ending on or after that date.  Special allowance billings for loans that are first disbursed on or after July 1, 2008, if the lender receives a servicemember's request for the reduced interest rate on or after August 14, 2008.	1096/157
7.7.C Disbursement by Individual Check 7.7.D Disbursement by Electronic Funds Transfer (EFT) or Master Check	Removes the requirement that the lender provide any SSN(s) on an individual check and affords the lender alternative methods by which sufficient information is provided with or on the check to ensure that the school can efficiently match the check with the correct student or borrower to facilitate timely delivery.  Removes the requirement that the master check roster always include the SSN for the dependent student for a parent PLUS loan by affording the lender the option to include <i>either</i> the student's SSN or other reliable identifying information.	Loan disbursement checks issued by the lender on or after July 1, 2009, unless implemented earlier by the lender or the guarantor.	1079/156
<b>Chapter 8: Loan Delivery</b>			
8.7 Delivering Loan Funds at Eligible Schools	Clarifies that there are three exceptions to the general rule that a student must maintain continuous eligibility for the loan period certified, and provides cross-references to explanations of those exceptions.	Retroactive to the implementation of the <i>Common Manual</i> .	1058/151

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
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
<b>Chapter 9: School Reporting Responsibilities and the Return of Title IV Funds</b>			
9.2.A National Student Loan Data System (NSLDS) Enrollment Reporting	Updates information concerning a school that fails to provide updated enrollment data to the NSLDS in a timely manner. Adds technical information regarding the timing and format of the NSLDS Late Enrollment Reporting Notification. Defines the date that NSLDS "created" the school's Enrollment Reporting Roster File as the date and time stamp that the NSLDS enters into the Roster File's header record.	Eligibility determinations made on or after July 1, 2007, unless implemented earlier by the school.	1055/153
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



Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 10: Loan Servicing</b>			
10.7.A Time Frame for Disclosure	Incorporates HEOA-related changes with regard to the time frames in which a lender discloses repayment terms to a borrower prior to the start of the repayment period. A lender must provide the repayment disclosure to a Stafford borrower no less than 30 days, and no more than 150 days, before the first payment due date. The lender must provide the repayment disclosure to a PLUS borrower at or before the beginning of the repayment period, defined as the date on which the loan is fully disbursed or the date on which an in-school or post-enrollment deferment period is scheduled to end. The lender must notify a PLUS loan borrower of repayment terms no less than 30 days, and no more than 150 days, before the first payment due date.	Effective for loans first disbursed on or after August 14, 2008.	1097/157
10.9.B Reduced Interest Rates	<p>Incorporates HEOA-related changes that require FFELP lenders to comply with the provisions of the Servicemembers Civil Relief Act (SCRA) with respect to charging reduced interest (not to exceed 6%) on a FFELP loan. Qualifying borrowers must request the reduced interest rate in writing and provide the lender substantiating documentation of his or her eligibility.</p> <p>Permits the lender to determine the applicable special allowance payment based on the loan's actual 6% interest rate if the loan was first disbursed on or after July 1, 2008.</p>	<p>Loans for which the lender receives a servicemember's written request for the reduced interest rate that is effective on or after August 14, 2008, for periods of military service ending on or after that date.</p> <p>Special allowance billings for loans that are first disbursed on or after July 1, 2008, if the lender receives a servicemember's request for the reduced interest rate on or after August 14, 2008.</p>	1096/157
<b>Chapter 11: Deferment and Forbearance</b>			
11.1.A General Deferment Eligibility Criteria	<p>Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor.</p> <p>Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.</p>	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153

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11.4 Economic Hardship Deferment 11.4.A Eligibility Criteria—Economic Hardship 11.4.B Deferment Documentation—Economic Hardship	Incorporates Final Rule-related changes (dated October 23, 2008) that adds a definition for family size as it pertains to the economic hardship deferment and deletes the two eligibility criterion based on a federal income-to-debt ratio.	Elimination of the debt-to-income provisions is effective for economic hardship deferments granted on or after July 1, 2009, that begin on or after July 1, 2009.  The definition of family size is effective for economic hardship deferments granted on or after July 1, 2009.	1098/157
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 11.8.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
11.6 In-School Deferment, Summer Bridge Extension, and Post-Enrollment Deferment 11.6.A Eligibility Criteria—In-School 11.6.E Post-Enrollment Deferment	States that a PLUS loan borrower who meets the conditions required for an in-school deferment may defer all of his or her PLUS, Stafford, or Consolidation loans, as applicable. In addition, a parent PLUS borrower may request an in-school deferment of his or her PLUS loans, first disbursed on or after July 1, 2008, based on the in-school status of the student for which the loan was made.	PLUS loans first disbursed on or after July 1, 2008.	1086/156
11.6.B Deferment Documentation—In-School	Requires the lender, at the request of a school, to use data on the NSLDS to process a borrower's in-school deferment.	In-school deferments granted by the lender on or after August 14, 2008.	1087/156

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11.8 Military Active Duty Student Deferment 11.8.A Eligibility Criteria—Military Active Duty Student 11.8.B Deferment Documentation—Military Active Duty Student 11.8.C Length of Deferment—Military Active Duty Student 11.8.D Simplified Deferment Processing 11.12 Post-Active Duty Student Deferment 11.12.A Eligibility Criteria—Post-Active Duty Student 11.12.B Deferment Documentation—Post-Active Duty Student 11.12.C Length of Deferment—Post-Active Duty Student 11.12.D Simplified Deferment Processing Figure 11-1 Deferment Eligibility Chart	Incorporates Final Rule-related changes (dated October 23, 2008) relating to the post-active duty student deferment. The Manual identifies the military active duty student deferment as a post-active duty student deferment and moves the text so that the information related to the post-active duty student deferment appears alphabetically within the deferment chapter.  Specifies that to qualify for the post-active duty student deferment, a borrower's eligible military service must begin on or after October 1, 2007, or include that date.  Updates Figure 11-1, "Deferment Eligibility Chart," to incorporate these changes and to also clarify that there is no limit to the number of post-active duty student deferments an eligible borrower may receive, however, each individual deferment is limited to 13 months.	Post-active duty student deferment requests received on or after July 1, 2009, unless implemented earlier by the lender on after October 23, 2008.	1099/157
11.8.C Length of Deferment—Military Service	Incorporates a Final Rule-related change (dated October 23, 2008) which states that without supporting documentation, a military service deferment may be granted to an otherwise eligible borrower for a period not to exceed the initial 12 months from the date the qualifying eligible service began based on a request from the borrower or the borrower's representative.	Military service deferment requests received by the lender on or after July 1, 2009, unless implemented by the lender on or after October 23, 2008.	1100/157
11.20 Forbearance	Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor.  Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153
Figure 11-2 Forbearance Eligibility Chart 11.24.C National Service, Loan Forgiveness, Department of Defense Repayment, or Active Military State Duty	Removes references throughout the Manual to the Child Care Providers Loan Forgiveness program.	August 14, 2008.	1080/156

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
11.24.C National Service, Loan Forgiveness, Department of Defense Repayment, or Active Military State Duty Figure 11-2 Forbearance Eligibility Chart	<p>Incorporates a Final Rule-related change (dated October 23, 2008) that states a mandatory forbearance must be granted to a borrower who is a member of the National Guard if the borrower is serving on active military state duty and qualifies for the post-active duty student deferment, but does not qualify for the military service deferment or other deferment. This type of forbearance is granted in yearly increments (or for a lesser period of time that is equal to the period for which the borrower is eligible) while the eligible borrower is engaged in active state duty for a period of more than 30 consecutive days. The forbearance begins on the day after the grace period expires for a Stafford loan that has not entered repayment or on the day after the borrower ceases at least half-time enrollment, for a FFELP loan in repayment.</p> <p>Updates Figure 11-2, "Forbearance Eligibility Chart," to incorporate this forbearance type.</p>	Requests received by a lender on or after July 1, 2009, unless implemented earlier by the lender on or after October 23, 2008.	1101/157
<b>Chapter 12: Due Diligence in Collecting Loans</b>			
12.4 Due Diligence Requirements	<p>Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor.</p> <p>Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.</p>	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153
12.4.A Due Diligence Requirements for Loans with Monthly Repayment Obligations 12.4.B Due Diligence Requirements for Loans with Repayment Obligations Less Frequent Than Monthly 12.4.D Contact by Telephone 12.4.E Endorser Due Diligence 12.7.C Required Address Skip Tracing Activities 12.8.A Telephone Skip Tracing Activities	Specifies that a diligent effort is one successful contact or two attempts to contact the borrower or endorser by telephone. Each effort consists of one successful contact or two attempts to contact the borrower or endorser on different days and at different times.	Retroactive to the implementation of the <i>Common Manual</i> .	1059/151
<b>Chapter 13: Claim Filing, Discharge, and Forgiveness</b>			
Introduction	Removes references throughout the Manual to the Child Care Providers Loan Forgiveness program.	August 14, 2008.	1080/156

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
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
13.1.D Claim File Documentation 13.1.G Additional Documentation Requested by the Guarantor	<p>Incorporates a Final Rule-related change (dated November 1, 2007) that states a lender will need to provide additional loan disbursement information or electronic signature documentation to a guarantor, upon request, for a loan that may be selected for subrogation to the Department.</p> <p>Creates a new subsection regarding additional documentation as requested by the guarantor.</p>	Requests for loan disbursement information and electronic signature documents received from the guarantor on or after July 1, 2008.	1102/157
13.7 Rehabilitation of Defaulted FFELP Loans	Incorporates a Final Rule-related change (dated October 23, 2008) that states a lender must allow a borrower to choose any repayment plan that is available for the loan type as the rehabilitated loan. The rehabilitation lender is no longer required to ensure that the repayment schedule on the rehabilitated loan has initial payments that are equal to or greater than the nine monthly payments that the borrower made to the guarantor during the rehabilitation period.	Rehabilitated FFELP loans purchased by a lender on or after July 1, 2009.	1103/157
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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
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 Forgiveness 13.9.A Teacher Loan Forgiveness Program	Removes references throughout the Manual to the Child Care Providers Loan Forgiveness program, and renumbers the Teacher Loan Forgiveness Program as Subsection 13.9.A.	August 14, 2008.	1080/156
13.9.A 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
13.9.B Loan Forgiveness Program for Service in Areas of National Need	Adds information regarding Loan Forgiveness for Service in Areas of National Need that was added as a result the HEOA.	School, academic, or calendar year of full-time employment completed after August 14, 2008.	1088/156
13.9.C Loan Repayment Program for Civil Legal Assistance Attorneys	Adds information regarding Loan Repayment for Civil Legal Assistance Attorneys that was added as a result of the HEOA.	August 14, 2008.	1089/156
<b>Chapter 14: Violations, Penalties, and Cures</b>			
14.1.E Violations and Cures Associated with Unsynchronized Servicing of a Consolidation Loan with Multiple Loan Records	Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. If a lender fails to perform due diligence activities on a single payment due date and amount, the lender may incur due diligence violations and penalties sufficient to cause a loss of guarantee on the loan. Also clarifies what a lender may do to cure these violations.	Claims filed by the lender on or after January 1, 2009, unless implemented earlier by the guarantor.	997/153

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 15: Federal Consolidation Loans</b>			
15.1.A Agreement to Guarantee Federal Consolidation Loans 15.2 Borrower Eligibility and Underlying Loan Holder Requirements 15.4 Disbursement 15.5.A Establishing the First Payment Due Date 15.5.B Disclosing Repayment Terms	<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
15.2 Borrower Eligibility and Underlying Loan Holder Requirements	<p>Incorporates a HEOA-related change that states a FFELP borrower may consolidate into the Direct Loan program for the purpose of using the no accrual of interest for active duty service members benefits of the Direct Loan program.</p> <p>Incorporates changes made as a result of the HEOA and Final Rule dated October 23, 2008, that state that a FFELP borrower may consolidate into the Direct Loan program for the purpose of using the Public Service Loan Forgiveness Program.</p>	<p>Direct Consolidation Loans disbursed on and after October 1, 2008, for purpose of using the no accrual of interest for active duty service members.</p> <p>Direct Consolidation Loans disbursed on and after July 1, 2009:</p> <ul style="list-style-type: none"> <li>to obtain an income-based repayment plan (if the loan has been submitted for default aversion or is already in default).</li> <li>for purposes of using the Public Service Loan Forgiveness Program.</li> </ul>	1104/157
15.3.D Calculating the Interest Rate	<p>Incorporates HEOA-related changes that require FFELP lenders to comply with the provisions of the Servicemembers Civil Relief Act (SCRA) with respect to charging reduced interest (not to exceed 6%) on a FFELP loan. Qualifying borrowers must request the reduced interest rate in writing and provide the lender substantiating documentation of his or her eligibility.</p> <p>Permits the lender to determine the applicable special allowance payment based on the loan's actual 6% interest rate if the loan was first disbursed on or after July 1, 2008.</p>	<p>Loans for which the lender receives a servicemember's written request for the reduced interest rate that is effective on or after August 14, 2008, for periods of military service ending on or after that date.</p> <p>Special allowance billings for loans that are first disbursed on or after July 1, 2008, if the lender receives a servicemember's request for the reduced interest rate on or after August 14, 2008.</p>	1096/157

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Chapter 16: Cohort Default Rates and Appeals</b>			
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
<b>Chapter 17: Program Reviews</b>			
Introduction	Moves the CRI information from Appendix F to Chapter 17, and updates the information to include ED's approval of the CRI process.	January 1, 2008.	1062/152
<b>Appendix A: Interest Benefits and Special Allowance</b>			
A.2 Special Allowance and Excess Interest	<p>Incorporates HEOA-related changes that require FFELP lenders to comply with the provisions of the Servicemembers Civil Relief Act (SCRA) with respect to charging reduced interest (not to exceed 6%) on a FFELP loan. Qualifying borrowers must request the reduced interest rate in writing and provide the lender substantiating documentation of his or her eligibility.</p> <p>Permits the lender to determine the applicable special allowance payment based on the loan's actual 6% interest rate if the loan was first disbursed on or after July 1, 2008.</p>	<p>Loans for which the lender receives a servicemember's written request for the reduced interest rate that is effective on or after August 14, 2008, for periods of military service ending on or after that date.</p> <p>Special allowance billings for loans that are first disbursed on or after July 1, 2008, if the lender receives a servicemember's request for the reduced interest rate on or after August 14, 2008.</p>	1096/157
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
<b>Appendix D: U.S. Department of Education Contact Information</b>			
D.9 Other Department Contact Information	Removes references throughout the Manual to the Child Care Providers Loan Forgiveness program.	August 14, 2008.	1080/156
<b>Appendix F: FFELP Community Initiatives</b>			
Common Review Initiative (CRI)	Moves the CRI information from Appendix F to Chapter 17, and updates the information to include ED's approval of the CRI process.	January 1, 2008.	1062/152



Common Manual Section	Description of Change	Effective Date/Triggering Event	#
<b>Appendix G: Glossary</b>			
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
Forgiveness	Removes references throughout the Manual to the Child Care Providers Loan Forgiveness program.	August 14, 2008.	1080/156
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
Grade Level	Revises the current glossary definition of "Grade Level" to clarify that a school must provide the appropriate grade level code (e.g., 01 through 05) on the Federal Stafford Loan School Certification.	Publication date of Volume 3 of the 08-09 FSA Handbook, unless implemented earlier by the school on or after November 1, 2007.	1093/157
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	#
Public Service Loan Forgiveness Program	Incorporates a HEOA-related change that states a FFELP borrower may consolidate into the Direct Loan program for the purpose of using the no accrual of interest for active duty service members benefits of the Direct Loan program.	Direct Consolidation Loans disbursed on and after October 1, 2008, for purpose of using the no accrual of interest for active duty service members.	1104/157
	Incorporates changes made as a result of the HEOA and Final Rule dated October 23, 2008, that state that a FFELP borrower may consolidate into the Direct Loan program for the purpose of using the Public Service Loan Forgiveness Program.	Direct Consolidation Loans disbursed on and after July 1, 2009: <ul style="list-style-type: none"> <li>to obtain an income-based repayment plan (if the loan has been submitted for default aversion or is already in default).</li> <li>for purposes of using the Public Service Loan Forgiveness Program.</li> </ul>	
TEACH Grant Teacher Education Assistance for College and Higher Education (TEACH) Grant	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.	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.	1078/155
	Adds a glossary definition to the Manual for TEACH grants.	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.	
<b>Appendix H: History of the FFELP and the <i>Common Manual</i></b>			
H.4.C Higher Education Hurricane Relief Act Waivers H.4.D Disaster Waivers	Aligns the Manual with regulatory and statutory waivers that are still in effect for students, borrowers, schools, and lenders affected by a hurricane or other disaster per Departmental guidance.	For the 3-month administrative forbearance, August 5, 1999. For the Title IV grant overpayment waiver, November 9, 2005. For all other waivers, February 24, 2004.	1064/153
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

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

### Transfer-of-Credit Policy

A school must publicly disclose its transfer-of-credit policies including, at a minimum, the criteria the school uses regarding the transfer of credit earned at another school and a list of other schools with whom the school has established an articulation agreement. An articulation agreement is an agreement among schools that specifies the acceptability of transfer courses toward meeting specific degree or program requirements. The Department may not require a school to establish a particular policy, procedure, or practice regarding transfer of credit.

[HEA §485(h); HEA §486A(a)]

### Missing Person Policy

A school that provides on-campus housing must establish a missing student notification policy for students who reside in on-campus housing. The policy must, at minimum, inform each such student of all of the following:

- A student may confidentially register contact information for an individual the school will contact no later than 24 hours after the school determines that the student is missing.
- The school must notify a custodial parent or guardian no later than 24 hours after the school determines that a student who is under 18 years of age, and not an emancipated minor, is missing.
- The school will notify the appropriate law enforcement agency no later than 24 hours after the school determines that the student is missing.

See HEA §485(j) for additional information about the requirements for a school's response to a report that a student residing in on-campus housing is missing.<sup>1</sup>

## 4.4.C Entrance Counseling

A school must ensure that entrance counseling is conducted with provided in a simple and understandable manner to all of the following:

- ~~• Each student borrower who is obtaining his or her first Stafford loan, for attendance at that school—unless the student he or she has previously received a Stafford or Federal-Direct Stafford loan for attendance at another school.~~
- ~~• A school also must ensure that entrance counseling is conducted with~~Each graduate or professional student borrower who is obtaining his or her first Grad PLUS loan, unless he or she has previously received a PLUS loan, or a Direct PLUS loan, a Grad PLUS loan, or a Direct Grad PLUS loan.

Entrance counseling must be provided at or prior to the time of before the first disbursement of a loan is released, and may be conducted by any of the following methods:

- In-person presentation.
- ~~• Audiovisual presentation.~~
- Providing counseling materials to the borrower, including a separate written form that the borrower must sign and return to the school.
- Interactive electronic means, where the borrower acknowledges receipt of the information.

[HEA §485(l)(1)(A)(ii)(III) and (B)]

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

[HEA §485(l)(A); §682.604(f)(1) and (2)]<sup>2</sup>

<sup>1</sup> Policy 1083 (Batch 156), approved February 19, 2009

<sup>2</sup> Policy 1090 (Batch 157), approved March 19, 2009

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

[§682.604(f)(3)]

A school must ensure that information on the following subjects is provided to a first-time Stafford borrower who has not previously received a Stafford or Direct Stafford loan or to a first-time Grad PLUS borrower who has not previously received a ~~prior~~ Stafford or ~~Federal~~ Direct Stafford loan, a PLUS or Direct PLUS loan, or a Grad PLUS or Direct Grad PLUS loan:

- The use of the [Master Promissory Note \(MPN\)](#). This may include the multi-year feature and borrower loan control points (e.g., affirmative or passive [confirmation](#), cancellation or reduction of the loan amount, and revocation of the MPN). See [Subsection 2.2.A](#) for more information on using an MPN. [§682.604(f)(1)(i); §682.604(f)(2)(iii)]
- The seriousness and importance of the repayment obligation that the ~~student~~ borrower is assuming. [§682.604(f)(1)(ii); §682.604(f)(2)(iii)]
- ~~The likely consequences of default, including adverse credit reports, federal offset, and litigation.~~ [§682.604(f)(1)(iii); §682.604(f)(2)(iii)]
- How interest accrues and is capitalized during periods when the interest is not paid by either the borrower or the Department. [HEA §485(l)(2)(C)]
- In the case of a Grad PLUS loan or unsubsidized Stafford loan, that the borrower has the option to pay interest that accrues while the borrower is in school. [HEA §485(l)(2)(D)]
- The effect of accepting the loan on the borrower's eligibility for other forms of student financial assistance. [HEA §485(l)(2)(A)]
- The school's definition of half-time enrollment during both regular and summer terms and the consequences of not maintaining half-time enrollment. [HEA §485(l)(2)(E)]
- The importance of contacting the appropriate offices at the school if the borrower withdraws prior to completing the program so that the school can provide

required exit counseling that will include information on the borrower's repayment options and loan consolidation.

[HEA §485(l)(2)(F)]

- The name and contact information for the individual the borrower may contact if the borrower has any questions about the borrower's rights and responsibilities, or the terms and conditions of the loan. [HEA §485(l)(2)(K)]
- The obligation to repay the full amount of the Stafford or Grad PLUS loan, even if the student borrower does not complete the program, is unable to obtain employment upon completion, does not complete the program within the regular time frame normally required for program completion, or is otherwise dissatisfied with or does not receive the educational or other services that the ~~student~~ borrower purchased from the school (the school or the school designee must provide this information to all of the school's student borrowers except those who receive a loan made or originated by the school). [HEA §485(l)(2)(H); §682.604(f)(1)(iv); §682.604(f)(2)(iii); §682.604(f)(2)(i)]
- ~~The student borrower must be provided with s~~Sample monthly repayment amounts based on a range of ~~student~~ levels of borrower indebtedness or on the average indebtedness of the loan types applicable to the borrower, as follows:
  - = Stafford loan borrowers, ~~or, depending on the type of loan the borrower has obtained,~~
  - = Student borrowers with Stafford and Grad PLUS loans ~~borrowers,~~ at the same school ~~or~~ and in the same program of study at the same school. [HEA §485(l)(2)(G)(ii); §682.604(f)(1)(v)]
- The availability of the [National Student Loan Data System \(NSLDS\)](#), where and how it can be accessed, and how the borrower can use the information found there. [HEA §485(l)(2)(J)]
- The likely consequences of default, including adverse credit reports, federal delinquent debt collection procedures, federal offset, and litigation. [HEA §485(l)(2)(I); §682.604(f)(1)(ii) and §682.604(f)(2)(iii)]<sup>1</sup>

<sup>1</sup> Policy 1090 (Batch 157), approved March 19, 2009

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

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

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

A school may provide comprehensive [entrance counseling](#) materials that meet the minimum entrance counseling requirements for Grad PLUS borrowers with prior Stafford loans and Grad PLUS loan borrowers without prior Stafford loans.

[08-09 FSA Handbook, Volume 2, Chapter 6, pp. 2-80 - 81 and 2-84]

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

- A thorough explanation of all sources of financial aid available to the student or to his or her parent(s).
- A description of the terms and conditions of each available type of aid, including loan limits, loan fees, and [interest](#) rates.
- A discussion of the school's policy on the frequency of [annual loan limits](#).

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

A school must maintain a [record](#) to substantiate the school's compliance with the entrance counseling requirement for each borrower. For detailed information on entrance counseling, a school may consult [§682.604\(f\)](#) and the ~~07-08 FSA Handbook, Volume 2, Chapter 6, pp. 2-78 to 2-79~~ [08-09 FSA Handbook, Volume 2, Chapter 6, pp. 2-80 to 81](#). [§682.604(f); DCL GEN-98-25/98-G-315/98-L-211; DCL GEN-99-9]<sup>1</sup>

#### 4.4.D Exit Counseling

A school must ensure that [exit counseling](#) is conducted shortly before any Stafford or Grad PLUS loan borrower ceases enrollment on at least a half-time basis. The school or another party may conduct exit counseling ~~may be conducted~~ in person, by audiovisual presentation, or by interactive electronic means. The school must ensure that an individual with expertise in [the Title IV](#) programs is reasonably available shortly after the exit counseling has been conducted to answer the ~~student~~ borrower's questions.<sup>2</sup>

<sup>1</sup> Policy 1090 (Batch 157), approved March 19, 2009

<sup>2</sup> Policy 1091 (Batch 157), approved March 19, 2009

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

[§682.604(g)(1)]

When counseling is conducted by another party ~~or by interactive electronic means~~, the school remains responsible for ensuring that each ~~student~~ borrower receives the counseling materials and participates in and completes exit counseling. A school must maintain a record to substantiate the school's compliance with exit counseling requirements for each borrower.

[§682.604(g)(3) and (4)]

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

[§682.604(g)(2)(vi)]

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

- The average anticipated monthly repayment amount based on the ~~student's borrower's~~ indebtedness or based on the average indebtedness of Stafford or Stafford and Grad PLUS loans, depending on the types of loans the ~~student~~ borrower has obtained, at the same school or in the same program of study at the same school.

[§682.604(g)(2)(i)]

- Available repayment ~~options~~ schedules including standard, graduated, extended, and income-sensitive, and income-based, repayment plans and loan consolidation including a description of the different features of each repayment schedule, sample

information showing the average anticipated monthly payments under each, and the difference in interest paid and total payments under each.

[HEA §485(b)(1)(A)(i); DCL GEN-08-12/FP-08-10; §682.604(g)(2)(ii)]

- Debt-management strategies that would facilitate repayment.  
[HEA §485(b)(1)(A)(ii); §682.604(g)(2)(iii)]
  - An explanation of the borrower's options to prepay each loan, pay each loan on a shorter schedule, and change repayment plans.  
[HEA §485(b)(1)(A)(iii)]
  - The terms and conditions under which the ~~student~~ borrower may defer or forbear repayment, or obtain a full or partial discharge, forgiveness, or cancellation of the principal and interest of the loan.  
[HEA §485(b)(1)(A)(iv) and (v); §682.604(g)(2)(v)]
  - The seriousness and importance of the repayment obligation that the ~~student~~ borrower has assumed.  
[§682.604(g)(2)(iv)]
  - The likely consequences of default, including adverse credit reports, federal delinquent debt collection procedures, federal offset, and litigation.  
[HEA §485(b)(1)(A)(vi); §682.604(g)(2)(iv)]
  - The effects of obtaining a Consolidation loan, including all of the following:
    - = The total interest to be paid, the fees to be paid, and the length of repayment.
    - = How consolidation affects a borrower's underlying loan benefits, including grace periods, loan forgiveness, cancellation, and deferment opportunities.
    - = That the borrower has the option to prepay the Consolidation loan or to change repayment plans.
    - = A statement that borrower benefits vary among lenders.
- [HEA §485(b)(1)(A)(vii)]
- A general description of the types of tax benefits that may be available to the borrower.  
[HEA §485(b)(1)(A)(viii)]<sup>1</sup>

<sup>1</sup> Policy 1091 (Batch 157), approved March 19, 2009

- The availability of the Student Loan Ombudsman’s Office.  
[§682.604(g)(2)(vii)]
- The use of the [Federal Stafford Loan Master Promissory Note \(Stafford MPN\)](#).  
[§682.604(g)(2)(iv)]
- The obligation to repay the full amount of the loan—even if the ~~student~~-borrower has not completed the program, is unable to obtain employment upon completion, or is otherwise dissatisfied with or does not receive the educational or other services the ~~student~~-borrower purchased from the school. (The school or the school designee must provide this information to all of the school’s ~~student~~-borrowers except those who receive a loan made or originated by the school).  
[§682.604(g)(2)(iv)]
- The availability of [Title IV loan information in the National Student Loan Data System \(NSLDS\)](#) and how it can be used to obtain information on the status of the borrower’s loans. In addition, a school must ensure that the borrower is provided the NSLDS disclosure form developed by the Department.  
[HEA §485(b)(1)(A)(ix) and §485B(d)(3)]
- A copy of the Department’s publication that describes the federal student aid programs.  
[HEA §485(b)(1)(A)(iv) and §485(d)(1)]

*\*As of this writing, the Department has not informed the FFELP community which of its publications it intends to use to fulfill the requirements described in the latter two bullets above.*

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

- The current name and address of the borrower’s lender(s).
- An explanation of how to complete [deferment](#) forms and prepare correspondence to the lender.
- A strong recommendation to the borrower to keep copies of all correspondence from and to the lender about his or her loans.

- A reminder to the borrower that he/she must make payments on loans even if the borrower does not receive a payment booklet or a billing notice.
- ~~An overview of the advantages and disadvantages of loan consolidation.~~  
~~[08-09 FSA Handbook, Volume 2, Chapter 6, pp. 2-82-84]~~

~~A school that conducts exit counseling by interactive electronic means must take reasonable steps to ensure that each student receives the counseling materials, and participates in and completes the counseling. Schools are required to maintain a record to substantiate the school’s compliance with exit counseling requirements for each student.~~  
~~[§682.604(g)(3)]~~

Additional information that the Department recommends including in [exit counseling](#) can be found in the ~~07-08 FSA Handbook, Volume 2, Chapter 6, pp. 2-80 to 2-81~~ [08-09 FSA Handbook, Volume 2, Chapter 6, pp 2-82 to 2-83](#).<sup>1</sup>

## 4.5 Recordkeeping Requirements

Federal regulations mandate that a school retain complete and accurate [records](#) in a systematically organized manner. Records must be readily available for review by the [Department](#) or the Department’s authorized representative at an institutional location designated by the Department or the Department’s authorized representative.  
[§668.24(d)(1) and (2)]

A discussion of the key records a school is required to maintain for the [FFELP](#) follows. Additional information on school recordkeeping requirements for all [Title IV](#) programs—including a comprehensive listing of required records—can be found in the [07-08 FSA Handbook, Volume 2, Chapter 9, pp. 2-99 to 2-103](#). Schools must maintain any program [record](#) that documents compliance with Title IV program requirements.

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

<sup>1</sup> Policy 1091 (Batch 157), approved March 19, 2009

- The work portion of a cooperative education program in which the amount of work performed is equal to the academic workload of a **full-time student**.
- ~~In an educational program using both credit and clock hours, any combination of credit and clock hours in which the sum of the following fractions is equal to or greater than one:~~

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

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

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

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

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

[§668.2(b)]<sup>1</sup>

### Graduate or Professional Students

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

[§668.2(b)]

### Students Enrolled in a Correspondence Program or Coursework

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

quarter.

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

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

[§668.2(b)]

## 6.10 Determining the Student's Grade Level

A school is required to publish the academic standards and **grade level** advancement requirements for each of its programs of study. Because ~~maximum FFELP Stafford annual loan amounts limits~~ **annual loan amount limits** have been established for each grade level (e.g., first-year, second-year, etc.), a student's grade level is an intrinsic part of determining the loan amount for which the student is eligible, and, thus, the amount of the loan the school may certify. See [Figure 6-4 for more information about the Stafford annual loan limits that apply to a student's grade level.](#)

### Undergraduate Students

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

[§668.3(a)(2)]<sup>2</sup>

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

<sup>2</sup> Policy 1093 (Batch 157), approved March 19, 2009



Note: If a school's published academic standing requirements exceed the school-defined academic year for a program, the school is required to use the published academic standing requirements to certify a student's grade level for loan purposes. For example, a school defines its academic year for a program as the completion of 24 credits in 30 weeks of instructional time, but requires the successful completion of 30 credits for a student to advance from freshman-first-year to sophomore-second-year standing. In this case, if a student completes less-fewer 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-first-year to sophomore-second-year standing.<sup>1</sup>

### 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](#),<sup>2</sup> 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](#).<sup>3</sup>

## 6.11.A Stafford Annual Loan Limits

The amount of Stafford loan funds that a student may borrow for each academic year—the annual loan limit—is based on whether the student is enrolled in an undergraduate, graduate, or professional program of study. For an undergraduate student, the annual loan limits varies-vary according to several factors:<sup>4</sup>

- The student's dependency status, as defined in [Section 6.8](#).
- For a dependent student, the student's enrollment in undergraduate or graduate preparatory coursework, or teacher certification or recertification coursework (see [Figure 6-4](#)). [[DCL GEN-08-08](#)]<sup>5</sup>
- The student's grade level, i.e., year of study in which the student is enrolled (first, second, third, fourth, or subsequent year), according to the school's academic standards and grade level advancement policies (see [Section 6.10](#)).
- 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 program's academic year definition. [[§682.204\(i\)](#)]<sup>6</sup>

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.

1. Policy 1093 (Batch 157), approved March 19, 2009

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

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

4. Policy 1093 (Batch 157), approved March 19, 2009

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

6. Policy 1093 (Batch 157), approved March 19, 2009

- The amount of any TEACH grant that has been converted to an unsubsidized Direct Stafford loan. [[§682.204\(c\)](#)]<sup>1</sup>

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

### Undergraduate Students

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

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

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

In determining the appropriate Stafford annual loan limits for an [undergraduate student](#), including a transfer student or a student who has completed a program of study at the same school or a different school, [schools](#) and [lenders](#) must adhere to the following additional parameters:<sup>2</sup>

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

the program is eligible for Stafford loan funds not to exceed the annual loan limits applicable to second-year undergraduate students, regardless of the actual length of time it takes the student to complete the second [academic year](#) of the program.

[[§682.204\(a\)\(2\)](#), [\(a\)\(9\)\(ii\)](#), [\(d\)\(2\)](#) and [\(8\)\(ii\)](#)]

- A student who has an associate degree or bachelor's degree that is required for admission into a program and who is not a [graduate or professional student](#) is eligible for Stafford loan funds not to exceed the [annual loan limits](#) applicable to ~~third-, fourth-, and fifth-year~~ [third-year and beyond](#) undergraduate students. In this case, in order to determine the student's [grade level](#) and the applicable annual loan limit, the school may consider the number of years the student completed in the required degree program. [[§682.204\(a\)\(3\)](#), [\(a\)\(4\)](#), and [\(d\)\(4\)](#)]<sup>3</sup>
- ~~In a standard term-based program, a student who experiences a grade level change within the academic year becomes eligible for the Stafford annual loan limits that are applicable to the new grade level, minus any loan funds already received for that academic year. In a nonstandard term-based or non-term-based credit hour program, or clock hour program, the school may not certify the higher loan limit associated with the next grade level until the student completes both the minimum number of weeks and the minimum number of credit or clock hours in the program's defined academic year.~~<sup>4</sup>
- A student who transfers from one [program of study](#) to another at the same school or a different school within an academic year is eligible for Stafford loan funds not to exceed the annual loan limits applicable to the student's grade level in the student's new program of study (even if that student is at a lower grade level in the new program or has previously obtained an undergraduate degree in a different program), as determined by the school, minus any outstanding loan funds received in the prior program for the current academic year.

*Exception:* When a student transfers from a graduate program to an undergraduate program within an academic year, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher (graduate/

<sup>1</sup> Policy 1078 (Batch 155), approved January 15, 2009

<sup>2</sup> Policy 1093 (Batch 157), approved March 19, 2009

<sup>3</sup> Policy 1052 (Batch 151), approved September 18, 2008

<sup>4</sup> Policy 1093 (Batch 157), approved March 19, 2009

professional) annual loan limit. See [Section 6.1](#) for detailed information about defining an academic year and calculating Stafford annual loan limits for a student who transfers.

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

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

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

- A dependent student who is enrolled as a regular student in an eligible undergraduate degree or certificate program and whose parent has not been determined to be unable to obtain a PLUS loan is eligible to borrow up to the base Stafford annual loan limit applicable to the student's current grade level plus an additional \$2,000 in unsubsidized Stafford loan funds (see [Figure 6-4](#)). Such a student who is enrolled in preparatory coursework necessary for the student to enroll in an undergraduate or graduate program, or teacher certification or recertification coursework, is eligible to borrow only the base Stafford annual loan limit (see the following three bullets).

[HEA §428H(d)(3)(A); DCL GEN-08-08]

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

- = For a A-dependent student, who has a bachelor's degree and is enrolled or accepted for enrollment in coursework necessary for a professional credential or certification from a state that is required for employment as a teacher in an

~~elementary or secondary school in that state is eligible to borrow~~ the base Stafford annual loan limit of up to \$5,500.

- = For an An-independent student, or a dependent student whose parent is not eligible for unable to obtain a PLUS loan (because the parent has adverse credit or other exceptional circumstances that are documented by the FAA), is eligible to borrow a the combined subsidized and unsubsidized Stafford annual loan limit of up to \$12,500. Of the total amount borrowed for the year, no more than \$5,500 may consist of subsidized Stafford loan funds (see [Figure 6-4](#)).

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

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

- A student who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in an undergraduate program is eligible to borrow the following:

- = For a A-dependent student, who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in an undergraduate program is eligible to borrow the base Stafford annual loan limit of up to \$2,625.
- = For an An-independent student, or a dependent student whose parent is not eligible for unable to obtain a PLUS loan (because the parent has adverse credit or other exceptional circumstances that are documented by the FAA), is eligible to borrow a the combined subsidized and unsubsidized Stafford annual loan limit of up to ~~\$6,625~~ \$8,625. Of the total amount borrowed for the year, no more than \$2,625 may consist of subsidized Stafford loan funds (see [Figure 6-4](#)).

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

[HEA §428H(d)(4)(A)(iii); §682.204(a)(6)(i) and (d)(6)(i); 07-08 FSA Handbook, Volume 3, Chapter 4, p. 3-91; DCL GEN-08-08]

- A student who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in a graduate or professional program is eligible to borrow the following:
  - = ~~For a **A-dependent student**, who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in a graduate or professional program is eligible to borrow the base Stafford annual loan limit of up to \$5,500.~~
  - = ~~For an **An-independent student**, or a dependent student whose parent is not eligible for unable to obtain a PLUS loan (because the parent has adverse credit or other exceptional circumstances that are documented by the FAA), is eligible to borrow a the combined subsidized and unsubsidized Stafford annual loan limit of up to \$12,500. Of the total amount borrowed for the year, no more than \$5,500 may consist of subsidized Stafford loan funds (see [Figure 6-4](#)).~~<sup>1</sup>

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

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

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

[[§682.204\(a\)](#) through [\(d\)](#); [DCL GEN-98-2](#); [07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88](#)]

### Graduate and Professional Students

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

\$20,500 Stafford annual loan limit in unsubsidized Stafford loan funds.

[[§682.204\(a\)\(5\)](#) and [\(d\)\(5\)](#)]

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

### Grade Level Increases within the Same Academic Year

In a credit-hour program that uses standard terms or nonstandard terms that are substantially equal and at least nine weeks of instructional time in length (SE9W), a student who experiences a [grade level](#) change within the academic year becomes eligible for the Stafford annual loan limits that are applicable to the new grade level. To provide an increased Stafford loan amount to a student who becomes eligible for the higher Stafford annual loan limits due to a grade level change, a school may request an increase in the amount of the current Stafford loan (see [Section 6.20](#)). Alternately, a school may certify a new loan for a loan period that includes only the term(s) during which the student qualifies for the higher annual loan limits. The new Stafford loan amount must not exceed the higher grade level annual loan limits, minus the amount of the first Stafford loan. A school may choose instead to cancel an undelivered Stafford loan disbursement(s) from the first loan that is intended for a term(s) in which the student qualifies for the higher Stafford annual loan limits. In that case, the new Stafford loan amount must not exceed the amount of the canceled disbursement(s) plus the additional amount for which the student is eligible due to the grade level change.

A school may not certify the higher annual loan limits associated with the next grade level until the student completes both the minimum number of weeks of instructional time and the minimum number of credit or clock hours in the program's defined academic year if the student is enrolled in any one of the following programs:

- A clock-hour program.
- A non-term-based credit-hour program.
- A credit-hour program with nonstandard terms that are *not* SE9W, i.e., the terms are not substantially equal in length, or each term is not at least nine weeks of instructional time in length.
- A credit-hour program with a combination of standard terms and nonstandard terms that does not qualify to use an [SAY](#).<sup>3</sup>

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

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

<sup>3</sup> Policy 1093 (Batch 157), approved March 19, 2009

pharmacology student, the doctor of pharmacy degree is considered to be an equivalent degree if it is taken at a school that does not require the bachelor or master of science in pharmacy as a prerequisite for the doctor of pharmacy degree.

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

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

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

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

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

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

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

## 6.11.E Exceeding Loan Limits

A Stafford or PLUS loan amount must never exceed the maximum amount the [borrower](#) is eligible to receive or the amount the borrower requested, whichever is less. A loan

disbursed in excess of the lesser of these two amounts may lose its [guarantee](#) and eligibility for [interest benefits](#) and/or [special allowance](#) payments. A PLUS loan may not exceed the [cost of attendance \(COA\)](#) minus [estimated financial assistance \(EFA\)](#), but otherwise is not limited. See [Subsection 6.11.A](#) for more information regarding Stafford loan limits.

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

A Stafford borrower is subject to the annual and aggregate loan limits that exist in the Higher Education Act of 1965, as amended, at the time the borrower received the inadvertent overaward. If a Stafford borrower inadvertently exceeds an annual or [aggregate loan limit](#) under a [Title IV](#) program, the borrower will ~~not be~~ ineligible for any additional Title IV funds until one of the following occurs:<sup>2</sup>

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

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

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

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

<sup>2</sup> Policy 1094 (Batch 157), approved March 19, 2009

- Providing the borrower—and endorser, if applicable—a copy of the executed [promissory note](#).
- Ensuring that all required forms or equivalent electronic processes have been accurately completed by the borrower, student, school, and lender.
- Determining the correct interest rate applicable to the loan (see [Section 7.4](#)).  
[§682.206; §682.207; DCL GEN-98-25; DCL GEN-99-9]

## 7.4 Establishing Stafford Loan Interest Rates

The formula for calculating the Stafford loan interest rate varies, based on the date the loan was first disbursed. In addition, a Stafford loan made to a borrower who subsequently enters qualifying military service may be eligible for a reduced interest rate. See Subsections 7.4.B and 10.9.B for more information.<sup>1</sup>

### 7.4.A Current Stafford Interest Rates

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

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

[§682.202(a)(1)(ix) and (x)]

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

## 7.4.B Reduced Stafford Interest Rates

Effective August 14, 2008, the [Higher Education Act of 1965, as amended](#), extends certain provisions of the [Servicemembers Civil Relief Act \(SCRA\)](#) to loans made under the FFELP. If a Stafford loan borrower qualifies under Section 207 of the SCRA on a loan that was made before the borrower entered qualifying military service, the lender is required to charge the borrower an interest rate that does not exceed 6% for the period of the borrower's military service. For purposes of this provision, interest includes service charges, renewal charges, fees, or any other charges (except for actual insurance) with respect to the Stafford loan. The borrower must request the reduced interest rate in writing and provide the lender with a copy of initial military orders and any orders that extend his or her military service. The borrower must provide the request and documentation not later than 180 days following the last date of the borrower's military service.  
[HEA §428(d); DCL GEN-08-12/FP-08-10]

~~A~~ Also, a lender may choose to charge a borrower an interest rate that is lower than the maximum interest rate permitted by statute (the statutory rate). If the lender charges a lower rate is charged, the lender must ensure that reports issued to the Department (such as the [Lender's Interest and Special Allowance Request and Report](#) [LaRS report]) are adjusted. See [Appendix A](#) for more information on LaRS reporting.<sup>2</sup>

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

<sup>1</sup> Policy 1096 (Batch 157), approved March 19, 2009

<sup>2</sup> Policy 1096 (Batch 157), approved March 19, 2009

## 7.5 Establishing PLUS Loan and SLS Loan Interest Rates

*Previous interest rates applicable to SLS loans are included in this section for lenders that are servicing these loans.*

The formula for calculating the PLUS or SLS loan interest rate varies, based on the date the loan was first disbursed. In addition, a PLUS and SLS loan made to a borrower who subsequently enters qualifying military service may be eligible for a reduced interest rate. See [Subsection 7.5.B](#) for more information.<sup>1</sup>

### 7.5.A Current PLUS Interest Rate

The initial interest rate for each PLUS loan is determined by the date the loan is first disbursed.

A loan that is first disbursed on or after July 1, 2006, has a fixed interest rate of 8.5% throughout the life of the loan. [[§682.202\(a\)\(2\)\(vii\)](#)]

A loan that is first disbursed on or after July 1, 1998, but before July 1, 2006, has a [variable interest rate](#), not to exceed 9%. The variable interest rate is adjusted annually on July 1. The variable interest rate for each July 1 to June 30 period is calculated by adding 3.1% to the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1. [[HEA §427A\(j\)\(3\)](#); [HEA §427A\(k\)\(3\)](#) and [\(l\)\(2\)](#); [§682.202\(a\)\(2\)\(v\)](#)]

### 7.5.B Reduced PLUS Interest Rates

Effective August 14, 2008, the [Higher Education Act of 1965, as amended](#), extends certain provisions of the [Servicemembers Civil Relief Act \(SCRA\)](#) to loans made under the FFELP. If the PLUS loan borrower qualifies under Section 207 of the SCRA on a loan that was made before the borrower entered qualifying military service, the lender is required to charge the borrower an interest rate that does not exceed 6% for the period of the borrower's military service. For purposes of this provision, interest includes service charges, renewal charges, fees, or any other charges (except for actual insurance) with respect to the PLUS loan. The 6% rate applies to any PLUS loan on which the servicemember is the only borrower or on any joint obligation where one borrower or both borrowers of

the comade PLUS loan qualify as the servicemember. The borrower must request the reduced interest rate in writing and provide the lender with a copy of initial military orders and any orders that extend his or her military service. The borrower must provide the request and documentation not later than 180 days following the last date of the borrower's military service. The reduced interest rate may also apply to an endorser if the endorser is an eligible servicemember and the lender is actively collecting the loan from the endorser. [[HEA §428\(d\)](#); [HEA §438\(g\)](#); [DCL GEN-08-12](#)]

~~A~~Also, a lender may choose to charge a borrower an interest rate that is lower than the maximum interest rate permitted by statute (the statutory rate). If the lender charges a lower rate ~~is charged~~, the lender must ensure that reports issued to the Department (such as the [Lender's Interest and Special Allowance Request and Report](#) [LaRS report]) are adjusted. See [Appendix A](#) for more information on LaRS reporting.<sup>2</sup>

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

### 7.5.C Previous PLUS and SLS Interest Rates

In addition to current interest rates, interest rates applicable to PLUS loans first disbursed before July 1, 1998, and SLS loans first disbursed before July 1, 1994, are listed in [Figure 7-2](#).

<sup>1</sup> Policy 1096 (Batch 157), approved March 19, 2009

<sup>2</sup> Policy 1096 (Batch 157), approved March 19, 2009

If the repayment disclosure for a Stafford or SLS loan borrower is returned to the lender as undeliverable, the lender is encouraged to resend the disclosure to the borrower in care of the borrower's parent(s) or legal guardian (if the address is known).

The lender also is encouraged to initiate skip tracing procedures at the time any Stafford, SLS, or PLUS loan repayment disclosure is returned undeliverable—rather than wait for the loan to become delinquent, at which point skip tracing is mandatory if not completed previously. See Sections 12.7 and 12.8 for more information on skip tracing requirements.

### Repayment Disclosure Formats

Most guarantors provide repayment and disclosure statements for disclosing repayment terms to borrowers. A lender may use another written or electronic format suitable to its servicing systems and procedures (such as its own repayment disclosure form, coupon book, or billing statement) in lieu of a guarantor form. This format must include, at a minimum, the following elements:

- The lender's name and the address to which correspondence and payments should be sent.
- A telephone number accessible at no cost to the borrower from within the U.S., and, at the lender's option, an electronic address from which the borrower can obtain additional loan information.
- The scheduled date the repayment period begins.
- The estimated balance, including the estimated amount of interest to be capitalized, owed by the borrower as of the date the repayment period begins or the date of the disclosure, whichever is later.
- The actual interest rate on the loan.
- An explanation of any fees that may accrue or be charged to the borrower during the repayment period.
- The borrower's repayment schedule, including the due date of the first installment and the number, amount, and frequency of payments.
- Except in the case of a Federal Consolidation loan, an explanation of any special options the borrower may have for consolidating or refinancing the loan and the availability and terms of these other options.

- The estimated total amount of interest to be paid on the loan, assuming payments are made in accordance with the repayment schedule.
- A statement that the borrower has the right to prepay all or part of the loan at any time, without penalty.

For a PLUS or SLS loan, the lender is not required to provide the estimated total amount of interest to be paid on the loan if the lender provides the borrower with sample projections of monthly repayment amounts assuming different levels of borrowing and interest accruals resulting from capitalization of interest while the student is in school. Sample projections must disclose the cost to the borrower of principal and interest, interest only, and capitalized interest. In the case of a PLUS loan, the lender may rely on the PLUS promissory note and associated materials approved by the Department for purposes of meeting this requirement.

The repayment disclosure may contain a space for the borrower's signature and the date signed. However, the borrower is not required to sign and return the repayment disclosure.

In all instances, the initial repayment disclosure or any subsequent disclosure of the borrower's repayment terms must notify the borrower of capitalized interest, including the new principal balance and other changes in repayment terms (such as the monthly payment amount) resulting from the capitalization.

After the initial repayment disclosure is made, the lender may use any suitable format to redisclose subsequent repayment information to the borrower. [HEA §433(b) and (c); §682.205(c) and (d)]

## 10.7.A Time Frame for Disclosure

A lender must provide repayment disclosure to a borrower within a time frame applicable to the borrower's loan type.

### Stafford Loans

The lender must notify a Stafford loan borrower of repayment terms no less than 30 days, and no more than ~~240~~ 150 days, before the first payment due date.<sup>1</sup> Guarantors recommend that the lender send a repayment reminder letter to the borrower at least 90 days before the grace period expiration date. Establishing solid contact with the borrower before repayment starts is critical to

<sup>1</sup> Policy 1097 (Batch 157), approved March 19, 2009



default prevention. Notifying the borrower during this 90-day time frame also gives the borrower the opportunity to do one of the following:

- Provide the lender with **documentation** that he or she has returned, or will return, to **school** before the expiration of the **grace period**.
- Make alternative repayment arrangements—such as **graduated** repayment or **forbearance**—if necessary.

Sending the repayment reminder letter may assist the lender in default prevention and reduce the administrative burden caused by prematurely converting the borrower's loan to repayment and then returning it to an in-school or grace status.

### PLUS Loans

~~For a PLUS loan, the lender must disclose the repayment terms at or before the beginning of the repayment period. The lender must notify a PLUS loan borrower of repayment terms no less than 30 days, and no more than 150 days, before the first payment due date. For PLUS loans, the repayment period begins on the date of the last disbursement. The disclosure must be sent to the borrower—even if the loan will be placed into immediate deferment. The repayment disclosure may be sent with the initial disclosure outlined in Subsection 7.6.A. The lender does not satisfy this disclosure requirement by merely stating that payments will be deferred while the borrower or dependent student, as applicable, is in school—or by providing a repayment schedule that covers only interest payments to be made while the borrower's loan is deferred. See Section 10.7 for repayment disclosure requirements.~~

~~The lender should indicate to the borrower that the repayment information provided is based on the loan amount when fully disbursed and, if the loan enters an immediate deferment status, the deferment end date (such as the anticipated graduation date), the amount of interest to be capitalized between the first and final disbursement and the first payment due date. The lender is not required to redisclose this information if changes occur in the future disbursement dates or amounts or in the borrower's repayment or deferment status. A lender is encouraged to advise the borrower of any substantive changes made in the borrower's repayment obligation.<sup>1</sup>~~

### SLS Loans

A lender must notify an SLS loan borrower of the payment amount and actual first payment due date no less than 30 days, nor more than 240 days, before the date on which the first principal payment is due. The lender may disclose the repayment terms with other **disbursement** disclosures at the time of the first disbursement.

The lender must clearly indicate to the borrower that the repayment information provided is based on the loan amount when fully disbursed and, if the loan enters an immediate **deferment** status, the deferment end date (such as the **anticipated graduation date**), the amount of **interest** to be capitalized between the first and final disbursement and the first payment due date. The lender is not required to redisclose this information if changes occur in **disbursement dates** or amounts or in the borrower's repayment or deferment status. A lender is encouraged to advise the borrower of any substantive changes made in the borrower's repayment obligation.

It is not sufficient to provide a statement that payments are deferred while the **borrower** is in **school** or to provide a **repayment schedule** covering only the **interest** payments that are to be made while the borrower is in school. [§682.205]

If repayment on an SLS loan is postponed to correspond with repayment on a Stafford loan, the **lender** should ensure that it provides the repayment disclosure in the required time frame.

## 10.7.B Dispute of Loan Terms

If a borrower disputes the terms of a loan in writing, and the lender does not resolve the dispute, the lender must provide the borrower with information regarding an appropriate **guarantor** contact for the resolution of the dispute. [§682.208(c)(3)(i)]

## 10.8 Establishing a Repayment Schedule

If the borrower elects to repay the loan through regular installments (see **Subsection 10.6.C** for repayment options), the **lender** must offer the borrower a choice of the following:

- A **standard repayment schedule**.
- A **graduated repayment schedule**.

<sup>1</sup> Policy 1097 (Batch 157), approved March 19, 2009

## 10.9.B Reduced Interest Rates

If the borrower qualifies under Section 207 of the [Servicemembers Civil Relief Act \(SCRA\)](#) and requests an [interest rate reduction in writing](#), the lender is required to [charge the borrower an interest rate that does not exceed 6% for the period of the borrower's qualifying military service on or after August 14, 2008](#). For purposes of this provision, interest includes service charges, renewal charges, fees, or any other charges (except for actual insurance) with respect to the loan. A borrower may qualify for the 6% rate if all of the following criteria are met:

- [The borrower has an outstanding Stafford, PLUS, or Consolidation loan that was made prior to the date that the servicemember entered active duty military service.](#)
- [The borrower is the only borrower, a comaker on the loan, or an endorser on an outstanding PLUS loan.](#)
- [The borrower, comaker, or endorser requests the reduced interest rate in writing and provides to the lender a copy of his or her initial military orders and any orders that extend military service.](#)
- [The borrower provides the written request and documentation not later than 180 days following the last date of the borrower's qualifying military service.](#)

[The reduced interest rate applies to an endorser if the endorser is an eligible servicemember and the lender is actively collecting the loan from the endorser.](#) [[HEA §428\(d\)](#); [DCL GEN-08-12/FP-08-10](#)]

~~A~~Also, a lender may choose to charge a borrower an interest rate that is lower than the maximum interest rate permitted by statute (statutory rate). If the lender charges a lower rate ~~is charged~~, the lender must ensure that reports to the Department (such as the [Lender's Interest and Special Allowance Request and Report](#) [LaRS report]) are adjusted appropriately. (See [Subsection 7.4.B](#) regarding lender disclosure requirements when offering lower interest rates.) The lender must notify the borrower, at the time the lower interest rate is offered, that the lower interest rate ends on the date the loan is purchased by the guarantor as a default or ineligible borrower claim. The loan will revert to the applicable statutory rate as of the date the defaulted loan or ineligible borrower claim is purchased.<sup>1</sup>

<sup>1</sup> Policy 1096 (Batch 157), approved March 19, 2009

## 10.9.C Excess Interest Rebates

Effective for loans first disbursed on or after April 1, 2006, lenders are required to refund excess interest on Stafford, PLUS, and Consolidation loans for any quarter in which the [applicable interest rate](#) of the loan exceeds the [special allowance](#) support level. See [Figure A-3](#) and [Figure A-4](#) for further information on the current calculation of excess interest rebates.

For historic information about previous Stafford loans that were eligible for excess interest rebates, and the conversion of these loans to a [variable interest rate](#), see [Section H.2](#).

## 10.9.D Payment of Accrued Interest on Loans Not Eligible for Federal Interest Benefits

A lender must arrange with the borrower of a loan that is not eligible for [federal interest benefits](#) (an unsubsidized or nonsubsidized Stafford, PLUS, or SLS loan) the way in which the borrower will pay accruing interest during periods when regular principal payments are not due. Interest begins accruing on the date of the first [disbursement](#) and may become a substantial sum over the course of a long period of continuous enrollment or [deferment](#). The loan file or servicing history must include [documentation](#) of the [agreement](#) (between the lender and borrower) for the borrower to satisfy the interest by one of the following methods:

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

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

## Deferment Eligibility Chart

## Figure 11-1

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

Form	Deferment Type	Time Limit	Stafford and SLS Loans			PLUS Loans				Consolidation Loans	
			Pre 7/1/87 Borrower	New <sup>1</sup> Borrower 7/1/87 to 6/30/93	New <sup>2</sup> Borrower 7/1/93	Loans Before 8/15/83	Pre 7/1/87 Borrower	New <sup>1</sup> Borrower 7/1/87 to 6/30/93	New <sup>2</sup> Borrower 7/1/93	Pre 7/1/93 Borrower <sup>8</sup>	New Borrower 7/1/93 <sup>9</sup>
SCH	In-School: Full Time	None	•	•	•	•	•	•	•	•	•
	In-School: Half Time <sup>7</sup>	None		•	•			•	•	•	•
EDU	Graduate Fellowship	None	•	•	•	•	•	•	•	•	•
	Rehabilitation Training	None	•	•	•	•	•	•	•	•	•
	Teacher Shortage	3 Years		•							
	Internship/ Residency Training	2 years	•	•		•					
TDIS	Temporary Total Disability <sup>3</sup>	3 Years	•	•		•	•	•		•	
PUB	Armed Forces or Public Health Services <sup>4</sup>	3 Years	•	•		•					
	National Oceanic and Atmospheric Administration Corps <sup>4</sup>	3 Years		•							
	Peace Corps, ACTION Program and Tax-Exempt Organization Volunteer	3 Years	•	•		•					
UNEM	Unemployment	2 years	•	•		•	•	•		•	
	Unemployment	3 Years			•			•			•
PLWM	Parental Leave <sup>5</sup>	6 Months	•	•							
	Mother Entering/ Reentering Work Force	1 Year		•							
HRD	Economic Hardship	3 Years			•			•			•
PLUS <sup>6</sup>	In-School: Full Time	None						•			
	In-School: Half Time	None						•			
	Rehabilitation Training	None				•	•	•			
MIL	Military Service <sup>10</sup>	None	•	•	•	•	•	•	•	•	•
	Military-Post-Active Duty Student <sup>11</sup>	None 13 Months <sup>12</sup>	•	•	•	•	•	•	•	•	•

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

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

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

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

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

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

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

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

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

<sup>10</sup> A deferment may be granted to a borrower who is serving on active duty during a war or other military operation or national emergency (including qualifying National Guard duty). The borrower's military service must begin on or after October 1, 2007, or include that date.

<sup>11</sup> A deferment may be granted to a borrower called to active National or State duty who is a member of the National Guard or Reserves (including retired members) and who was enrolled at least half time at an eligible school at the time of, or within 6 months prior to, being activated. The borrower's military service must begin on or after October 1, 2007, or include that date.

<sup>12</sup> A post-active duty student deferment may be granted to a borrower for a period of no more than 13 months each time the borrower qualifies. There is no limit to how many deferments of this type a borrower may receive. If a borrower is also eligible for a military service deferment, the 13-month period must run concurrently with the 180-day post-military mobilization period.<sup>1</sup>

<sup>1</sup> Policy 1099 (Batch 157), approved March 19, 2009

A borrower or a borrower's representative must request the [deferment](#) and provide the [lender](#) with [documentation](#) establishing that he or she is serving a period of full-time active duty status in the U.S. Armed Forces.

Documentation may include:

- A written statement from the borrower's commanding officer or personnel officer certifying the date on which the borrower's service began and the date on which it is expected to end.
- A copy of the borrower's official military orders and a copy of the borrower's active duty military identification card.

If a lender grants an armed forces deferment based on a request from the borrower's representative, the lender must notify the borrower that the deferment has been granted and that the borrower has the option to cancel the deferment and continue to make payments on the loan. The lender may also notify the borrower's representative of the outcome of the deferment request.

[§682.210(i)(5)]

### 11.3.B Deferment Documentation—Armed Forces

If a borrower requests an Armed Forces deferment, the lender must forward to the borrower the following common deferment form:

**PUB**

Public Service Deferment Request

### 11.3.C Length of Deferment—Armed Forces

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

[§682.210(i)]

## 11.4 Economic Hardship Deferment

An [economic hardship](#) deferment is available to a borrower who earns less than minimum wage ~~or exceeds a federally defined debt to income ratio~~ or an amount equal to 150% of the poverty guideline applicable to the borrower's family size.

### 11.4.A Eligibility Criteria—Economic Hardship

This deferment is available only if the borrower had no outstanding balance on a [FFELP](#) loan as of the date he or she obtained a loan on or after July 1, 1993.

To qualify for this deferment, a borrower must request it and provide the lender with documentation that he or she meets at least one of the following eligibility criteria:

1. The borrower has been granted an economic hardship deferment under either the [FDLP](#) or [Federal Perkins Loan Program](#) for the period of time for which the borrower has requested an economic hardship deferment for his or her FFELP loan.
2. The borrower is receiving payment or benefit under a federal or [state](#) public assistance program, such as Aid to Families with Dependent Children, Supplemental Security Income, Food Stamps, or state general public assistance.  
[*Federal Register* dated June 29, 1994]
3. The borrower is working full time and has a monthly income that does not exceed the greater of (a) the minimum wage rate described in section 6 of the Fair Labor Standards Act of 1938 or (b) an amount equal to 150% of the poverty guideline applicable to the borrower's family size, as ~~determined in accordance with section 673(2) of the Community Service Block Grant Act~~ published annually by the Department of Health and Human Services pursuant to 42 U.S.C. §9902.2 (see Note 1 below).  
[§682.210(s)(6)(iii)(B)]<sup>1</sup>

<sup>1</sup> Policy 1098 (Batch 157), approved March 19, 2009

For the purpose of this deferment, *family size* is defined as the number that is determined by counting the borrower, the borrower’s spouse, and the borrower’s children (including unborn children who will be born during the period covered by the deferment) if the children receive more than half of their support from the borrower. A borrower’s family size also includes other individuals if, at the time the borrower requests the economic hardship deferment, the other individuals meet both of the following criteria:

- = Live with the borrower.
- = Receive more than half of their support from the borrower and will continue to receive this support from the borrower for the year the borrower certifies family size.

Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, and payment of college costs.

[§682.210(s)(6)(ix)]

4. The borrower is or will be serving as a Peace Corps volunteer.
4. ~~The borrower is working full time and has a federal education debt burden that equals or exceeds 20% of the borrower’s monthly income. The borrower’s income minus such burden must be less than 220% of the amount described under item 3 above (see Notes 1 and 2 below).~~
5. ~~The borrower is not working full time and has a monthly income that does not exceed twice the amount described under item 3 above and, after deducting an amount equal to the borrower’s federal education debt burden, the remaining amount of that income does not exceed the amount specified in item 3 above (see Notes 1 and 2 below).~~
6. The borrower is or will be serving as a Peace Corps volunteer.

A borrower who is or will be serving as a Peace Corps volunteer may be eligible for either a Peace Corps [deferment](#) or an [economic hardship](#) deferment. A Peace Corps deferment is available to a borrower who had an outstanding balance on a FFELP loan that was made before July 1, 1993, or who had an outstanding balance on a loan made before July 1, 1993, when he or she obtained a loan disbursed on or after July 1, 1993. An economic hardship deferment is available to a “[new borrower](#)” who had no outstanding balance on a FFELP loan as of the date he or she obtained a loan on or after July 1, 1993. Lenders are

encouraged to offer [forbearance](#) to any borrower who has exceeded the deferment limit in completing his or her Peace Corps service.

[DCL GEN-98-16]

*Note 1:*

A borrower is considered to be working full time if he or she is expected to be employed for at least three consecutive months at 30 or more hours per week. For a period of deferment granted under items 3 through 5 above, the lender must require the borrower to submit evidence showing the amount of the borrower’s monthly income.<sup>1</sup>

A borrower’s monthly income is the gross amount the borrower received from employment, if applicable, and from other taxable sources, or one-twelfth of the borrower’s adjusted gross income (AGI), as recorded on the borrower’s most recently filed federal income tax return. Non-taxable income such as child support, life insurance proceeds, and gifts and bequests that are not included in the computation of the AGI should not to be treated as income for purposes of determining eligibility for an economic hardship deferment. A borrower who is unemployed, [incarcerated](#), disabled, or on a temporary unpaid [leave of absence](#) from work may qualify for an economic hardship deferment if he or she provides the lender with documentation of his or her income. Any borrower who does not have income when applying for an economic hardship deferment must provide a self-certifying statement, either on the deferment form or in a separate statement, indicating that he or she has no income. If the borrower resides in a foreign country and submits proof of income in foreign currency, the amounts must be converted to U.S. dollars before the lender determines [deferment](#) eligibility. Deferment eligibility for borrowers with foreign income will be based on poverty guidelines for the last state in which the borrower resided.<sup>2</sup>

*Note 2:*

~~To determine a borrower’s federal education debt burden for purposes of an economic hardship deferment under items 4 and 5 above, the lender must count:~~

- ~~• The actual monthly payment amounts that are owed on federal postsecondary education loans, if the loans are scheduled to be repaid in 10 years or less.~~
- ~~• The monthly payment amounts that would have been owed on federal postsecondary education loans based on a 10-year repayment schedule, if the loans are scheduled to be repaid in more than 10 years.<sup>3</sup>~~

<sup>1</sup> Policy 1098 (Batch 157), approved March 19, 2009

<sup>2</sup> Policy 1003 (Batch 154), approved December 18, 2008

<sup>3</sup> Policy 1098 (Batch 157), approved March 19, 2009

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

[§682.210(s)(6)]

## 11.4.B Deferment Documentation—Economic Hardship

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

### HRD

#### Economic Hardship Deferment Request

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

[DCL GEN-98-16]<sup>1</sup>

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

- A statement from the borrower's accountant.
- A copy of the Articles of Incorporation for the business venture.
- A copy of the Business Charter showing the borrower's involvement.

- An application for a tax identification number.

## 11.4.C Length of Deferment—Economic Hardship

The **deferment** begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends on the date the condition establishing the borrower's eligibility for the deferment ends. This deferment may be granted for periods of up to 1 year at a time and may be renewed for a total that, collectively, do not exceed 3 years. For a borrower who is serving as a volunteer in the Peace Corps, the deferment may be granted for the lesser of the borrower's full term of service or the borrower's remaining period of **economic hardship** deferment eligibility under the 3-year maximum. [HEA §428(b)(1)(M)(iii); §682.210(s)(6); DCL GEN-98-16]

## 11.4.D Simplified Deferment Processing

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

In granting the deferment in this manner, the lender may rely in good faith on the information obtained from another FFELP loan holder, the Department, or an authoritative electronic database maintained ~~and~~ **or** authorized by the Department, unless the lender has information indicating that the borrower does not qualify for the economic hardship deferment. The lender must resolve any discrepant information before granting an economic hardship deferment in this manner.<sup>2</sup>

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

[§682.210(s)(1)(iii) - (v)]

<sup>1</sup> Policy 1098 (Batch 157), approved March 19, 2009

<sup>2</sup> Policy 1071 (Batch 154), approved December 18, 2008

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

## 11.8 Military Active Duty Student Deferment

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

{§682.210(u)(1); DCL FP 08 01}

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

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

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

{§682.210(u)(1); DCL FP 08 01}

### Definitions Applicable to Military Active Duty Student Deferment

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

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

- Activities authorized by the governor based on state statute or policy that are supported by state funds.

*Active duty* does not include:

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

{§682.210(u)(2); DCL FP 08 01}

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

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

{§682.210(u)(1)(ii)}

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

{§682.210(u)(4); DCL FP 08 01}

The lender may also grant a borrower a deferment using the simplified deferment processing outlined in Subsection 11.8.D.

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

A borrower who meets the eligibility criteria outlined in 11.8.A may receive a deferment for up to 13 months following the completion of active duty military service.<sup>1</sup>

<sup>1</sup> Policy 1099 (Batch 157), approved March 19, 2009

The deferment ends on the earlier of the date of the borrower's re-enrollment in school on at least a half-time basis, or the date the 13-month period ends.

A borrower who is eligible for both the military active-duty student deferment and the military service deferment outlined in 11.9 that provides for a 180-day extended deferment period, can only receive these benefits concurrently and not consecutively (i.e., the maximum benefit is limited to 13 months).  
[§682.210(u)(1); DCL FP-08-01]

### **11.8.D** **Simplified Deferment Processing**

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

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

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

## **11.8** **Military Service Deferment**

### **11.9** **Military Service Deferment**

A military service deferment is available to a borrower while the borrower is serving on active duty during a war or other military operation, or a national emergency, or while the borrower is performing qualifying National Guard duty during a war or other military operation, or a national emergency.  
[§682.210(t)(1); HEA §428(b)(1)(M); DCL GEN-06-02; DCL FP-08-01]

Payments made by or on behalf of a borrower during a period for which the borrower qualified for a military service deferment are not refunded.  
[§682.210(t)(5)]

### **11.8.A** **Eligibility Criteria—Military Service**

### **11.9.A** **Eligibility Criteria—Military Service<sup>2</sup>**

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

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

#### **Definitions Applicable to Military Service Deferment**

In the context of the military service deferment, the following definitions apply:

- *Active duty* means serving in full-time duty in the active military service of the U.S., not including training or attendance at a service school.

<sup>1</sup> Policy 1071 (Batch 154), approved December 18, 2008

<sup>2</sup> Policy 1099 (Batch 157), approved March 19, 2009



- *Military operation* means a contingency operation in which a member of the Armed Forces is, or may become, involved in military actions, operations, or hostilities against an enemy of the U.S. or against an opposing military force; or results in the call or order to, or retention on, active duty of members of the uniformed services under 10 U.S.C. 688, 12301(a), 12302, 12304, 12305, or 12406, 10 U.S.C. Chapter 15, or any other provision of law during a war or during a national emergency declared by the president or Congress.
- *National emergency* means a national emergency by reason of certain terrorist attacks declared by the president on September 14, 2001, or subsequent national emergencies declared by the president by reason of terrorist attacks.
- *Qualifying National Guard duty* means training or other duty, other than inactive, performed by a member of the U.S. Army National Guard or the Air National Guard on full-time National Guard duty as called to service authorized by the president or the secretary of defense. The training or other duty must be performed for more than 30 consecutive days in connection with a war or other military operation, or a national emergency as declared by the president and supported by federal funds.
- *Serving in active duty* means service by an individual who is a Reserve of an Armed Force ordered to active duty under section 10 U.S.C. 12301(a), 12301(g), 12302, 12304, or 12306, or any retired member of an Armed Force ordered to active duty under 10 U.S.C. 688, for service in connection with a war or other military operation or national emergency, regardless of the location at which the active duty service is performed. This also includes any other member of an Armed Force on active duty in connection with such emergency or subsequent actions of conditions who has been assigned to a duty station at a location other than where the member is normally assigned.

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

A borrower is not eligible for a [refund](#) of any loan payments made prior to the time the deferment is granted.

[HEA §428(b)(1)(M); DCL GEN-06-02]

## **11.8.B** **Deferment Documentation—Military Service**

## **11.9.B** **Deferment Documentation—Military Service**<sup>1</sup>

A borrower or a borrower's representative must request the deferment and provide the lender with documentation of the borrower's active duty status. The documentation must include a copy of the borrower's military orders, or a written statement from the borrower's commanding or personnel officer that the borrower is serving on active duty during a war or other military operation, or a national emergency, or that the borrower is performing qualifying National Guard duty during a war or other military operation, or a national emergency, as those terms are defined in [Subsection 11.8.A](#). The lender may also grant a borrower a deferment using the simplified deferment processing outlined in [Subsection 11.8.D](#).

[HEA §428(b)(1)(M); §682.210(t)(7); DCL GEN-06-02; DCL FP-08-01]

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

[DCL GEN-08-01]

If a lender grants a military deferment based on a request from the borrower's representative, the lender must notify the borrower that the deferment has been granted and that the borrower has the option to cancel the deferment and continue to make payments on the loan. The lender may also notify the borrower's representative of the outcome of the deferment request.

[§682.210(t)(7)]

<sup>1</sup> Policy 1099 (Batch 157), approved March 19, 2009

### **11.8.C** **Length of Deferment—Military Service**

### **11.9.C** **Length of Deferment—Military Service<sup>1</sup>**

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends on the date on which the borrower's qualifying service is certified to end or actually ends.

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

Without supporting documentation, a lender may grant a military service deferment to an otherwise eligible borrower for a period not to exceed the initial 12 months from the date the qualifying eligible service began based on a request from the borrower or the borrower's representative.

[§682.210(t)(9)]<sup>2</sup>

For a borrower whose qualifying service includes October 1, 2007, or begins on or after that date, the deferment is extended for an additional 180 days after the date the borrower is demobilized from that qualifying service. The additional 180-day deferment is available to a borrower each time a borrower is demobilized from qualifying active duty service. The additional 180-day deferment period may not be granted unless the lender receives documentation of the date the borrower was demobilized from qualifying service.

[§682.210(t)(2); DCL FP-08-01]

### **11.8.D** **Simplified Deferment Processing**

### **11.9.D** **Simplified Deferment Processing<sup>3</sup>**

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

In granting the deferment in this manner, the lender may rely in good faith on the information obtained from another FFELP loan holder, the Department, or an authoritative electronic database maintained ~~and~~ or authorized by the Department, unless the lender has information indicating that the borrower does not qualify for the military deferment. The lender must resolve any discrepant information before granting a military deferment in this manner.<sup>4</sup>

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

[§682.210(s)(1)(iii) - (v)]

### **11.9** **National Oceanic and Atmospheric Administration Corps Deferment**

### **11.10** **National Oceanic and Atmospheric Administration Corps Deferment**

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

### **11.9.A** **Eligibility Criteria—NOAA**

### **11.10.A** **Eligibility Criteria—NOAA<sup>5</sup>**

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

<sup>1</sup>. Policy 1099 (Batch 157), approved March 19, 2009

<sup>2</sup>. Policy 1100 (Batch 157), approved March 19, 2009

<sup>3</sup>. Policy 1099 (Batch 157), approved March 19, 2009

<sup>4</sup>. Policy 1071 (Batch 154), approved December 18, 2008

<sup>5</sup>. Policy 1099 (Batch 157), approved March 19, 2009

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

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

### **11.9.B** **Deferment Documentation—NOAA**

### **11.10.B** **Deferment Documentation—NOAA**

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

**PUB**

Public Service Deferment Request

### **11.9.C** **Length of Deferment—NOAA**

### **11.10.C** **Length of Deferment—NOAA**

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

[§682.210(p)]

### **11.10** **Parental Leave Deferment**

### **11.11** **Parental Leave Deferment**

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

### **11.10.A** **Eligibility Criteria—Parental Leave**

### **11.11.A** **Eligibility Criteria—Parental Leave<sup>1</sup>**

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

To qualify for this deferment, a borrower must request it and provide to the lender a statement certifying that:

- The borrower is pregnant or caring for his or her newborn child, or caring for a child immediately following his or her adoption of that child.
- The borrower will not be attending [school](#) during this period.
- The borrower will not be working full time (at least 30 hours of work per [week](#) that is expected to last at least 3 months) during this period.
- The borrower has been [enrolled](#) at least half time during the 6 months before the date on which the deferment should begin.

In addition to his or her own statements, the [borrower](#) must provide to the [lender](#) a statement from the doctor verifying the pregnancy, or a birth certificate or a statement from an adoption agency indicating the recent placement of a child in the borrower’s care. In addition, the statement of the borrower’s in-school enrollment status must be certified by an authorized official of a [participating school](#).

<sup>1</sup> Policy 1099 (Batch 157), approved March 19, 2009

**Deferment** eligibility is limited to the period during which the borrower is pregnant or the period immediately following the birth or adoption of a child.

Because the borrower must be **enrolled** at least half time at an eligible **school** at some time during the 6 months immediately preceding the period of the parental leave deferment, the lender, in granting the deferment, may waive all or a portion of the borrower's **grace period** if the waiver is authorized by the borrower in writing.

The common deferment form for this deferment provides up to a one-month grace period waiver.

### **11.10.B** **Deferment Documentation—Parental Leave**

#### **11.11.B** **Deferment Documentation—Parental Leave**

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

**PLWM**  
Parental Leave/Working Mother Deferment Request

### **11.10.C** **Length of Deferment—Parental Leave**

#### **11.11.C** **Length of Deferment—Parental Leave**

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends no later than 6 months after the date on which it began. This deferment may be granted to the same borrower in periods of no more than 6 months each time the borrower qualifies. This means that the borrower may receive the deferment for the birth or care of more than one child, in increments not to exceed the 6-month maximum per occurrence.

[§682.210(o)]

### **11.11** **Peace Corps Deferment**

#### **11.12** **Peace Corps Deferment**

A Peace Corps **deferment** is available to a borrower who is engaged in volunteer service under the **Peace Corps Act**.

#### **11.11.A** **Eligibility Criteria—Peace Corps**

#### **11.12.A** **Eligibility Criteria—Peace Corps**

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

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

- That the borrower has agreed to serve as a volunteer on a full-time basis for at least one year.
- The date on which the borrower's service began.
- The date on which the borrower's service is expected to end.

#### **11.11.B** **Deferment Documentation—Peace Corps**

#### **11.12.B** **Deferment Documentation—Peace Corps**<sup>1</sup>

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

**PUB**  
Public Service Deferment Request

<sup>1</sup> Policy 1099 (Batch 157), approved March 19, 2009

### **11.11.C** **Length of Deferment—Peace Corps**

### **11.12.C** **Length of Deferment—Peace Corps**

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

[\[§682.210\(k\)\]](#)

### **11.12** **Post-Active Duty Student Deferment**

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

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

Prior to receiving a post-active duty student deferment, a borrower may be eligible to receive a military service deferment (see [Section 11.8](#)) or mandatory forbearance (see [Subsection 11.24.C](#)), depending upon the type of military service being performed.

#### **11.12.A** **Eligibility Criteria—Post-Active Duty Student**

This deferment is available to a Stafford, PLUS, or Consolidation loan borrower who is called or ordered to active duty on or after October 1, 2007, or for a period of service that includes that date, and who satisfies both of the following criteria:

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

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

### **Definitions Applicable to Post-Active Duty Student Deferment**

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

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

Active duty does not include:

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

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

#### **11.12.B** **Deferment Documentation—Post-Active Duty Student**

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

[\[§682.210\(u\)\(5\); DCL FP-08-01\]](#)

If the borrower has already received a military service deferment (see [Section 11.8](#)), a lender may grant a post-active duty student deferment without an additional request from the borrower if the lender has all the required eligibility documentation. If a deferment is granted in this manner, the lender must notify the borrower of the deferment and provide the borrower the opportunity to decline the deferment.

[\[§682.210\(u\)\(5\); DCL FP-08-01\]<sup>1</sup>](#)

<sup>1</sup> Policy 1099 (Batch 157), approved March 19, 2009

The lender may also grant a borrower a deferment using the simplified deferment processing outlined in [Subsection 11.12.D](#).

### **11.12.C** **Length of Deferment—Post-Active Duty Student**

A borrower who meets the eligibility criteria outlined in [Subsection 11.12.A](#) may receive a deferment for up to 13 months following the completion of a period of active duty military service if that service began on or after October 1, 2007, or includes that date. The deferment ends on the earlier of the date of the borrower’s re-enrollment in school on at least a half-time basis, or the date the 13-month period ends.

A borrower who is eligible for both the post-active duty student deferment and the military service deferment outlined in [Section 11.8](#) that provides for a 180-day extended deferment period, can only receive these benefits concurrently and not consecutively (i.e., the maximum benefit is limited to 13 months). [\[§682.210\(u\)\(4\); DCL FP-08-01\]](#)

### **11.12.D** **Simplified Deferment Processing**

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

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

If the lender grants the post-active duty student deferment using this simplified process, the lender must notify the borrower that the deferment has been granted and that the borrower has the option to pay the interest that accrues on

an unsubsidized FFELP loan or to cancel the deferment and continue to make payments on the loan. [\[§682.210\(s\)\(iii\) - \(v\); §682.210\(t\)\(7\)\]](#)<sup>1</sup>

## **11.13** **Public Health Service Deferment**

A public health service deferment is available to a borrower who is serving as a full-time officer in the Commissioned Corps of Public Health of the United States Public Health Service (USPHS).

### **11.13.A** **Eligibility Criteria—Public Health Service**

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

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

- That the borrower is serving as a full-time officer in the Commissioned Corps of Public Health.
- The date on which the borrower’s service began.
- The date on which the borrower’s service is expected to end.

### **11.13.B** **Deferment Documentation—Public Health Service**

If a borrower requests a public health service deferment, the lender should forward to the borrower the following common deferment form:

**PUB**  
Public Service Deferment Request

<sup>1</sup> Policy 1099 (Batch 157), approved March 19, 2009

## Forbearance Eligibility Chart

## Figure 11-2

TYPE	LENGTH
<b>Discretionary</b>	
Financial difficulties due to personal problems when the borrower is unable to make regularly scheduled payments <sup>1</sup>	The period established in the terms of the forbearance agreement (not to exceed 12-month increments); no maximum
Reduced-Payment Forbearance <sup>1</sup>	
<b>Mandatory</b>	
Medical or Dental Internship/Residency <sup>2, 3</sup>	12-month increments (or a lesser period equal to actual period during which the borrower is eligible); no maximum
Department of Defense Student Loan Repayment Programs <sup>3</sup>	
National Service <sup>2, 3</sup>	
Active Military State Duty <sup>2, 3, 9*</sup>	
Child Care Provider Loan Forgiveness <sup>2, 9</sup> <i>Note: Contingent upon funding by Congress.</i>	Period while borrower maintains forgiveness eligibility. 12-month increments†
Debt Exceeds Monthly Income <sup>4, 5</sup>	12-month increments; 3 years maximum
Teacher Loan Forgiveness <sup>2, 3</sup>	Period while borrower maintains forgiveness eligibility. 12-month increments
<b>Mandatory Administrative</b>	
Local or National Emergency <sup>7</sup>	Period specified by the Department or guarantor plus 30 days following the period
Military Mobilization <sup>8</sup>	
Designated Disaster Area <sup>7</sup>	
Repayment Accommodation	3-year maximum for variable interest rate; 5-year maximum for income-sensitive repayment
Death	Date lender receives reliable notification of death to date lender receives death certificate or other acceptable documentation, not to exceed 60 days
Teacher Loan Forgiveness <sup>2, 6</sup>	The period while the lender is awaiting a completed loan forgiveness application, not to exceed 60 days Date lender receives a completed loan forgiveness application to date lender receives either a denial or the loan forgiveness amount from the guarantor
<b>Administrative</b>	
Borrower Ineligible for Deferment <sup>6</sup>	Beginning date to ending date of the ineligible deferment
Delinquency before a Deferment or Certain Forbearances <sup>6</sup>	First date of overdue payment to the day before the beginning date of deferment or other forbearance type
Late Notification of Out-of-School Dates <sup>6</sup>	Date borrower should have entered repayment to date first or next payment was established
Bankruptcy Filing <sup>6</sup>	The earlier of the first date of overdue payment or receipt of reliable information that the borrower has filed bankruptcy to date of discharge determination or repurchase
Total and Permanent Disability <sup>6</sup>	Date lender receives physician's written request for additional time to date lender receives a complete, certified loan discharge application or other form(s) approved by the Department, if the borrower submits the certification to the lender within 90 days of the date the physician certified the application, not to exceed 60 days  For a non-disabled comaker, the earlier of the date that the lender receives the loan discharge application or the date the lender receives notice from the guarantor that one comaker is totally and permanently disabled, to the date that the lender receives notice of the final discharge determination.

TYPE	LENGTH
Spouses and Parents of September 11, 2001, Victims <sup>6</sup>	60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination
Repurchase of a Non-Bankruptcy Claim <sup>6</sup>	The period that the loan was held by the guarantor due to a claim purchase
Death	Date after mandatory administrative forbearance due to reliable notification of death ends to date lender receives death certificate or other acceptable documentation, not to exceed 60 days
Closed School	Period of unofficial closure notice as specified by guarantor
Closed School or False Certification <sup>6</sup>	60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination
False Certification—Identity Theft <sup>6</sup>	Date eligibility requirements sent to individual to date request and documentation returned, not to exceed 60 days; and from date guarantor receives documentation to date of determination
Delinquency after Deferment or Mandatory Forbearance <sup>6</sup>	Deferment or mandatory forbearance end date to establishment of next payment due date
Documentation Collection and Processing <sup>6</sup>	Date borrower requests deferment, forbearance, change in repayment plan, or loan consolidation to date supporting documentation is processed by lender, not to exceed 60 days
Unpaid Refund Discharge	60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination The period during guarantor review and ending on the date lender receives the guarantor's determination for a borrower who requests a review of a denial determination
Unpaid Refund <sup>6</sup>	End date of initial 60-day mandatory administrative forbearance to receipt of completed discharge request, and during period of determination of discharge eligibility
New Out-of-School Dates after Conversion <sup>6</sup>	Original repayment start date to adjusted start date
Loan Sale or Transfer <sup>6</sup>	First date of delinquency to date loan is sold or transferred, if the loan is less than 60 days delinquent
Ineligible Summer Bridge Extension <sup>6</sup>	Day after expiration of borrower's last in-school deferment to the 30th day after fall classes begin
Cure <sup>6</sup>	Date of earliest unexcused violation to date lender receives a full payment or new signed repayment agreement
Natural Disasters, Local or National Emergency, Military Mobilization <sup>6</sup>	From date borrower affected, not to exceed 3 months for each occurrence
Repayment Alignment-SLS/Stafford <sup>4</sup>	First payment due date to last day of the longest applicable Stafford loan grace period

\* Policy 1101 (Batch 157), approved March 19, 2009

† Policy 1080 (Batch 156), approved February 19, 2009

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

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

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

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

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

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

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

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

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

<sup>9</sup> ~~A request and a completed FFELP Child Care Provider Loan Forgiveness Forbearance Form are required.~~<sup>1</sup>

<sup>9</sup> For military service that begins on or after October 1, 2007, or includes that date.<sup>2</sup>

1. Policy 1080 (Batch 156), approved February 19, 2009

2. Policy 1101 (Batch 157), approved March 19, 2009



## 11.24.B Internship or Residency

A lender must grant [forbearance](#) to a qualified borrower who meets either of the following criteria:

- The borrower has exhausted his or her eligibility for internship/residency [deferment](#).
- The borrower's [promissory note](#) does not provide for an internship/residency deferment.

Eligibility and documentation requirements are the same as for a borrower who has requested an internship/residency deferment (see [Section 11.7](#)). A lender must grant forbearance in 12-month increments unless the actual period during which a borrower is eligible is less than 12 months.

For a medical or dental internship or residency, the forbearance must cover one of the following:

- The length of time remaining in the borrower's medical or dental internship or residency that must be successfully completed before the borrower may begin professional practice or service.
- The length of time the [borrower](#) is serving in a medical or dental internship or residency program leading to a degree or certificate awarded by an [institution of higher education](#), a hospital, or a health care facility offering postgraduate training.

For any other internship or residency, the [forbearance](#) must cover one of the following:

- The length of time remaining in the borrower's internship or residency that must be successfully completed before the borrower may begin professional practice or service.
- The length of time the borrower is serving in an internship or residency program leading to a degree or certificate awarded by an institution of higher education.  
[HEA §428(c)(3)(A)(i)(I); §682.211(h)]

## 11.24.C National Service, Loan Forgiveness, or Department of Defense Repayment, or Active Military State Duty<sup>1</sup>

The lender must grant forbearance in yearly increments—or a lesser period equal to the actual period during which the borrower is eligible—for any period during which the borrower meets one of the following criteria:

- Serves in a national service position for which the borrower receives a national service educational award under the [National and Community Service Trust Act of 1993 \(AmeriCorps\)](#). Before granting a forbearance to a borrower or [endorser](#) under this program, the lender must require the borrower or endorser to submit documentation of the beginning and ending dates for the period the borrower is serving in a national service position.

- ~~Performs service that would qualify the borrower for forgiveness under the Child Care Provider Loan Forgiveness Program (see Subsection 13.9.A), unless the borrower has been granted a deferment for that period of service. Before granting a forbearance to a borrower, the lender must receive a completed FFELP Child Care Provider Loan Forgiveness Forbearance Form.~~

~~For additional information, refer to pages 39263–39265 of the *Federal Register* dated July 27, 2001, and pages 55385–55387 of the *Federal Register* dated August 29, 2002.<sup>2</sup>~~

- Performs service that would qualify the borrower for partial loan repayment under the Student Loan Repayment Programs administered by the U.S. Department of Defense under [10 U.S.C. 217I](#). Before granting a [forbearance](#) to a borrower or [endorser](#) under this program, the lender must require the borrower or endorser to submit documentation of the beginning and ending dates for which the U.S. Department of Defense considers the borrower to be eligible for a partial repayment of the borrower's loan under the Student Loan Repayment Programs.  
[§682.211(h)(4)(ii)]

<sup>1</sup> Policy 1101 (Batch 157), approved March 19, 2009

<sup>2</sup> Policy 1080 (Batch 156), approved February 19, 2009

- Maintains eligibility for loan forgiveness under the Teacher Loan Forgiveness Program and, at the time of each annual request, the lender believes that the cancellation amount will satisfy the anticipated outstanding loan balance at the time of the expected cancellation. Before granting a [forbearance](#) to a borrower, the lender must require the borrower to submit the following:
  - Documentation showing the beginning and anticipated ending dates of the period during which the borrower expects to perform the qualifying teacher service for that year (see [Subsection 13.9.A](#)).
  - A self-certifying statement of the borrower’s intent to satisfy the teacher loan [forgiveness](#) requirements.  
[§682.211(h)(2)(ii)(C); §682.211(h)(4); §682.215(e)(1)(i)]

Serves on active military state duty as a member of the National Guard (including a member in retired status) during a time when the governor activates National Guard personnel for active state duty for a period of more than 30 consecutive days, and the Guard’s activities are paid with state or federal funds. The forbearance is for a borrower who qualifies for a post-active duty student [deferment](#), but who does not qualify for a military service deferment or other deferment while engaged in active military state duty (see [Section 11.12](#) for more information on the post-active duty student deferment). The forbearance begins on the day after the end of the [grace period](#) for a Stafford loan that has not entered repayment, or begins on the day after the end of the in-school deferment for a FFELP loan in repayment.<sup>1</sup>

Note: Lenders may offer discretionary forbearance to borrowers who do not qualify for [mandatory forbearance](#).

## 11.24.D Applying a Mandatory Forbearance Retroactively

A lender may grant [mandatory forbearance](#) retroactively, but single periods of forbearance may not exceed 12 months. The forbearance ends on the date that is 12 months after the date on which it began, or the date on which the borrower’s eligibility ends, whichever is earlier.

<sup>1</sup> Policy 1101 (Batch 157), approved March 19, 2009

### 3. *Assignment of a Loan*

The **claim** file must contain the **holder's** original **assignment** of a loan to the **guarantor**. A lender using the Claim Form, which contains the assignment language, need not provide additional information or certifications when filing a claim in order to assign the loan. A lender using an electronic claim filing process should work directly with the guarantor to develop an accurate, timely assignment process that corresponds with the claim filed.

If the ownership of the loan was previously assigned to the current holder from another holder, the holder must document all prior assignments, as applicable, and the lender's assignment of the note to the guarantor. Each prior assignment may be stamped, typed, or written directly on the back of the note, or may be in the form of a letterhead assignment or otherwise through an agreement with the guarantor.

### 4. *Out-of-School Date Information*

Documentation supporting the lender's **out-of-school date** must be included as part of the claim documentation *only* if the lender is aware that its out-of-school date is different from the out-of-school date on the guarantor's file.

### 5. *Cure Documentation*

If the loan's **guarantee** is lost and subsequently reinstated, the lender must include in any claim filed subsequent to the **reinstatement** the **curing instrument** or a legible copy of the curing instrument. Examples of a curing instrument include a new repayment agreement signed by the borrower or a copy of a payment. In the case of an **intensive collection activities (ICA)/location cure**, the claim file must include acceptable evidence that the borrower has been located as detailed in **Section 14.6**. For additional information regarding acceptable documentation to show that an ICA/location cure has been completed, see **Section 14.6**.

Guarantors may require lenders to provide additional information or documentation, for example if the borrower disputes the loan amount or a school disputes its cohort default rate.<sup>1</sup>

### *Closed School Claims, False Certification Claims, and Unpaid Refund Discharges*

Documentation requirements for closed school and false **certification** claims are outlined in **Subsections 13.8.B** and **13.8.D**, respectively. Documentation requirements for unpaid refund discharges are outlined in **Subsection 13.8.H**.

### *Ineligible Borrower Claims*

For an **ineligible borrower** claim, the lender is required to submit only items 1 through 3 of the preceding list. The lender must also provide the month, day, and year the **final demand** letter was mailed and reasonable documentation supporting the borrower's ineligibility for the loan, such as an affidavit or letter from the school or a statement from the lender clearly stating the facts and allegations.

### **Additional Documentation Requirements**

#### *Bankruptcy Claims*

For a **bankruptcy claim**, the lender must submit—in addition to the preceding items 1 through 5—notification of the bankruptcy filing, such as the Notice of the First Meeting of Creditors (the Notice) or other proof of filing directly received from the borrower's attorney, the bankruptcy court, or from another source; a copy of the Proof of Claim filed by the lender, if required; and all other pertinent documents sent to or received from the bankruptcy court.

[§682.402(g)(1)(v)(A)]

#### *Death Claims*

For a death **claim**, the lender must submit—in addition to the preceding items 1 through 5—an original or certified copy, or an accurate and complete photocopy of the original or certified copy, of the death certificate (see **Subsection 13.8.C**). The use of a fax or electronic version of the death certificate is not permitted. In the event of an exceptional circumstance and on a case-by-case basis, the lender must submit other reliable documentation approved by the guarantor's CEO.

[§682.402(g)(1)(iii)]

<sup>1</sup> Policy 1102 (Batch 157), approved March 19, 2009

*Total and Permanent Disability Claims*

For a total and permanent **disability claim**, the lender must submit—in addition to the preceding items 1 through 5—a completed Loan Discharge Application: Total and Permanent Disability or other form(s) approved by the **Department**. The lender must also submit a **record** of any payments received after the date the physician completed and certified the **discharge** application.

[§682.402(c)(5)(vii); §682.402(g)(1)(iv)]

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

### 13.1.E Missing Claim File Documentation

If a **lender** submits a **claim** file with any required **documentation** missing or incomplete, or if the **guarantor** determines that more information is needed to process the claim, the guarantor may attempt to obtain the necessary documentation or return the claim file to the lender with a request for the missing documentation.

To expedite the claim filing process and avoid the return of claim files to the lender, the guarantor may use a fax machine to request and receive missing information from lenders. The types of documentation that may be transmitted and received by fax include, but are not limited to, the **application**, **promissory note**, promissory note **assignment**, specialty claim documentation, payment history information, **deferment** or **forbearance** documentation, and missing collection history. In the case of documentation where an original or true and exact copy, or an accurate and complete photocopy of the original or certified copy, may be required (such as the promissory note and death certificate), the lender may fax a copy of the document so that the guarantor can continue processing the claim. However, the lender must, within the time frame established by the guarantor, forward the original document—or a copy certified as true and exact, or an accurate and complete photocopy of the original or certified copy—to the guarantor to avoid a future claim return.

▲ Lenders may contact individual guarantors for information on faxing claim file documentation. See **Section 1.5** for contact information.

If a lender is unable to provide requested documentation, the loan may be subject to **interest** penalties or **due diligence** violations. If a lender is unable to provide accurate payment information, as required on the Claim Form, the **guarantee** on the loan may be canceled. However,

the lender may attempt to have the loan's guarantee reinstated in many cases by following the applicable **cure** procedures (see **Section 14.5**).

In some cases, an indemnification **agreement** will be accepted if a lender is unable to provide required documentation for claim filing.

▲ Lenders may contact individual guarantors for information on the use of indemnification agreements to substitute for documents required in the claim file. See **Section 1.5** for contact information.

### 13.1.F Missing Payment History

A guarantor views a period of missing payment history as a serious due diligence violation that must be cured, regardless of the length of the period. A loss of guarantee on a loan will result during any period for which all, or a portion of, the payment history is missing. For more information on this violation and how it may be cured, see **Subsections 14.1.C** and **14.5.C**, respectively.

### 13.1.G Additional Documentation Requested by the Guarantor

There are several reasons why a guarantor may require a lender to provide additional information or documentation, such as:

- The guarantor requests additional information due to the **subrogation** of the loan.
- The borrower disputes the loan amount.
- The school disputes its **cohort default rate**.

For a loan that is subrogated to the Department or upon the request of the guarantor, the lender must provide the following within the guarantor's required time frame:

- A record of the lender's disbursement of Stafford and/or PLUS loan proceeds to the school for delivery to the borrower.
- If the promissory note was signed electronically, the name and location of the entity in possession of the original electronically signed promissory note. [§682.409(c)(4)(vii) and (viii)]<sup>1</sup>

<sup>1</sup> Policy 1102 (Batch 157), approved March 19, 2009

- ▲ Lenders may contact individual guarantors for more information on when the additional documentation is required.<sup>1</sup>

## 13.2 Claim Returns

A [guarantor](#) will return (send back) a [claim](#) to the [lender](#) under certain circumstances. The guarantor will notify the lender of the reason for the return. Most claim returns occur for one or more of the following reasons:

- The lender incurs a violation(s) that results in a loss of guarantee on the loan.
- The claim package contains inadequate documentation.
- The borrower is found not to be in a [default](#) status.
- The lender is unable to provide sufficient documentation to justify the claim.
- The borrower is actually eligible for a loan when a lender incorrectly determines that he or she is ineligible, or if ineligible, is not ineligible *solely* due to his or her own error (e.g., when a lender receives retroactive information that a student never [enrolled](#) although the student actually attended classes).

The [guarantor](#) is required to return the [claim](#) or [discharge](#) request to the lender within a specific number of days after receiving the claim or discharge request, as follows:

- 90 days for a [default](#), total and permanent disability, or closed school claim.
- 45 days for a [bankruptcy](#) claim, a death claim, or an unpaid refund discharge.
- 120 days for a false certification claim (90 days to determine the loan's eligibility for discharge, and another 30 days to authorize payment of the claim or return it to the lender).  
[§682.402(d)(6)(ii)(G)(2); §682.402(e)(6)(iv) and (e)(7); §682.402(h)(1)(i); §682.406(a)(8)]

If a claim is returned with a request that the lender resume servicing, the lender must resume servicing the loan at the point of [delinquency](#), if any, that existed on the loan immediately before the claim was filed (see [Section 12.9](#)).

<sup>1</sup> Policy 1102 (Batch 157), approved March 19, 2009

## 13.2.A Refiling the Returned Claim

A lender may refile a returned claim if it reviews the returned claim, satisfies all requirements for refiling the claim, and determines that the loan is still eligible for claim purchase. The lender's refiling of a claim is subject to the following requirements, as applicable:

- A [bankruptcy](#) claim must be refiled within 30 days after the lender's receipt of the returned claim. Failure to refile a bankruptcy claim by the 30th day will result in an [interest](#) penalty, provided the late refile has not resulted in the guarantor's missing any court-established deadlines for bankruptcy activity.
- Any other claim must be refiled within 60 days after the lender's receipt of the returned claim. However, claims refiled on the 31st through the 60th day inclusive are subject to certain restrictions, as outlined in [Section 14.4](#).  
[§682.406(a)(6); DCL 96-L-186/96-G-287, Q&As #36 and #37]

In absence of evidence to the contrary, the lender's receipt date is considered to be the date the guarantor returned the claim plus 5 days (for mailing).

For information on penalties for failure to resubmit returned claims timely, see [Section 14.4](#).

## 13.2.B Claim Recalls

A lender is strongly encouraged to work with a borrower in any situation in which the borrower shows willingness to repay the debt. In such cases, the lender is strongly encouraged to [recall](#) the [claim](#) when appropriate. If a lender chooses to recall a claim but the [guarantor](#) is unable to stop the claim payment, the lender may recall the claim by remitting an amount equal to the claim payment to the guarantor within 30 days of receiving the claim payment.

A lender is required to recall a claim if any of the following situations occur before the guarantor purchases the claim:

- The loan is brought 210 or fewer days delinquent by the lender's receipt of a payment or by the lender's approval of a verbal or written [forbearance](#) agreement. In the case of a discretionary forbearance, the lender must also obtain a signed agreement to repay the debt which, at the lender's discretion, may be included in

The **guarantor** will make the determination of what constitutes a reasonable and affordable payment based on each **borrower's** financial circumstances. Factors to be considered include the borrower's monthly income (and that of his or her spouse, if applicable), the monthly expenses of the borrower and any spouse or dependents, and the unpaid balance on all **FFELP** loans held by other **holders**. If the borrower's reasonable and affordable payment is determined to be less than \$50 or the amount of the accruing **interest** on the borrower's loan(s), the guarantor will document the basis for the determination and retain it in the borrower's file, which will be forwarded to the purchasing **lender**.

[§682.405(b)]

A guarantor will assist a borrower in securing the purchase of each **defaulted** loan by an **eligible lender** only after:

- The borrower satisfies his or her obligation to make nine payments during a period of 10 consecutive months, as prescribed above.
- The borrower authorizes the guarantor to capitalize **collection costs**.
- The borrower requests assistance in obtaining a **rehabilitation repurchase**.
- The guarantor determines that the borrower is a good candidate for rehabilitation. A borrower may not be considered a good candidate for rehabilitation if he or she will be required to make monthly payments after the rehabilitation that are considerably higher than the amount determined to be reasonable and affordable for the borrower.

If the guarantor is unable to secure a lender, the borrower will be responsible for obtaining an eligible lender to purchase his or her defaulted loan(s).

The guarantor or its contracted vendor acting on its behalf will notify the borrower of repayment terms, including what has been determined to be the reasonable and affordable payment amount. If the borrower's financial circumstances change after the determination, the borrower may request that the repayment terms be adjusted. The borrower must include **documentation** substantiating his or her request for a recalculation of the reasonable and affordable payment amount previously established.

[§682.405(b)(1)(iii)]

Upon purchase of a loan by an eligible lender, the guarantor will report to **national credit bureaus** that the **default** status is to be removed from the borrower's credit history, and the loan will be considered rehabilitated.

[§682.405(a); §682.405(b)(3)]

A lender that purchases a rehabilitated loan must immediately establish a repayment schedule period with the borrower that meets the requirements applicable to other FFELP loans of the same type as the rehabilitated loan, and must allow the borrower to choose any repayment schedule that is available for that loan type. The schedule must be sent to the borrower no more than 60 days, and the first payment due date must be no more than 75 days after the lender considers the repurchase to be complete (e.g., the date the repurchase check is sent to the guarantor, the date the lender receives the loan file from the guarantor, or the date the lender receives collateral from the guarantor). The lender must consider the first payment made under the nine monthly payments required for rehabilitation as the first payment under the applicable maximum repayment period for the loan type. ~~(For example, a Stafford loan borrower with a 10-year maximum repayment period would have a maximum repayment period of 9 years and 3 months remaining, on a loan with a 10-year repayment period because the nine monthly payments are considered the first 9 months of the repayment period. and For another example, a Consolidation loan borrower with a balance greater than \$60,000 and a 30-year maximum repayment period would have a maximum repayment period of 29 years and 3 months remaining, because the nine monthly payments are considered the first 9 months of a the repayment term period).~~ When establishing the maximum repayment period on a rehabilitated Consolidation loan, the lender must use the loan's balance at the time the loan is rehabilitated (i.e., the amount paid to the guarantor to purchase the loan). ~~The initial repayment schedule for each rehabilitated loan must provide for monthly payments that are greater than or equal to the average of the nine monthly payments received by the guarantor.~~

[§682.405(b)(4)]<sup>1</sup>

The guarantor will provide payment history information (such as payment amounts and dates when the loan was in a default status) with the loan documentation sent to the purchasing lender to assist in the accurate conversion to repayment. A rehabilitated loan retains the same **interest** rate and **deferment** provisions that were applicable when the loan was first disbursed and repayment terms and all other benefits applicable to other FFELP loans made under the same loan type.

[§682.405]

<sup>1</sup> Policy 1103 (Batch 157), approved March 19, 2009

For purposes of this policy, an active loan is any loan that has not been paid in full, canceled, [discharged](#) (e.g., due to death, spouses and parents of September 11, 2001, victims, [disability](#), closed [school](#), or false [certification](#)), or subrogated by the [Department](#). However, a subrogated loan may be included in a Consolidation loan if the borrower has another active loan guaranteed or held by the consolidating guarantor that has not been subrogated. A [defaulted](#) loan that is still held by the consolidating guarantor is an active loan.

If a Consolidation loan is guaranteed and the guarantor later determines that it was not the guarantor or [holder](#) of at least one of the borrower's active loans, the guarantor reserves the right to notify the lender that the guarantee on the Consolidation loan is not valid. The lender may attempt to [transfer](#) the loan to an appropriate guarantor or the guarantee may be revoked. If the guarantee is revoked, all [interest benefits](#) and [special allowance](#) collected on that loan from the date of [disbursement](#) must be refunded.

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

### Consolidating to Obtain Direct Loan Benefits

A borrower who has a FFELP loan(s) may obtain a Direct Consolidation loan for the purpose of obtaining certain Federal Direct Loan Program (FDLP) benefits. These benefits include the following:

- Using the [Public Service Loan Forgiveness Program](#).  
[[HEA §428C\(a\)\(3\)\(B\)\(i\)\(V\)\(bb\)](#); [§682.201\(e\)\(5\)](#)]
- Using the no accrual of interest for active duty service members benefit.  
[[HEA §428C\(a\)\(3\)\(B\)\(i\)\(V\)\(cc\)](#); [§455\(o\)](#); [DCL GEN-08-12/FP-08-10](#)]

### Obtaining a Subsequent Consolidation Loan

A borrower who currently has either a Federal or a Direct Consolidation loan is not eligible for a subsequent Federal or Direct Consolidation loan unless the borrower meets one of the following conditions:

- The borrower is consolidating an eligible loan(s) obtained before or after the date the existing Consolidation loan was made to form a separate Consolidation loan.

- The borrower is consolidating an existing Consolidation loan with at least one other eligible loan, including another eligible Consolidation loan, regardless of whether that eligible loan was made before or after the date the existing Consolidation loan was made.  
[[HEA §428C\(a\)\(3\) and \(a\)\(4\)](#); [§682.201\(e\)\(2\) and \(3\)](#); [DCL GEN-06-20/FP-06-16](#)]

A borrower who currently has a Federal Consolidation loan and does not meet one of the above conditions is not eligible for a subsequent Federal Consolidation loan, but may be eligible for a subsequent Direct Consolidation loan if the borrower meets one of the following conditions:

- The borrower's consolidation loan holder has requested [default aversion assistance](#) from the guarantor, or if the loan is already in default, and the borrower is seeking an [income-contingent](#) or [income-based](#) repayment schedule.  
[[§428C\(a\)\(3\)\(B\)\(i\)\(V\)\(aa\)](#)]
- The borrower has filed an adversary complaint in a [bankruptcy](#) proceeding and is seeking an income-contingent repayment schedule.  
[[HEA §428C\(a\)\(3\)\(B\)\(l\)](#); [DCL GEN-06-20/FP-06-16](#)]
- The borrower wants to use the FDLP's Public Service Loan Forgiveness Program.  
[[HEA §428C\(a\)\(3\)\(B\)\(i\)\(V\)\(bb\)](#); [§682.201\(e\)\(5\)](#)]
- The borrower wants to use the no accrual of interest for active duty service members benefit.  
[[HEA §428C\(a\)\(3\)\(B\)\(i\)\(V\)\(cc\)](#); [§455\(o\)](#); [DCL GEN-08-12/FP-08-10](#)]<sup>1</sup>

If the borrower meets all eligibility requirements, any or all outstanding eligible loans may be consolidated, including existing Consolidation loans and loans made before or after any existing Consolidation loan.  
[[§682.201\(e\)\(2\) and \(3\)](#)]

### Loans That May Be Consolidated

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

- [FFELP](#) loans (Stafford, PLUS, SLS, and Consolidation loans<sup>2</sup>).

<sup>1</sup> Policy 1104 (Batch 157), approved March 19, 2009

<sup>2</sup> A borrower may not reconsolidate a single Consolidation loan.

the Federal Student Aid Financial Partners staff of the holder's decision not to complete the LVC. These additional circumstances are:

- Within the last 90 days, the loan holder has completed an LVC on the loan for another lender, indicating that the borrower may have more than one Consolidation loan application outstanding.
- The borrower appears to have no eligible loans other than a single Consolidation loan that is held by the loan holder.

For the two additional circumstances listed above, once the loan holder provides the consolidating lender with an explanation of why the LVC is not completed, if the consolidating lender provides additional information to the loan holder that supports the borrower's eligibility to consolidate the loans, the holder must complete the LVC within 10 business days of receipt of that information. Supporting information may include the following:

- For the first circumstance noted above, a written statement from the borrower stating that he or she has canceled any previous Consolidation loan applications.
- For the second circumstance, documentation from the consolidating lender showing that the borrower has one or more additional loans that will be consolidated with the Consolidation loan.

[DCL GEN-07-03/FP-07-07]

## 15.3.D Calculating the Interest Rate

Interest rates applicable to Consolidation loans are listed in the table on the following page. In addition, a Consolidation loan made to a borrower who subsequently enters qualifying military service may be eligible for a reduced interest rate.<sup>1</sup>

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<sup>1</sup> Policy 1096 (Batch 157), approved March 19, 2009



## Calculating the Weighted-Average Interest Rate

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

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

[§682.202(a)(4)(iv)]

### Step 1

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

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

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

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

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

### Step 2

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

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

### Step 3

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

Example: 7.377% is rounded up to 7.5%

If a Consolidation loan borrower is covered under Section 207 of the Servicemembers Civil Relief Act (SCRA), the lender is required to charge the borrower an interest rate that does not exceed 6% for the period of the borrower's military service. For purposes of this provision, interest includes service charges, renewal charges, fees, or any other charges (except for actual insurance) with respect to the Consolidation loan. The 6%-rate is applicable effective August 14, 2008, to any Consolidation loan on which the servicemember is the only borrower or on any joint obligation where one borrower or both borrowers on a comode (spousal) Consolidation loan qualify as the servicemember. The borrower must request the reduced rate in writing and provide to the lender a copy of initial

military orders and any orders that extend his or her military service. The borrower must provide the request and documentation not later than 180 days following the last date of the borrower's military service. See Subsection 10.9.B for more details regarding the parameters for granting the reduced interest rate.

[HEA §428(d); DCL GEN-08-12/FP-08-10]

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

[§682.202(a)(5)]<sup>1</sup>

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

## 15.4 Disbursement

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

<sup>1</sup> Policy 1096 (Batch 157), approved March 19, 2009

The formulas used to calculate [special allowance](#) and excess interest, which are exhibited on the following pages, are based on the maximum [applicable interest rates](#) specified in law for each category of loan. If a lender charges a borrower an [interest](#) rate that is less than the statutory maximum rate applicable to that loan, the lender must report the loan at the statutory rate for special allowance purposes.

Variable-rate PLUS or SLS loans first disbursed before July 1, 1994, and PLUS loans first disbursed on or after July 1, 1998, or on or after January 1, 2000, for any period prior to April 1, 2006, are eligible for special allowance only when the following criteria are met:

- The loan is accruing at the maximum interest rate specified in law for such a loan (also called the cap).
- The interest rate for each July 1 to June 30 period, as calculated prior to applying the interest rate maximum (or cap), exceeds the maximum interest rate for the loan.

[HEA §438(b)(2)(I)(v); §682.302(b)(2)]

If the lender charges the reduced interest rate based on SCRA provisions, and the loan was first disbursed on or after July 1, 2008, then the lender may determine the applicable special allowance payment based on the loan's actual 6% interest rate. However, if the loan was disbursed prior to July 1, 2008, then the lender must continue to determine the special allowance payment based on the applicable (maximum) interest rate permitted in statute. See [Subsection 10.9.B](#) for more details regarding the parameters for granting the reduced interest rate.

[HEA 438(g)]<sup>1</sup>

## A.2.A Special Allowance and Excess Interest Rates

### Special Allowance Rates

The amount of special allowance that is payable on an eligible loan is determined by multiplying the average daily balance of principal and [capitalized interest](#) on the loan by the applicable special allowance rate. Special allowance rates are calculated and published quarterly by the Department. The formulas used to calculate these rates are

exhibited on the following pages. The following factors are considered in the calculation of special allowance rates for a loan:

- The average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in the quarter (also called the 3-month [commercial paper rate](#)) for Stafford and PLUS loans first disbursed on or after January 1, 2000, and for Consolidation loans made from applications received by lenders on or after January 1, 2000.
- The average bond equivalent rate of the 91-day [Treasury bills](#) auctioned during the quarter (also called the T-bill rate) for Stafford and PLUS loans first disbursed prior to January 1, 2000, and for Consolidation loans made from applications received by lenders before January 1, 2000.
- A factor prescribed by law for each category of loans. This factor is added to the applicable T-bill rate or 3-month commercial paper rate for the quarter.
- The applicable [statutory interest rate](#) for the loan. This rate is subtracted from the sum of the appropriate factor and the applicable T-bill rate or 3-month commercial paper rate.

The special allowance factor for a loan first disbursed on or after October 1, 2007, is based on whether or not the lender qualifies as an [eligible not-for-profit holder](#). As it relates to special allowance payments on loans first disbursed on or after October 1, 2007, a lender is considered to be an eligible not-for-profit holder if the lender was an active, eligible lender and met any one of the following conditions on September 27, 2007:

- The lender is a state, or a political subdivision, authority, agency, or other instrumentality of such, including those entities that are eligible to issue tax-exempt bonds.
- The lender is a qualified scholarship funding corporation established by a state or one or more political subdivisions, that has not elected to cease status as a qualified scholarship funding corporation. [150(d)(2) and (3) of the [Internal Revenue Code of 1986](#)]
- The lender is a tax-exempt organization as described in Section [501\(c\)\(3\) of the Internal Revenue Code of 1986](#).

<sup>1</sup> Policy 1096 (Batch 157), approved March 19, 2009

student must include financial information on the student's household so that the expected family contribution can be calculated. See [Section 6.6](#).

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

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

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

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

## G

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

Previously, the term "gap" was defined in [Appendix D of 34 CFR 682](#), and was applicable to loans serviced under due diligence provisions published November 10, 1986. For loans serviced under these "old" due diligence provisions, a gap in due diligence activities did not result in a loss of the loan's guarantee unless the lender had committed a violation of at least one due diligence requirement.

[§682.411(j); §682, Appendix D; Appendix A of DCL 96-G-287/96-L-186]

**Grace Period:** The period that begins the day after a Stafford loan borrower ceases to be enrolled at least half time at an eligible school, ends the day before the repayment period begins, and during which payments of principal are not required. For a borrower with a Stafford loan that has not yet entered repayment who also has an SLS loan, the grace period for the SLS loan is the equivalent of the grace period for the Stafford loan if the borrower requests grace on his or her SLS loan(s) (see [Section 10.3](#)).

**Grad PLUS Loan:** A PLUS loan made to a graduate or professional student.

**Grade Level:** A student's academic class level, as certified by a school official. Undergraduate students are *01* (~~freshman~~/first-year) through *05* (fifth-year/other undergraduate); graduate and professional students are *A* (first-year) through *D* (fourth-year and beyond). A school must provide the appropriate grade level code (e.g., *01* through *05*) on the Federal Stafford Loan School Certification.<sup>2</sup>

**Graduate or Professional Student:** A student who:

- Is enrolled in a program or course above the baccalaureate level or enrolled in a program leading to a professional degree at an eligible school.
- Has completed the equivalent of at least three years of full-time study at an eligible school, either before entrance into the program or as part of the program itself, e.g., a dual-degree program that allows an individual to complete a bachelor's degree and either a graduate or professional degree within the same program. A student is considered to be an undergraduate student for at least the first 3 years of a dual-degree program. The school defines the point at which a student enrolled in a dual-degree program is considered to be a graduate student after the first 3 years. For example, in a 5-year program leading to a graduate degree, the school may define a student as a graduate student after the first 3 or 4 years of the program. [\[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-91\]](#)
- Is not receiving Title IV aid as an undergraduate student for the same period of enrollment.

**Graduated Repayment Schedule:** A repayment schedule under which the amount of the borrower's installment payment is scheduled to change (usually by increasing in

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

<sup>2</sup> Policy 1093 (Batch 157), approved March 19, 2009

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**Proportional Proration:** A required calculation performed to determine the applicable annual Stafford loan limit for an undergraduate student whose program of study is less than an academic year, or whose remaining program of study is less than an academic year. See [Figure 5-1](#).

**Public Service Loan Forgiveness Program:** A program intended to encourage individuals to enter and continue in full-time public service employment by forgiving the remaining balance of their Direct loan(s) after they satisfy the public service and loan payment requirements of the program.<sup>1</sup>

## Q

**Qualified Education Benefit:** Refers to qualified tuition programs (e.g., 529 prepaid tuition plans and savings plans), prepaid tuition plans offered by a state, and Coverdell education savings accounts.

## R

**Reaffirmation:** A borrower's acknowledgment of a loan repayment obligation—including all principal, interest, collection costs, legal costs, and late charges—in a legally binding manner.

**Reauthorization:** Refers to the legislative process—generally carried out every 5 years in the case of the Higher Education Act—whereby Congress reviews and either renews, terminates, or amends existing programs. The most recent reauthorization of the Act, as amended, was in 1998.

**Recall (of a claim):** A lender request that the guarantor return a default claim that has already been filed before claim reimbursement because the claim no longer qualifies for default. (Please refer to [Subsection 13.2.B](#) for the definition of recall (of a claim) for CCI purposes.)

### **Recognized Equivalent of a High School Diploma:**

A recognized equivalent of a high school diploma is any one of the following:

- A General Education Development (GED) Certificate.
- A state certificate received by the student after passing a state-authorized examination recognized by the state as the equivalent of a high school diploma.
- The academic transcript of a student who has successfully completed at least a two-year program acceptable for full credit toward a bachelor's degree.

- For a student seeking enrollment in at least an associate degree program or its equivalent, who has not completed high school but has excelled academically at the high school level, documentation obtained by the participating school that the student excelled academically and has met the participating school's written policies for admitting such students.

**Record:** With respect to recordkeeping requirements for lenders and schools, official information or data relating to a borrower's loan account or file that can be used as evidence.

**Refund:** The difference between the amount the student paid toward institutional charges and the amount the school can retain under the appropriate (e.g., institutional, state, or accrediting agency) refund policy. See also [Return of Title IV Funds](#). For more information on the federally mandated process for calculating the amount of Title IV funds to be returned when a student withdraws, see [Sections 9.3, 9.4, and 9.5](#).

**Regular Student:** A person enrolled or accepted for enrollment for the purpose of obtaining a degree, certificate, or other recognized educational credential.

**Regulation B:** The section of the [Equal Credit Opportunity Act \(12 CFR 202\)](#) that prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, or age.

**Rehabilitation (of a defaulted loan):** A process by which a borrower may bring a FFELP loan out of default by adhering to specified repayment requirements (see [Section 13.7](#)).

**Reinstatement (of borrower Title IV eligibility):** A process by which a borrower with a defaulted FFELP loan may regain eligibility for Title IV aid by adhering to strict repayment requirements (see [Subsection 5.2.D](#)).

**Reinstatement (of institutional eligibility):** Formal permission by the guarantor for a school, lender, or servicer whose eligibility to participate in the guarantor's programs has been terminated to resume participation after meeting specific conditions.

**Release of Proceeds:** Delivery of loan proceeds by the school to the borrower. Release of proceeds is not disbursement of proceeds by the lender. See [Disbursement](#).

**Repayment Period:** The period during which payments of principal and interest are required. The repayment period follows any applicable in-school or grace period and

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<sup>1</sup> Policy 1104 (Batch 157), approved March 19, 2009