

Summary of Changes Approved September 2009 through March 2010

This summary lists changes made since the 2009 Annual Update of the *Common Manual* was printed.

Change bars denote the latest policy changes, which were approved March 18, 2010.

Changes made before the 2009 Annual Update was printed are shown in Appendix H of the Manual.

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 2: About the FFELP			
2.1.B Types of Loans Available	Removes the terms “creditworthy” and “creditworthiness” and replaces them with terminology related to not having adverse credit in the context of an applicant’s or endorser’s eligibility for a PLUS loan. Also removes the term “creditworthiness” and replaces it with “credit standards” in the context of a lender’s independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant’s adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161
2.2.A Origination			
2.3.C Common Forms	States that a lender must submit a completed FFELP Ineligible Borrower and Identity Theft Supplemental form to accompany the FFELP Claim Form to support and provide additional information and documentation necessary to request claim reimbursement for an ineligible borrower discharge or a discharge due to false certification as a result of a crime of identity theft.	Claims filed by the lender on or after January 1, 2010, unless implemented earlier by the lender.	1136/160
2.3.C Common Forms	States that a lender must provide certain electronic signature and disbursement information when filing a total and permanent disability claim that is not based on a determination by the Department of Veterans Affairs (VA). The required information must be submitted via the FFELP Assignment Support Supplemental Form (TPD-Specific worksheet).	Total and permanent disability claims that are not based on a determination by the Department of Veterans Affairs and that are filed by the lender on or after January 1, 2010, unless implemented earlier by the guarantor.	1142/161
Chapter 3: Lender Participation			
3.2 Schools Acting as Lenders and Eligible Lender Trustee Relationships	Stipulates that the required audit must be performed by a qualified independent organization or person.	First auditable period for the school as lender or eligible lender trustee that begins on or after August 14, 2008.	1170/166
3.4.B Loan Assignment, Sale, or Transfer	Incorporates new terminology from the <i>Federal Register</i> , which refers to assignments and transfers of an ownership interest in loans in the context of requiring notifications to the borrower.	Loan transfers of ownership and assignments on or after July 1, 2010, except that the new data elements required in the change notice to the borrower were effective with the implementation of the Higher Education Opportunity Act on August 14, 2008.	1163/165

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3.4.C Permitted and Prohibited Activities	Permits a lender to provide entrance counseling services. The school's staff must be in control of the counseling, whether in person or via electronic capabilities. The counseling must not promote the products and services of any specific lender.	Entrance counseling provided by a lender on behalf of a school on or after August 14, 2008.	1137/160
3.5.F Reporting Social Security Number, Date of Birth, and First Name Changes or Corrections	Permits a U.S. passport card as an acceptable document to confirm a student's or borrower's citizenship, or to correct a date of birth or first name.	Publication of the 09-10 FSA Handbook, Volume 1, for citizenship verification. June 1, 2009, for correction of a first name change or date of birth.	1148/162
3.8.A Annual Compliance Audits	Stipulates that the required audit must be performed by a qualified independent organization or person.	First auditable period for the school as lender or eligible lender trustee that begins on or after August 14, 2008.	1170/166
Chapter 4: School Participation			
4.1.A Establishing Eligibility	Incorporates into the program participation agreement a requirement that the school develop and implement written plans to effectively combat the unauthorized distribution of copyrighted material by users of the school's information technology network. Describes the mandatory components of these plans, including procedures for periodic review of the plans' effectiveness.	August 14, 2008, for: <ul style="list-style-type: none"> Developing plans to combat the unauthorized distribution of copyrighted material using a technology-based deterrent(s). Offering alternatives to illegal downloading or peer-to-peer distribution of intellectual property, to the extent practicable. July 1, 2010 for all other provisions.	1175/167
4.1.E School Code of Conduct	Clarifies that as part of the Program Participation Agreement, <i>all</i> Title IV participating schools must develop, publish, administer, and enforce a code of conduct, not only those schools that have a preferred lender arrangement. The code of conduct must also prohibit conflicts of interest in regard to interaction between FFELP and private education loans and lenders.	July 1, 2010.	1176/167
4.4.B Consumer Information	Expands student consumer information disclosures by requiring a school to describe the terms and conditions of Title IV loans that are available to a student who enrolls at the school.	Student consumer information disclosures provided by a school on or after July 1, 2010.	1164/165
Chapter 5: Borrower Eligibility			
5.2.A Citizenship Data Match	Permits a U.S. passport card as an acceptable document to confirm a student's or borrower's citizenship, or to correct a date of birth or first name.	Publication of the 09-10 FSA Handbook, Volume 1, for citizenship verification. June 1, 2009, for correction of a first name change or date of birth.	1148/162

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<p>5.4.A Conditional Discharge of a Prior Loan Due to Total and Permanent Disability</p> <p>Figure 5-1 Effect of Title IV Loan Status on Student Aid Eligibility</p>	<p>States that in addition to current requirements, a borrower whose prior Title IV loan(s) is in a conditional discharge status due to an initial determination that the borrower is totally and permanently disabled must do the following before a school may certify a new Stafford or PLUS loan for the borrower: Submit a request to the Department's Conditional Discharge Disability Unit indicating that the loan(s) that is currently in a conditional discharge status be returned to repayment status and advise the school that the process of returning the conditionally discharged debt to repayment status has been initiated.</p> <p>Revised policy also states that before a school may certify a new loan for a borrower whose prior Title IV loan(s) is in a conditional discharge status due to total and permanent disability, the school must confirm that the borrower has initiated the process to return the conditionally discharged debt to repayment status. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower.</p> <p>Revised policy also states that a school must not deliver any new loan funds until it confirms that the conditionally discharged loan(s) has been returned to repayment status.</p>	<p>New loan requests received by a school on or after August 28, 2009.</p>	<p>1149/162</p>
<p>Chapter 6: School Certification</p>			
<p>6.1 Defining an Academic Year</p>	<p>Clarifies that a school must define and document a program's Title IV academic year and, for a credit-hour program, the program's structure (i.e., term-based or non-term-based). Requires a school to use the same academic year definition for all students enrolled in a particular program. Describes a school's ability to define a different academic year for two versions of the same program, and explains the treatment of a student taking courses from separate versions of a program. Updates the glossary definition of "academic year" to include minimum statutory requirements for an academic year in a graduate or professional program.</p>	<p>Publication date of the 95-96 FSA Handbook for the requirement to use the same academic year for all students enrolled in a particular program.</p> <p>Publication date of the 04-05 FSA Handbook for:</p> <ul style="list-style-type: none"> • The treatment of a student taking courses from two different versions of a program with different academic year definitions. • The treatment of a clock-hour program, including such a program with terms, as non-term-based. 	<p>1159/164</p>

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<p>6.2 Determining the Loan Period</p> <p>6.3.A Credit-Hour Programs Offered in Modules</p> <p>6.3.B Credit-Hour Programs With Standard Terms or with Nonstandard Terms That Are Substantially Equal in Length</p> <p>6.3.C Credit-Hour Programs with Nonstandard Terms That Are Not Substantially Equal in Length</p> <p>6.4.B When Disbursements May Be Scheduled</p> <p>Figure 6-3 First Disbursement Timeline</p>	<p>Clarifies a school's options for defining the structure of a modular program and the effect of the school's choices on the frequency of annual loan limits, the definition of a payment period, a student's eligibility for additional funds due to a grade level increase within an academic year, the minimum loan period, the scheduling of disbursements, and the delivery of loan funds.</p>	<p>Effective for the delivery of the second disbursement of a Stafford or PLUS loan certified for a single term of a standard term-based program or a program with nonstandard terms that are substantially equal and at least 9 weeks of instructional time in length (SE9W) on or after September 29, 2009, unless implemented earlier by the school.</p> <p>Effective with the publication of the October 2005 Blue Book for the definition of "module".</p> <p>Effective with the publication of the 04-05 Handbook for:</p> <ul style="list-style-type: none"> Defining the structure of a credit-hour program offered in modules. Disbursement scheduling and delivery in a credit-hour program offered in modules, with the exception of the second delivery of a loan made for a single term in a standard term-based program or a program with nonstandard terms that are SE9W. Progressing to the next payment period in a non-term-based credit-hour program offered in modules. The prohibition against making a late first delivery of Stafford or PLUS loan funds to a student enrolled in a term-based credit-hour program offered in modules who withdraws or drops to less-than-half-time enrollment without ever beginning half-time attendance in the term. <p>Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999, for the payment period used to calculate the percentage of the period completed for a student who withdraws from a standard term-based program offered in modules.</p>	1157/163
6.4.A Multiple Disbursements and Low Cohort Default Rate Exemptions	<p>Consistently states that delayed delivery and multiple disbursement exemptions are based on <i>official</i> cohort default rates. Incorporates text that explains when a school may begin certifying loans based upon these exemptions. Clarifies existing policy about when a school must cease certifying loans based on the exemptions when the school's cohort default rate(s) no longer qualifies the school for an exemption.</p>	<p>Disbursements made on or after February 8, 2006, for the multiple disbursement and delayed delivery exemptions at a school with an official cohort default rate of less than 10% for the three most recent fiscal years.</p> <p>Disbursements received by the school on or after October 1, 1998, for the multiple disbursement and delayed delivery exemptions for a student enrolled in a study-abroad program at a school with an official cohort default rate of less than 5% for the most recent fiscal year.</p>	1160/164
6.7 Determining the Amount of Estimated Financial Assistance (EFA)	<p>Excludes all federal veterans' education benefits from estimated financial assistance (EFA) for determining eligibility for a Stafford or PLUS loan. Revised policy provides an updated list of federal veterans' education benefits that are excluded.</p>	July 1, 2009	1138/160

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.11.A Stafford Annual Loan Limits	Deletes reference to the bachelor of pharmacology and graduate of allied health programs as those for which an enrolled student may receive increased unsubsidized Stafford loan limits available to health profession students.	For deletion of the bachelor of pharmacology program, publication date of the 07-08 FSA Handbook.	1145/161
6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students		For deletion of the graduate of allied health program, publication date of the 00-01 FSA Handbook.	
Figure 6-4 Stafford Annual and Aggregate Loan Limits for Undergraduate Students	Corrects Figure 6-4 to indicate that proration is “not applicable” to the base Stafford annual loan limit for a student enrolled in a period of teacher certification coursework or graduate preparatory coursework that is less than an academic year in length.	Publication date of Volume 8 of the 02-03 FSA Handbook.	1152/162
6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students	Deletes the reference to a student receiving a Health Education Assistance Loan Program (HEAL) loan for any portion of the same loan period as the increased unsubsidized Stafford annual loan limit available to a health profession student.	October 1, 1998	1139/160
6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students	Clarifies that for an academic year that meets the Title IV academic year requirements but that is shorter than 9 months in length, the school is not required to prorate a loan certified for a health profession student, but may certify the full 9-month limit if the student is otherwise eligible. Provides a formula to determine the loan limit for an academic year that is 10 or 11 months in length.	Loans certified by the school for eligible students in certain eligible health professions programs on or after July 1, 1996.	1165/165
6.11.E Exceeding Loan Limits	Clarifies that even after a school documents that a Stafford borrower who inadvertently exceeded an annual or aggregate loan limit has taken one of the necessary actions to regain Title IV eligibility, the borrower may not be eligible to receive additional Stafford loan funds, depending on the circumstances, and provides examples.	Retroactive to the implementation of the <i>Common Manual</i> .	1153/162
6.11.F Prorated Loan Limits	Provides an illustrative chart outlining the process for when and how a school must calculate prorated undergraduate Stafford annual loan limits.	Not Applicable.	1155/162

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6.15 School Certification of the Loan	<p>States that in addition to current requirements, a borrower whose prior Title IV loan(s) is in a conditional discharge status due to an initial determination that the borrower is totally and permanently disabled must do the following before a school may certify a new Stafford or PLUS loan for the borrower: Submit a request to the Department's Conditional Discharge Disability Unit indicating that the loan(s) that is currently in a conditional discharge status be returned to repayment status and advise the school that the process of returning the conditionally discharged debt to repayment status has been initiated.</p> <p>Revised policy also states that before a school may certify a new loan for a borrower whose prior Title IV loan(s) is in a conditional discharge status due to total and permanent disability, the school must confirm that the borrower has initiated the process to return the conditionally discharged debt to repayment status. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower.</p> <p>Revised policy also states that a school must not deliver any new loan funds until it confirms that the conditionally discharged loan(s) has been returned to repayment status.</p>	New loan requests received by a school on or after August 28, 2009.	1149/162
6.15.D Additional Unsubsidized Stafford Loan Certification for a Dependent Student	Clarifies that if a parent is approved for a PLUS loan, the student is not eligible for the additional unsubsidized Stafford loan funds available to an independent student.	Publication date of Volume 3 of the 06-07 FSA Handbook, unless implemented earlier by the guarantor.	1150/162
6.16 Applying for Federal Stafford and PLUS Loans	Removes the terms "creditworthy" and "creditworthiness" and replaces them with terminology related to not having adverse credit in the context of an applicant's or endorser's eligibility for a PLUS loan. Also removes the term "creditworthiness" and replaces it with "credit standards" in the context of a lender's independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant's adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161

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Chapter 7: Loan Origination			
7.1.A General Determinations 7.1.B Creditworthiness 7.1.C Effect of Bankruptcy on Creditworthiness 7.2.A Lender Responsibilities under a Master Promissory Note	Removes the terms “creditworthy” and “creditworthiness” and replaces them with terminology related to not having adverse credit in the context of an applicant’s or endorser’s eligibility for a PLUS loan. Also removes the term “creditworthiness” and replaces it with “credit standards” in the context of a lender’s independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant’s adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161
7.4.B Reduced Stafford Interest Rates 7.5.B Reduced PLUS Interest Rates	Prohibits a lender from assessing additional charges or fees to a borrower, who is subject to the provisions of the SCRA, to compensate for the difference between the otherwise applicable interest rate and the reduced rate that the lender is permitted to charge. States that the endorser is considered to be eligible to request and receive the reduced interest rate if the endorser signed the PLUS MPN Endorser Addendum prior to the start of his or her qualifying military service. Also clarifies when a loan is considered to be incurred in the case of a loan made with an endorser’s signature or a Consolidation loan.	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 occurring on or after that date.	1171/166
Chapter 8: Loan Delivery			
8.2.C School’s Notice of Credit to Student’s Account 8.2.D School’s Notice of Borrower’s Right to Cancel Loan Disbursed by EFT or Master Check	Clarifies that a school must honor a borrower’s cancellation request when that request is received within certain time frames after the school sends a notice advising the borrower of the right to cancel the loan. Notice of the right to cancel the loan is part of the notice of credit to the student’s account.	Loans disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1154/162
8.6 Managing Overawards	Clarifies that an overaward occurs when any amount of a student’s need-based aid exceeds the student’s financial need, or when the amount of the student’s estimated financial assistance (EFA), including need-based aid, exceeds the student’s cost of attendance (COA). If the school determines that an overaward exists, the school must contact the lender or guarantor to request an adjustment of any remaining loan disbursements. If all disbursements of a loan have been delivered to the student before the overaward occurs, no adjustments are required. However, the school may be required to adjust campus-based aid or other aid under its control to offset the borrower’s overaward. A school never adjusts a Pell grant to take into account other forms of aid.	Retroactive to the implementation of the <i>Common Manual</i> .	1174/166

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
8.7 Delivering Loan Funds at Eligible Schools	<p>States that in addition to current requirements, a borrower whose prior Title IV loan(s) is in a conditional discharge status due to an initial determination that the borrower is totally and permanently disabled must do the following before a school may certify a new Stafford or PLUS loan for the borrower: Submit a request to the Department's Conditional Discharge Disability Unit indicating that the loan(s) that is currently in a conditional discharge status be returned to repayment status and advise the school that the process of returning the conditionally discharged debt to repayment status has been initiated.</p> <p>Revised policy also states that before a school may certify a new loan for a borrower whose prior Title IV loan(s) is in a conditional discharge status due to total and permanent disability, the school must confirm that the borrower has initiated the process to return the conditionally discharged debt to repayment status. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower.</p> <p>Revised policy also states that a school must not deliver any new loan funds until it confirms that the conditionally discharged loan(s) has been returned to repayment status.</p>	New loan requests received by a school on or after August 28, 2009.	1149/162

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<p>8.7.B Delivering Second and Subsequent Disbursements</p> <p>8.7.C Early Delivery</p> <p>8.7.E Late Delivery</p> <p>8.7.F Delivery in Credit-Hour Programs Offered in Modules</p> <p>8.7.G Delivery to Borrowers in Special Circumstances</p> <p>Figure 8-4 Earliest Disbursement and Delivery Dates</p>	<p>Clarifies a school's options for defining the structure of a modular program and the effect of the school's choices on the frequency of annual loan limits, the definition of a payment period, a student's eligibility for additional funds due to a grade level increase within an academic year, the minimum loan period, the scheduling of disbursements, and the delivery of loan funds.</p>	<p>Effective for the delivery of the second disbursement of a Stafford or PLUS loan certified for a single term of a standard term-based program or a program with nonstandard terms that are substantially equal and at least 9 weeks of instructional time in length (SE9W) on or after September 29, 2009, unless implemented earlier by the school.</p> <p>Effective with the publication of the October 2005 Blue Book for the definition of "module".</p> <p>Effective with the publication of the 04-05 Handbook for:</p> <ul style="list-style-type: none"> • Defining the structure of a credit-hour program offered in modules. • Disbursement scheduling and delivery in a credit-hour program offered in modules, with the exception of the second delivery of a loan made for a single term in a standard term-based program or a program with nonstandard terms that are SE9W. • Progressing to the next payment period in a non-term-based credit-hour program offered in modules. • The prohibition against making a late first delivery of Stafford or PLUS loan funds to a student enrolled in a term-based credit-hour program offered in modules who withdraws or drops to less-than-half-time enrollment without ever beginning half-time attendance in the term. 	1157/163
8.7.D Delayed Delivery	<p>Consistently states that delayed delivery and multiple disbursement exemptions are based on <i>official</i> cohort default rates. Incorporates text that explains when a school may begin certifying loans based upon these exemptions. Clarifies existing policy about when a school must cease certifying loans based on the exemptions when the school's cohort default rate(s) no longer qualifies the school for an exemption.</p>	<p>Disbursements made on or after February 8, 2006, for the multiple disbursement and delayed delivery exemptions at a school with an official cohort default rate of less than 10% for the three most recent fiscal years.</p> <p>Disbursements received by the school on or after October 1, 1998, for the multiple disbursement and delayed delivery exemptions for a student enrolled in a study-abroad program at a school with an official cohort default rate of less than 5% for the most recent fiscal year.</p>	1160/164

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8.7.I Delivery Methods	Moves existing text addressing the crediting of the student's account so that the text is consolidated at the beginning of the subsection. Reorganizes text to separate the concepts of releasing or mailing a loan check to the borrower, issuing a school check to the borrower, initiating an EFT transaction to a bank account designated by the borrower, issuing a stored-value card, and dispensing cash to the borrower under direct delivery to a borrower.	Upon approval by the <i>Common Manual</i> Governing Board.	1167/165
8.8.A Timeframes for Paying Credit Balances	Incorporates information from Subsection 8.7.H, into a new Subsection, 8.8.B, on the paying of credit balances. This new subsection details the methods for school to use when paying credit balances to borrowers.	Effective for schools opening bank accounts or issuing stored-value cards to pay credit balances to a student or parent borrower on or after July 1, 2008, unless implemented earlier on or after November 1, 2007.	1166/165
8.8.B How to Pay Credit Balances			
8.8.C Holding Credit Balances			
8.8.D Treatment of a Title IV Credit Balance When a Student Withdraws			
8.8.E Treatment of a Title IV Credit Balance When a Student Dies			
Chapter 9: School Reporting Responsibilities and the Return of Title IV Funds			
9.1 Reporting Social Security Number, Date of Birth, and First Name Changes or Corrections	States that when the school becomes aware of a discrepancy with a student's or parent borrower's Social Security Number (SSN), date of birth, or first name, the school must attempt to obtain documentation of the correct SSN, date of birth, or first name. The school must notify the guarantor of any change made to the SSN, date of birth, or first name as a result of obtaining documentation, and must notify the lender of any change to the SSN. Revised policy also states that if the school is unable to obtain a copy of an acceptable source document to resolve the discrepancy of an SSN, it must notify both the lender and guarantor. The school must also instruct the lender to cease disbursement, and the school may not deliver FFELP funds to the student until the school determines the correct SSN.	July 1, 1996	1140/160
9.1 Reporting Social Security Number, Date of Birth, and First Name Changes or Corrections	Permits a U.S. passport card as an acceptable document to confirm a student's or borrower's citizenship, or to correct a date of birth or first name.	Publication of the 09-10 FSA Handbook, Volume 1, for citizenship verification. June 1, 2009, for correction of a first name change or date of birth.	1148/162

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<p>9.4 Withdrawal Dates</p> <p>9.5.A Return Amounts for Title IV Grant and Loan Programs</p>	<p>Clarifies a school's options for defining the structure of a modular program and the effect of the school's choices on the frequency of annual loan limits, the definition of a payment period, a student's eligibility for additional funds due to a grade level increase within an academic year, the minimum loan period, the scheduling of disbursements, and the delivery of loan funds.</p>	<p>Effective for the delivery of the second disbursement of a Stafford or PLUS loan certified for a single term of a standard term-based program or a program with nonstandard terms that are substantially equal and at least 9 weeks of instructional time in length (SE9W) on or after September 29, 2009, unless implemented earlier by the school.</p> <p>Effective with the publication of the October 2005 Blue Book for the definition of "module".</p> <p>Effective with the publication of the 04-05 Handbook for:</p> <ul style="list-style-type: none"> • Defining the structure of a credit-hour program offered in modules. • Disbursement scheduling and delivery in a credit-hour program offered in modules, with the exception of the second delivery of a loan made for a single term in a standard term-based program or a program with nonstandard terms that are SE9W. • Progressing to the next payment period in a non-term-based credit-hour program offered in modules. • The prohibition against making a late first delivery of Stafford or PLUS loan funds to a student enrolled in a term-based credit-hour program offered in modules who withdraws or drops to less-than-half-time enrollment without ever beginning half-time attendance in the term. <p>Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999, for the payment period used to calculate the percentage of the period completed for a student who withdraws from a standard term-based program offered in modules.</p>	1157/163
Chapter 10: Loan Servicing			
<p>10.7 Disclosing Repayment Terms</p> <p>10.7.A Time Frame for Disclosure</p>	<p>Inserts the requirement that a lender disclose to a borrower that he or she is permitted to change his or her repayment plan selection at least annually. Also clarifies the time frame for a lender to provide the repayment disclosure to a PLUS borrower whose loan enters immediate deferment.</p>	<p>August 14, 2008, but no later than disclosures provided on or after July 1, 2010.</p>	1172/166

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10.8.D Income-Based Repayment Schedule	States that for purposes of determining whether a borrower has a partial financial hardship (PFH) under IBR, the borrower may provide the lender with either a signed copy of the page(s) of the borrower's most recent federal income tax return that contains the borrower's adjusted gross income (AGI), or the tax transcript information from the Internal Revenue Service (IRS) that contains the AGI and other tax return information. The policy further explains that to obtain a tax transcript from the IRS, the borrower may either submit a signed consent form (IRS Form 4506-T) directly to the lender (which will then forward it to the IRS), or the borrower may submit the 4506-T form directly to the IRS and request that the information be sent directly to either the lender or the borrower.	Income-based repayment (IBR) plan requests received by the lender on or after July 1, 2009.	1143/161
10.9.B Reduced Interest Rates	Prohibits a lender from assessing additional charges or fees to a borrower, who is subject to the provisions of the SCRA, to compensate for the difference between the otherwise applicable interest rate and the reduced rate that the lender is permitted to charge. States that the endorser is considered to be eligible to request and receive the reduced interest rate if the endorser signed the PLUS MPN Endorser Addendum prior to the start of his or her qualifying military service. Also clarifies when a loan is considered to be incurred in the case of a loan made with an endorser's signature or a Consolidation loan.	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 occurring on or after that date.	1171/166
10.10.B Capitalization Frequency	Allows a lender to capitalize interest that accrues on a PLUS loan from the date of the first disbursement to the date that repayment begins.	July 1, 2010, unless implemented earlier by the lender.	1177/167
Chapter 11: Deferment and Forbearance			
Figure 11-1 Deferment Eligibility Chart	Incorporates into the Deferment Eligibility Chart, Figure 11-1, the new in-school and post-enrollment deferment options for parent PLUS and Grad PLUS borrowers whose loans were first disbursed on or after July 1, 2008.	PLUS loans first disbursed on or after July 1, 2008.	1151/162
11.6.E Post-Enrollment Deferment	Clarifies that a lender must, unless otherwise notified by the borrower, defer the borrower's Grad PLUS loan, that was first disbursed on or after July 1, 2008, during any 6-month period beginning on the day after the Grad PLUS borrower ceases to be enrolled at least half time at an eligible school.	Grad PLUS loan post-enrollment deferments granted on or after July 1, 2010.	1178/167
11.20.I Borrower Contact during Forbearance	Clarifies, for forbearance notices to borrowers, the calculation of the projected capitalized interest and includes appropriate references to any applicable endorser.	Forbearance notices provided by the lender on or after July 1, 2010.	1179/167

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Figure 11-2 Forbearance Eligibility Chart 11.21.0 Repayment Alignment	Permits a lender to grant an administrative forbearance for the purpose of aligning repayment for a borrower who has a PLUS loan(s) first disbursed prior to July 1, 2008; and a PLUS loan(s) first disbursed on or after July 1, 2008, or a Stafford loan(s) that is eligible for a grace period. When granting this type of administrative forbearance, the lender must notify the borrower that the forbearance has been granted and inform the borrower of the option to cancel the forbearance.	Administrative forbearance granted on or after July 1, 2010, unless implemented earlier by the lender.	1180/167
11.24.B Internship or Residency	States that the eligibility criteria for internship or residency deferment apply also to the mandatory administrative forbearance for internship or residency, except that the borrower does not need to be a new borrower before July 1, 1993, to qualify for the forbearance.	Retroactive to the implementation of the <i>Common Manual</i> .	1161/164
Chapter 12: Due Diligence in Collecting Loans			
Figure 12-5 Information to Be Provided on the Default Aversion Assistance Request Form	Figure 12-5 has been revised to include the specific names of the fields on the Default Aversion Assistance Request Form rather than descriptions of those fields.	Upon approval by the Governing Board.	1168/166
Chapter 13: Claim Filing, Discharge, and Forgiveness			
Figure 13-1 Information to Be Provided on the Claim Form	Figure 13-1 has been revised to include the specific names of the fields on the Claim Form rather than descriptions of those fields.	Upon approval by the Governing Board.	1169/166
13.1.D Claim File Documentation	Requires a lender to provide to the guarantor documentation supporting the granting of a reduced interest rate under the Servicemembers Civil Relief Act if, at the time the lender files a claim with the guarantor, the borrower, comaker, or endorser is receiving this benefit. This documentation includes the borrower's written request for the reduced interest rate and the applicable military orders.	Claims filed by the lender on or after January 1, 2010, unless implemented earlier by the lender.	1135/160
13.1.D Claim File Documentation	States that a lender must submit a completed FFELP Ineligible Borrower and Identity Theft Supplemental form to accompany the FFELP Claim Form to support and provide additional information and documentation necessary to request claim reimbursement for an ineligible borrower discharge or a discharge due to false certification as a result of a crime of identity theft.	Claims filed by the lender on or after January 1, 2010, unless implemented earlier by the lender.	1136/160
13.1.D Claim File Documentation	States that a lender must provide certain electronic signature and disbursement information when filing a total and permanent disability claim that is not based on a determination by the Department of Veterans Affairs (VA). The required information must be submitted via the FFELP Assignment Support Supplemental Form (TPD-Specific worksheet).	Total and permanent disability claims that are not based on a determination by the Department of Veterans Affairs and that are filed by the lender on or after January 1, 2010, unless implemented earlier by the guarantor.	1142/161

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
13.6.A Default Claims	Provides instruction for a lender in a case when, after filing a default claim, the lender receives documentation that the loan(s) qualifies for a different type of claim payment.	Requests for unpaid refund loan discharge received by the lender on or after July 1, 2000. Requests for false certification loan discharge as a result of the crime of identity theft received by the lender on or after July 1, 2006. Requests for loan discharge for a spouse or parent of a victim of the September 11, 2001, terrorist attacks received by the lender on or after October 29, 2007.	1156/163
13.7 Rehabilitation of Defaulted FFELP Loans	Clarifies that a defaulted Consolidation loan that includes a loan previously rehabilitated on or after August 14, 2008, is eligible for rehabilitation because the Consolidation loan is a new loan. Also states that within 30 days of receiving notification of the rehabilitation from the guarantor, the prior holder of the loan must request that any nationwide consumer reporting agency to which the default status or other equivalent record was reported, remove the default status or other equivalent record from the borrower's credit history.	For notification time frames: Rehabilitation notifications received by the prior holder on or after July 1, 2010.	1173/166
13.8.G Total and Permanent Disability	States that in addition to current requirements, a borrower whose prior Title IV loan(s) is in a conditional discharge status due to an initial determination that the borrower is totally and permanently disabled must do the following before a school may certify a new Stafford or PLUS loan for the borrower: Submit a request to the Department's Conditional Discharge Disability Unit indicating that the loan(s) that is currently in a conditional discharge status be returned to repayment status and advise the school that the process of returning the conditionally discharged debt to repayment status has been initiated. Revised policy also states that before a school may certify a new loan for a borrower whose prior Title IV loan(s) is in a conditional discharge status due to total and permanent disability, the school must confirm that the borrower has initiated the process to return the conditionally discharged debt to repayment status. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower. Revised policy also states that a school must not deliver any new loan funds until it confirms that the conditionally discharged loan(s) has been returned to repayment status.	New loan requests received by a school on or after August 28, 2009.	1149/162
13.8.G Total and Permanent Disability	Aligns the Manual with the Department's guidance that a borrower is not eligible for a total and permanent disability (TPD) loan discharge if the loan has already been paid in full when the loan holder receives the borrower's TPD discharge request.	Total and permanent disability discharge requests received on or after March 14, 2004, unless implemented earlier by the loan holder.	1181/167

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 15: Federal Consolidation Loans			
15.3.C Reviewing the Loan Verification Certificate	States that a joint Consolidation loan cannot be reconsolidated under either the the FFELP or the Direct Loan Program. Revised policy also specifies that an existing single Federal Consolidation loan may be reconsolidated under the Direct Loan Program without adding other eligible loans under certain situations listed in Section 15.2.	Loan verification certificates received by the lender on or after August 14, 2008.	1141/160
15.3.D Calculating the Interest Rate	Prohibits a lender from assessing additional charges or fees to a borrower, who is subject to the provisions of the SCRA, to compensate for the difference between the otherwise applicable interest rate and the reduced rate that the lender is permitted to charge. States that the endorser is considered to be eligible to request and receive the reduced interest rate if the endorser signed the PLUS MPN Endorser Addendum prior to the start of his or her qualifying military service. Also clarifies when a loan is considered to be incurred in the case of a loan made with an endorser's signature or a Consolidation loan.	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 occurring on or after that date.	1171/166
Appendix A: Interest Benefits and Special Allowance			
A.2.B Termination of Special Allowance	Moves to the history appendix outdated references regarding the termination of special allowance on unconsummated loans with first disbursement dates prior to October 1, 1992.	Upon approval by the <i>Common Manual</i> Governing Board.	1162/164
Appendix G: Glossary			
Academic Year	Clarifies that a school must define and document a program's Title IV academic year and, for a credit-hour program, the program's structure (i.e., term-based or non-term-based). Requires a school to use the same academic year definition for all students enrolled in a particular program. Describes a school's ability to define a different academic year for two versions of the same program, and explains the treatment of a student taking courses from separate versions of a program. Updates the glossary definition of "academic year" to include minimum statutory requirements for an academic year in a graduate or professional program.	Publication date of the 95-96 FSA Handbook for the requirement to use the same academic year for all students enrolled in a particular program. Publication date of the 04-05 FSA Handbook for: <ul style="list-style-type: none"> The treatment of a student taking courses from two different versions of a program with different academic year definitions. The treatment of a clock-hour program, including such a program with terms, as non-term-based. 	1159/164
Additional Unsubsidized Stafford Loan	Aligns the definition of "Additional Unsubsidized Stafford Loan" with the loan limits in Subsection 6.11.A and Figure 6-4.	Stafford loans first disbursed on or after July 1, 2008, for loan periods that include or begin on or after July 1, 2008.	1147/161

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Endorser	Removes the terms "creditworthy" and "creditworthiness" and replaces them with terminology related to not having adverse credit in the context of an applicant's or endorser's eligibility for a PLUS loan. Also removes the term "creditworthiness" and replaces it with "credit standards" in the context of a lender's independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant's adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161
Estimated Financial Assistance (EFA)	Excludes all federal veterans' education benefits from estimated financial assistance (EFA) for determining eligibility for a Stafford or PLUS loan. Revised policy provides an updated list of federal veterans' education benefits that are excluded.	July 1, 2009	1138/160

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Module	Clarifies a school's options for defining the structure of a modular program and the effect of the school's choices on the frequency of annual loan limits, the definition of a payment period, a student's eligibility for additional funds due to a grade level increase within an academic year, the minimum loan period, the scheduling of disbursements, and the delivery of loan funds.	<p>Effective for the delivery of the second disbursement of a Stafford or PLUS loan certified for a single term of a standard term-based program or a program with nonstandard terms that are substantially equal and at least 9 weeks of instructional time in length (SE9W) on or after September 29, 2009, unless implemented earlier by the school.</p> <p>Effective with the publication of the October 2005 Blue Book for the definition of "module".</p> <p>Effective with the publication of the 04-05 Handbook for:</p> <ul style="list-style-type: none"> • Defining the structure of a credit-hour program offered in modules. • Disbursement scheduling and delivery in a credit-hour program offered in modules, with the exception of the second delivery of a loan made for a single term in a standard term-based program or a program with nonstandard terms that are SE9W. • Progressing to the next payment period in a non-term-based credit-hour program offered in modules. • The prohibition against making a late first delivery of Stafford or PLUS loan funds to a student enrolled in a term-based credit-hour program offered in modules who withdraws or drops to less-than-half-time enrollment without ever beginning half-time attendance in the term. <p>Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999, for the payment period used to calculate the percentage of the period completed for a student who withdraws from a standard term-based program offered in modules.</p>	1157/163
Opportunity Pool Loan	Clarifies that as part of the Program Participation Agreement, all Title IV participating schools must develop, publish, administer, and enforce a code of conduct, not only those schools that have a preferred lender arrangement. The code of conduct must also prohibit conflicts of interest in regard to interaction between FFELP and private education loans and lenders.	July 1, 2010.	1176/167

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Overaward	Clarifies that an overaward occurs when any amount of a student's need-based aid exceeds the student's financial need, or when the amount of the student's estimated financial assistance (EFA), including need-based aid, exceeds the student's cost of attendance (COA). If the school determines that an overaward exists, the school must contact the lender or guarantor to request an adjustment of any remaining loan disbursements. If all disbursements of a loan have been delivered to the student before the overaward occurs, no adjustments are required. However, the school may be required to adjust campus-based aid or other aid under its control to offset the borrower's overaward. A school never adjusts a Pell grant to take into account other forms of aid.	Retroactive to the implementation of the <i>Common Manual</i> .	1174/166

Appendix H: History of the FFELP and the *Common Manual*

H.1 History of the FFELP and the <i>Common Manual</i>	Moves to the history appendix outdated references regarding the termination of special allowance on unconsummated loans with first disbursement dates prior to October 1, 1992.	Upon approval by the <i>Common Manual</i> Governing Board.	1162/164
H.1 History of the FFELP and the <i>Common Manual</i>	Removes the terms "creditworthy" and "creditworthiness" and replaces them with terminology related to not having adverse credit in the context of an applicant's or endorser's eligibility for a PLUS loan. Also removes the term "creditworthiness" and replaces it with "credit standards" in the context of a lender's independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant's adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161

- The school submits to the Department an annual lender compliance audit for each fiscal year in which the school engages in activities as an eligible lender. ~~This requirement applies.~~ The audit must be conducted by a qualified independent organization or person and must be conducted regardless of the size of the school’s loan portfolio or annual loan volume. (See [Subsection 3.8.A](#) for more information regarding the annual compliance audit.)
[HEA §435(d)(2)(A)(vii); §682.305(c)(1)(ii); §682.601(a)(7)]¹
 - The school submits to the Department an annual audit of its lending function to document that the school’s revenue from lending ([special allowance](#) payments, interest payments received from students and the Department, proceeds from any loan sale, etc.) is used to provide need-based grants and that the school applies only a reasonable portion of this revenue toward direct administrative expenses. The purpose of the program audit is to ensure that the revenue from the loan portfolio is used to supplement and not supplant federal and nonfederal funds that would otherwise be directed to need-based grant programs.
[HEA §435(d)(8)]
- Must not be a home study school.
 - Must have a [cohort default rate](#) of 10% or less.
 - May lend only to its own students.
 - May make only Stafford loans to graduate and professional students.
 - Must offer an [origination fee](#) and/or interest rate that is lower than the statutory maximum for that fee or rate.
 - Must use the proceeds from interest payments from borrowers, interest subsidy and [special allowance](#) payments on the loans made and held in trust, and proceeds from the [sale](#) or other disposition of the loans, (exclusive of return of principal, any financing costs incurred by the school to acquire funds to make the loan, and the cost of charging an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate), for need-based grants if the school receives these proceeds directly or indirectly.
[§682.602(b)(1)]

Eligible Lender Trustee (ELT) Relationships

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

[§682.602(a)]

The parties involved in the ELT relationship must meet the following eligibility requirements:

- A school directly involved in, or affiliated with an organization directly involved in an ELT relationship:
 - Must employ at least one person whose full-time responsibilities are limited to the administration of the school’s financial aid programs for students attending that school.
- A “[school-affiliated organization](#)” is defined as any organization that is directly or indirectly related to the school, and includes, but is not limited to, an alumni organization, foundation, athletics organization, and social, academic, and professional organizations. An organization affiliated with the school and involved in an ELT relationship:
 - Must offer an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate.
 - Must use the proceeds from interest payments from borrowers, interest subsidy and special allowance payments on the loans made and held in trust, and proceeds from the sale or other disposition of the loans, (exclusive of return of principal, any financing costs incurred by the school to acquire funds to make the loan, and the cost of charging an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate), for need-based grants if the school receives these proceeds directly or indirectly.
[§682.602(b)(2)]

¹ Policy 1170 (Batch 166), approved March 18, 2010

- An eligible lender acting as a trustee:
 - May lend only to students attending the school for which it is a trustee.
 - May make only Stafford loans to [graduate or professional students](#) on behalf of that school.
 - Must offer an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate.
 - Must ensure that ELT loans are included in the annual lender compliance audit. [\(See Subsection 3.8.A for more information regarding the annual audit requirement.\)](#) [\[§682.602; DCL GEN-06-21\]](#)¹
 - Must submit to the Department an annual program audit of its lending function that focuses on ensuring that the revenue from its lending function ([special allowance](#) payments, interest payments received from students and the Department, proceeds of any loan sale, etc.) is used to provide need-based grants and that the school applies only a reasonable portion of this revenue to direct administrative expenses. The purpose of the program audit is to ensure that the revenue from the loan portfolio is used to supplement and not supplant federal and nonfederal funds that would otherwise be directed to need-based grant programs. [\[HEA §435\(d\)\(8\)\]](#)

3.3 Participation and Guarantees

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

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

3.3.A Approval for Participation

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

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

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

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

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

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

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

¹ Policy 1170 (Batch 166), approved March 18, 2010

3.8.A Annual Compliance Audits

Except as provided below, a lender that makes or holds FFELP loans is subject to a compliance audit at least once a year. The audit must be conducted on a fiscal-year basis by a qualified independent organization or person, in accordance with standards established for the audit of governmental organizations and programs by the U.S. Comptroller General. If the lender serves as an eligible lender trustee (ELT) on behalf of a school or a school-affiliated organization, it must ensure that the loans made under the ELT arrangement are included in the annual audit. The audit must cover the period since the most recent audit. [[§682.305\(c\)\(1\)](#)]¹

The audit must examine the lender's compliance with the [Act](#) and applicable regulations and must examine the lender's financial management of its FFELP activities. If the lender is required to submit the audit report to the [Department](#), the report must be submitted no later than 6 months after the close of the audit period. [[§682.305\(c\)\(2\)\(i\) through \(iv\)](#)]

For each fiscal year beginning on or after July 1, 2006, a [school lender](#) must submit an annual compliance audit that includes its FFELP lending activities regardless of the size of the school's loan portfolio or annual loan volume. A school lender subject to the Single Audit Act is required to include its FFELP lending activities in the annual audit and to include information on those activities in the audit report, whether or not the lending activities or the student financial aid programs are considered a "major program" under the Single Audit Act. Other school lenders must arrange for a separate audit of their lending activities using the Lender Audit Guide. [[HEA §435\(d\)\(2\)\(A\)\(vii\)](#); [§682.601\(a\)\(7\)](#)]

A lender is required to submit the compliance audit report to the Department if, during the fiscal year being audited, it made or held more than \$5 million in FFELP loans. Generally, a lender is exempt from the annual audit requirement for any fiscal year subject to audit in which the lender made or held \$5 million or less in FFELP loans. [[§682.305\(c\)\(1\)](#)]

An eligible lender that is a bank as defined in [section 3\(a\)\(1\) of the Federal Deposit Insurance Act](#), is a wholly owned subsidiary of a tax-exempt nonprofit foundation [as described in [§501\(c\)\(3\) of the Internal Revenue Code of 1986](#), and exempt from taxation under [§501\(c\)\(1\) of the Code](#)], makes FFELP loans only to undergraduate students

who are age 22 or younger, and has a FFELP portfolio of \$5 million or less, *must submit the results of an audit annually.* [[HEA §428\(b\)\(1\)\(U\)](#); [HEA §435\(d\)\(1\)\(A\)\(ii\)\(III\)](#)]

Audit Requirements for Lenders That Do Not Make or Purchase Loans with Tax-Exempt Obligations

If a lender does not make or purchase FFELP loans with tax-exempt obligations, its annual compliance audit must be conducted in accordance with the [Government Auditing Standards](#) issued by the U.S. General Accounting Office (GAO).

If the lender is a governmental [entity](#), the audit must be conducted in accordance with [31 U.S.C. 7502](#) and [34 CFR Part 80.26](#). [[§682.305\(c\)\(2\)\(v\)](#)]

If the lender is a nonprofit organization, the audit must be conducted in accordance with [OMB Circular A-133, Audit of Institutions of Higher Education and Other Nonprofit Institutions](#), as incorporated in [34 CFR Part 74.26](#). If a nonprofit lender qualifies for and chooses the option of a program-specific audit as provided for in [Circular A-133](#), the program-specific audit must be an independent annual compliance audit conducted by a qualified independent organization or person. [[§682.305\(c\)\(2\)\(v\)](#)]

If a [lender](#) already has been audited in accordance with [31 U.S.C. 7502](#) for other purposes, the [Department](#) may determine that the lender has met the independent compliance audit requirements if the lender submits the results of the audit to the Department for review. [[§682.305\(c\)\(2\)\(vii\)](#)]

Specific audit procedures are contained in the [audit guide](#) developed and published annually by the Department. For information on how to obtain an audit guide, see [Subsection 2.3.B](#).

Audit Requirements for Authorities That Make or Purchase Loans with Proceeds of Tax-Exempt Obligations

An audit for a governmental entity that makes or purchases FFELP loans with tax-exempt obligations must be conducted in accordance with [31 U.S.C. 7502](#) and [34 CFR Part 80, Appendix G](#). [[§682.305\(c\)\(2\)\(v\)](#)]

An audit for a nonprofit organization that makes or purchases FFELP loans with tax-exempt obligations must be conducted in accordance with [OMB Circular A-133](#) and any supplementary compliance guidelines issued by OMB and the [Department](#). If the organization qualifies for and

¹ Policy 1170 (Batch 166), approved March 18, 2010

By entering into a [Program Participation Agreement \(PPA\)](#), the school agrees to comply with all requirements specified in statute and federal regulations, including, but not limited to [the following](#):

- The school will not charge a student a fee for processing or handling any [application](#), form, or data required to determine the student’s eligibility for assistance, including the amount of the Title IV assistance.
[§668.14(b)(3)]
- The school will inform eligible Stafford and PLUS loan [borrowers](#) of the availability of state grant assistance from the state in which the school is located, and will inform out-of-state borrowers of the source of information for assistance in the student’s home state.
[§668.14(b)(11)]
- The school will not certify a loan that exceeds the borrower’s eligibility.
[§668.14(b)(8)]
- The school has developed and implemented written plans to effectively combat the unauthorized distribution of copyrighted material by users (e.g., students, employees, and the public, if applicable) of the school’s information technology network that include all of the following:
 - = The use of one or more technology-based deterrents. No particular technology measure(s) is favored or required for inclusion in the school’s plans.
 - = Mechanisms for educating and informing the school community about appropriate versus inappropriate use of copyrighted material, such as including pertinent information in required student consumer information disclosures (see [Subsection 4.4.B](#)), handbooks, honor codes, or codes of conduct.
 - = Procedures for handling unauthorized distribution of copyrighted materials, including disciplinary procedures.
 - = Procedures for periodically reviewing the effectiveness of the plans to combat the unauthorized distribution of copyrighted materials by users of the school’s network, using relevant assessment criteria determined by the school.

The school has the authority to determine its plans for compliance with the requirement to combat unauthorized distribution of copyrighted material, including a plan that prohibits content monitoring. A school is not required to take measures to effectively combat the unauthorized distribution of copyrighted material that would unduly interfere with the educational and research use of the school’s network.

In consultation with the school’s chief technology officer or other designated school official, the school must, to the extent practicable, offer legal alternatives to illegal downloading or other acquisition of copyrighted material. The school must periodically review the legal alternatives that it offers for downloading or otherwise acquiring copyrighted materials and make the results of that review available to students through a Website or other means.
[§668.14(b)(30)]¹

- The school will submit all required reports within the time frames specified.
[§668.14(b)(7)]
- If the school advertises job placement rates as a means of attracting students to enroll, the school will make available to all prospective students—at or before the time of application for admission—the most recent data concerning employment statistics, graduation statistics, and any other information necessary to substantiate these advertisements.
[§668.14(b)(10)]
- The school will operate a drug abuse prevention program that is available to any officer, employee, or student of the school.
[§668.14(c)]
- A school located in a state not covered by section 4(b) of the National Voter Registration Act (commonly known as the Motor Voter Registration Act) is required to make a good faith effort to distribute a mail voter registration form to each [enrolled](#) student physically in attendance at the school and to make the forms widely available. The school must request the voter registration forms from its state 120 days prior to the voter registration deadline. Schools are not held liable for compliance with this requirement if the state does not provide a sufficient quantity of forms within 60 days prior to the voter registration deadline. This

¹ Policy 1175 (Batch 167), approved March 18, 2010

4.1.E School Code of Conduct

As part of a its Program Participation Agreement (PPA), the a school that has a preferred lender arrangement for the purpose of offering FFELP or private education loans must develop, publish, administer, and enforce a code of conduct that applies to the school's officers, employees, and agents, ~~of the school~~ which includes officers and employees. The school must publish the code of conduct prominently on the school's Website and require that all of the school's agents with responsibilities with respect to FFELP or private education loans be informed annually of the provisions of the code of conduct.

[§601.21(a)(2); §668.14(b)(27)]

The code of conduct must prohibit conflicts of interest and include the following:

- A ban on revenue-sharing arrangements. A school may not enter into a revenue-sharing arrangement with any lender. A revenue-sharing arrangement is defined as any arrangement between a school and a lender that provides or issues a FFELP or private education loan to a student or the family of a student attending the school under which the lender makes Title IV loans to students attending the school (or to the families of those students), where the school recommends the lender or the loan products of the lender and, in exchange, the lender pays a fee or provides other material benefits, including revenue or profit-sharing, to the school or ~~to its officers, employees, or agents.~~ [HEA §487(e)(1); §601.21(c)(1); DCL GEN-08-12/FP-08-10]
- A gift ban. An employee of a school financial aid office. An agent employed in the financial aid office or who has responsibilities with respect to FFELP or private education loans may not solicit or receive gifts from a FFELP or private education loan lender, servicer, or guarantor. An officer, employee, or agent of a school's financial aid office or a school officer or agent who has responsibilities with respect to education loans may not solicit or accept any gifts from a lender, servicer, or guarantor. A "gift" is defined as any gratuity, favor, discount, entertainment, hospitality, loan, or other item having monetary value of more than a *de minimus* amount. Gifts include services such as transportation, lodging, or meals, whether provided in kind by purchase of a ticket, or paid in advance or reimbursed after the expense is incurred. Additionally, any gift provided to a family member of a school employee or agent with responsibilities related to FFELP or private

education loans is considered a gift if given with the knowledge and permission of the employee or agent where there is reason to believe the gift was due to the employee's or agent's official position. Exceptions to this gift ban include the following:

- The school may accept brochures, workshops, or trainings using standard materials relating to a loan, default aversion and prevention, or financial literacy.
- The school may accept food, training, or informational material provided as part of a training session designed to improve the service of ~~a~~ the FFELP or private education loan lender, guarantor, or servicer if the training contributes to the professional development of the school's officer, employee, or agent.
- The school may accept favorable terms and benefits on ~~an~~ FFELP or private education loan provided to a student employed by the school if those terms and benefits are comparable to those provided to all students at the school.
- A lender or guarantor may conduct entrance and exit counseling at a school, as long as the school's staff are in control of the counseling and the counseling does not promote the services of a specific lender.
- The school may accept philanthropic contributions from a lender, guarantor, or servicer that are unrelated to education loans or any contribution that is not made in exchange for advantage related to FFELP or private education loans.
- The school may accept education grants, scholarships, or financial aid funds administered by or on behalf of a state. [HEA §487(e)(2); §601.21(c)(2); DCL GEN-08-12/FP-08-10]¹

¹ Policy 1176 (Batch 167), approved March 18, 2010

- A ban on contracting arrangements. A school officer, employee, or agent working in the school's financial aid office or who has responsibilities with respect to FFELP or private education loans may not accept from a lender, or affiliate of any lender, any fee, payment, or other financial benefit as compensation for any type of consulting arrangement or contract to provide services to or on behalf of a lender relating to FFELP or private education loans. However, the following exceptions apply:

- An agent who is not employed in the financial aid office and does not have any responsibilities related to FFELP or private education loans is permitted to serve on a lender, guarantor, or servicer board of directors if the school has a written conflict of interest policy that states that the agent must not participate in any board decision involving FFELP or private education loans.
- An officer or contractor of a lender, guarantor, or servicer of FFELP or private education loans may serve on the board of directors or serve as trustee of a school if the school has a written policy that states that the member or trustee must not participate in any decision regarding FFELP or private education loans at the school.

[HEA §487(e)(3); §601.21(c)(3); DCL GEN-08-12/FP-08-10]

- A school may not assign, through award packaging or other methods, a lender to a first-time borrower. In addition, the school may not delay or refuse to certify a loan based on the borrower's choice of a particular lender or guarantor.

[HEA §487(e)(4); §601.21(c)(4); DCL GEN-08-12/FP-08-10]

- A prohibition on offers of funds for private education loans. A school may not request or accept funds from a lender for private education loans, including funds for opportunity pool loans to its students, in exchange for providing concessions or promises to the lender for a specific number of FFELP or private education loans made, insured, or guaranteed; a specified loan volume; or a preferred lender arrangement.

[HEA §487(e)(5); §601.21(c)(5); DCL GEN-08-12/FP-08-10]

- A ban on staffing assistance. A school may not request or accept assistance from a lender with call center or financial aid office staffing. However, a school can

receive assistance from a lender in the form of professional development training, educational counseling materials as long as the materials identify the lender that assisted in preparing the materials, and short-term non-recurring staffing assistance during emergencies identified by the Department or state or federally declared natural disasters.

[HEA §487(e)(6); §601.21(c)(6); DCL GEN-08-12/FP-08-10]

- A prohibition on receiving compensation for service on an advisory board. Any employee of the school's financial aid office or who has responsibilities with respect to education loans or financial aid that serves on an advisory board, commission, or group established by a lender or guarantor, or group of lenders or guarantors, is prohibited from receiving anything of value for the service except for reimbursement of reasonable expenses incurred by the employee for service on the board. Reasonable expenses are defined by the state government reimbursement policy applicable to the entity. If no state policy is applicable to the entity, then reasonable expenses are defined by federal cost principles for reimbursement. [HEA §487(e)(7); §601.21(c)(7); §668.16(d)(2)(ii); DCL GEN-08-12/FP-08-10]¹

4.2 Administrative Capability Standards

Both guarantors and the Department require, as a condition of administrative capability, that a school designate a capable individual to administer and coordinate the FFELP with the school's other federal and nonfederal aid programs. The school must ensure that an adequate number of qualified personnel are available to administer the loan programs, as outlined in federal regulations.

To effectively manage these programs, a school may contract with consultants or third-party servicers. A school that contracts with an outside consultant or servicer remains responsible for the proper administration of the programs. The school cannot delegate this responsibility and remains accountable if the consultant or servicer mismanages the programs. The use of a consultant or servicer does not relieve the school of its responsibilities to counsel students on their rights and responsibilities or to provide students with the required exit counseling on loan repayment and debt management.

¹ Policy 1176 (Batch 167), approved March 18, 2010

- 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 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.

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 [FFELP](#) loans made ~~under the FFELP before an eligible borrower entered qualifying military service~~. 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 reduce the interest rate on any loan that is accruing interest at a higher rate, so that it does not charge the borrower an interest rate that does not

exceeds 6% for the period of the borrower's military service that occurs on or after August 14, 2008. The lower interest rate provision applies to any loan obtained by an eligible servicemember.

[[HEA §428\(d\)](#); [§682.202\(a\)\(8\)\(e\)](#); [Federal Register dated July 23, 2009, p. 36565](#); [DCL GEN-08-12/FP-08-10](#)]

For purposes of this provision, the maximum interest rate must take into consideration any amount of ~~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](#)]

When the borrower's period of military service ends, the lender is not permitted to assess any additional charge or fee to compensate for the difference between the applicable interest rate and the maximum permissible charges under the SCRA.

[[Federal Register dated July 23, 2009, p. 36565](#)]

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, 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.

If a lender chooses to charge a lower interest rate, it ~~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 revocation of the lower interest rate at the point of default does not apply to an interest rate that is reduced as a result of the SCRA.¹ 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

¹ Policy 1171 (Batch 166), approved March 18, 2010

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 PLUS or SLS loan interest rate varies, based on the date the loan was first disbursed. In addition, a PLUS or 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.

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 FFELP loans made under the FFELP before the eligible borrower entered qualifying military service. If the a 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 reduce the interest rate on any loan that is accruing interest at a higher rate, so that it does not charge the borrower an interest rate that does not exceeds 6% for the period of the borrower's military service that occurs on or after August 14, 2008. The lower interest rate provision applies to any loan obtained by an eligible servicemember, including a loan on which the servicemember is a comaker, or for which the servicemember is an endorser. A PLUS loan made with an endorser who is an eligible servicemember is eligible for

the lower interest rate if the servicemember signed the PLUS MPN Endorser Addendum before the start date of his or her qualifying military service.

[[HEA §428\(d\)](#); [§682.202\(a\)\(8\)\(e\)](#); [Federal Register](#) dated July 23, 2009, p. 36565; [DCL GEN-08-12/FP-08-10](#)]

For purposes of this provision, the maximum interest rate must take into consideration any amount of 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, or any loan on which the servicemember is the endorser. The borrower or eligible endorser must request the reduced lower 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-servicemember must provide the request and documentation not later than 180 days following the last date of applicable 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](#)]

When the borrower's, comaker's, or endorser's period of military service ends, the lender is not permitted to assess any additional charge or fee on the loan to compensate for the difference between the applicable interest rate and the maximum permissible charges under the SCRA. [[Federal Register](#) dated July 23, 2009, p. 36565]

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, 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.

If a lender chooses to charge a lower interest rate, it 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 revocation of the lower interest rate at the point of default does not apply to an interest rate that is reduced as a result of the SCRA.¹ 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

¹ Policy 1171 (Batch 166), approved March 18, 2010

8.4 Assessing Satisfactory Academic Progress

Federal regulations require that a [school](#) measure a student's [satisfactory academic progress \(SAP\)](#) in accordance with the school's published SAP policy before delivering the [loan proceeds](#). At some schools, SAP verification is performed before the delivery of each [disbursement](#), while at others, SAP may be assessed at specific times during the [academic year](#), such as at the beginning of each term.

[§668.32(f)]

A school's SAP standards must be applied consistently, and must include both a qualitative and a quantitative measure. A maximum time frame for program completion and a minimum quality standard, such as grade point average, must be established. A student's quantitative progress must be assessed each academic year, at a minimum. Federal regulations permit a school to establish its own maximum time frame for program completion, provided the school's time frame for an undergraduate program does not exceed 150% of the published program length.

[§668.16(e); §668.34]

In measuring SAP for subsequent disbursements, the school is not required to develop a system that is separate from the system the school already has established for verifying progress for subsequent disbursements of other [Title IV](#) Programs. However, the progress standards for Title IV aid recipients must be at least as restrictive as those used for students not receiving aid.

[§668.16(e)(1)]

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

8.5 Completing Verification

The school may not deliver loan proceeds before the [verification](#) process is complete, if verification is required (see [Subsection 6.6.A](#)). If the school does not receive the required financial aid information, or if the student does not complete the verification process within 45 days from the date the school receives the proceeds, the school must return the proceeds to the lender promptly, but no later than 10 business days after the last day of the 45-day period. If, during the 10-business-day return period, all financial aid information is received or the verification process is completed, the school may deliver the proceeds rather than

return them to the lender, provided the delivery is made on or before the last day of the return period.

[§668.58(c); §668.60(b)(1)(D) and (b)(3)]

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

8.6 Managing Overawards

An [overaward](#) occurs when a [student receives need-based aid in excess of his or her financial need](#) or when a student's [estimated financial assistance \(EFA\)](#) exceeds his or her [cost of attendance \(COA\)](#). This often happens when a student's [expected family contribution \(EFC\)](#) increases, or a student receives additional financial assistance after the initial awarding process, ~~which may include such as financial assistance other than non-Title IV funds (e.g., a scholarship or an alternative loan), or the student's expected family contribution (EFC) increases, which.~~ Either of these situations may result in a reduction of the student's ~~borrower's~~ eligibility for any previously certified Stafford or Grad PLUS loan. Up to \$300 of Federal Work Study earnings are excluded from the determination of an ~~overaward.~~ If a school determines that an overaward of loan funds occurs, it must contact the lender or guarantor promptly to request an adjustment to the amount of any remaining loan disbursement. If the school has delivered all loan disbursements to the student before the overaward occurs, the school is not required to adjust the disbursement(s). If the student has been awarded a FFELP or Direct loan and Federal Work-Study, a \$300 tolerance can be applied to reduce the overaward. Also note that to resolve an overaward, the school may be required to adjust [campus-based](#) or other aid under its control. However, a school never adjusts a [Pell grant](#) to take into account other forms of aid.

[§682.604(h); 09-10 FSA Handbook, Volume 5, Chapter 1, p. 5-3]¹

The school must reduce or eliminate an overaward using one of the following options:

- Use the student's unsubsidized Stafford, PLUS, [state-sponsored](#), or private loan to cover the EFC, if not already done.
[§682.604(h)(1)]
- Return the entire undelivered disbursement to the [lender](#) or [escrow agent](#) and provide the lender with a written statement describing the reason for the return

¹ Policy 1174 (Batch 166), approved March 18, 2010

of proceeds and the student's revised [financial need](#). The school should request that the lender redispurse the revised amount and, if necessary, revise subsequent disbursements to eliminate the overaward.

[§682.604(h)(2)(i) and (ii)]

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

[§682.604(h)(3)]

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

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

[§682.604(h)]¹

8.7 Delivering Loan Funds at Eligible Schools

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

[§668.164(b)(1); §682.604(c)(1), (6), and (7)]

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

delivery of proceeds) if the student and/or the parent borrower has lost his or her eligibility to receive the loan, or if the school never certified a loan.

A school must not deliver any new loan funds to a borrower whose prior Title IV loan(s) is conditionally discharged due to an initial determination that the borrower is [totally and permanently disabled](#) until it confirms that the [conditionally discharged loan\(s\)](#) has been returned to repayment.²

Generally, a school may deliver the proceeds of any loan disbursement only if it determines that the student has maintained continuous eligibility for the [loan period](#) certified by the school. See [Subsections 8.7.E](#) (Late Delivery), [8.7.G](#) (Delivery to Borrowers in Special Circumstances, subheading “[Temporary Change in Enrollment Status](#)” and [8.11.A](#) (Exceptions to Delivery Restrictions at Ineligible Schools) for exceptions to this general rule.

[§668.164(b)(3); §682.604(b)(2)(i), (iii) and (iv)]

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

8.7.A Delivery Time Frames

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

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

¹ Policy 1174 (Batch 166), approved March 18, 2010

² Policy 1149 (Batch 162), approved November 19, 2009

repayment plan (except for a [parent PLUS loan](#) borrower or a Consolidation loan borrower whose Consolidation loan includes one or more parent PLUS loans). The lender must also provide information regarding the process by which the borrower can choose an [income-sensitive](#) or [income-based repayment plan](#), and where and how the borrower may obtain more information on the income-sensitive and income-based repayment plans. If a lender chooses to include repayment choices with the repayment notification, the lender must ensure that the timing of this notice also meets the requirements of [Subsection 10.7.A](#).

[HEA §428(b)(9); §682.205(h)]

Undeliverable Repayment Disclosures

The lender must convert the loan to repayment even if a borrower does not acknowledge the repayment disclosure. If the lender fails to provide disclosure information, this failure does *not*:

- Relieve a borrower of the obligation to repay the loan.
- Provide a basis for a [claim](#) for civil damages.
- Void the insurance or reinsurance obligation.
[HEA §433(f)]

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 or servicer'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 or the [deferment](#) period ends on a PLUS loan, if applicable.
- The estimated balance, including the estimated amount of interest to be capitalized, that is owed by the borrower as of the date the repayment period begins or the deferment period ends on a PLUS loan, if applicable.
- The [actual interest rate](#) on the loan.
- Information on any special loan repayment benefit offered for the loan(s), if applicable, including:
 - Eligibility for an interest rate reduction if the borrower repays the loan by automatic payroll or checking account deduction or if the borrower makes a specified number of on-time payments, and any other loan repayment benefits that could reduce the total repayment amount or the length of the repayment period.
 - Any limitations on the special loan repayment benefit, including, but not limited to:
 - (1) Explicit information on the reasons the borrower may lose eligibility for the benefit.
 - (2) For an interest rate reduction benefit, examples of the impact the interest rate reduction has on the length of the borrower's repayment period and the total repayment amount, and upon the request of the borrower, the effect the change would have with respect to the borrower's total payoff amount and length of the repayment period.
 - (3) Whether and how the borrower can regain eligibility for a loan repayment benefit if the borrower loses the benefit.
- A description of all the repayment plans that are available to the borrower and a statement that the borrower may change from one plan to another at least annually during the repayment period. Details regarding the various repayment schedules are outlined in [Section 10.8](#).¹

¹ Policy 1172 (Batch 166), approved March 18, 2010

PLUS Loans

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. Since the PLUS loan enters repayment when fully disbursed, the 30- and 150-day time frames are based on the repayment start date, regardless of any deferment that might otherwise postpone the first payment due date. See [Section 10.7](#) for repayment disclosure requirements. [[§682.205\(c\)\(1\)](#); [Preamble to the Notice of Proposed Rulemaking, *Federal Register* dated July 23, 2009, p. 36571](#)]¹

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](#).
- An [income-sensitive repayment \(ISR\) schedule](#).
- An [income-based repayment \(IBR\) schedule](#).
- An [extended repayment schedule](#), if applicable.

Lenders must offer all borrowers their choice of repayment schedule no more than 6 months before the first payment due date. Details regarding [repayment schedule](#) options are outlined in [Subsections 10.8.A through 10.8.E](#). For more information on Consolidation loan repayment, see [Section 15.5](#).

A borrower must select a repayment schedule within 45 days of the lender's notification and advise the lender of that choice. If a borrower does not respond within 45 days—or selects an ISR or an IBR schedule but does not provide the required [documentation](#)—the lender must establish a [standard repayment schedule](#). A borrower also may request a change in his or her repayment schedule. A lender must comply with an [eligible borrower's](#) request to revise his or her choice of repayment schedule at least once annually, except that a borrower may request IBR at any time.

A lender must combine, to the extent practicable, all FFELP loans owed by a borrower to the lender into a single account to be repaid under a single repayment schedule. For loans serviced in this manner, the word “loan” in this section means all of the borrower's loans that are combined by the lender into that account. However, for [National Student Loan Data System \(NSLDS\)](#) reporting, the [Department](#) requires that a lender maintain repayment [records](#) for each

¹ Policy 1172 (Batch 166), approved March 18, 2010

more than \$30,000. The lender may schedule the borrower for standard or [graduated](#) installments over a period not to exceed 25 years.

[HEA §428(b)(9)(A)(iv); §682.209(a)(6)(ix)]

A “new borrower” on or after October 7, 1998, may qualify for an extended repayment schedule if the borrower has multiple lenders with an aggregate FFELP loan amount totaling more than \$30,000. A lender must retain a [record](#) of the basis for determining a borrower’s eligibility for an extended repayment schedule, if the total loan amount it holds is not more than \$30,000.

10.9 Interest Charges

If a borrower’s loan is a subsidized Stafford loan, the federal government pays the interest that accrues during the [in-school](#), [grace](#), and authorized [deferment periods](#). If a borrower’s monthly [partial financial hardship \(PFH\)](#) payment amount under an [income-based repayment \(IBR\) plan](#) is not sufficient to pay the interest accruing on a subsidized Stafford loan, the Department pays the accrued interest that exceeds the scheduled monthly PFH payment amount during a consecutive 3-year period beginning with the [repayment period start date](#) when each loan enters IBR. This 3-year period excludes any period during which the borrower receives an [economic hardship](#) deferment.
[§682.215(b)(4)]

If the loan is an unsubsidized or a nonsubsidized Stafford loan, a PLUS loan, or an SLS loan, the borrower is responsible for paying all interest that accrues on the loan from the first [disbursement date](#)—including interest that accrues during deferment periods. For information on the interest charges applicable to Consolidation loans, see [Subsection 15.3.D](#) and [Section 15.6](#).
[§682.202; §682.300]

10.9.A Annual Variable Interest Rate Charges

When servicing a variable-rate Stafford, SLS, or PLUS loan, a lender must adjust the interest rate annually on July 1 in accordance with interest rates established by the [Department](#). The [variable interest rate](#) for a loan is based on the type of loan and the disbursement date. For more information on how a loan’s variable interest rate is determined, see [Sections 7.4](#) and [7.5](#).

The adjustment to the variable interest rate on a loan may affect the monthly payment amount and the borrower’s overall repayment terms. Refer to [Subsection 10.6.E](#) for more information on adjusting the borrower’s repayment terms.

[Guarantors](#) recommend that the [lender](#) inform the [borrower](#) of the [variable interest rate](#) change. The lender must inform the borrower of any changes in the payment amount.

For more information on current and past variable interest rates, refer to [Appendix H](#).

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 reduce the interest rate on any loan that is accruing interest at a higher rate, so that it does not charge the borrower an interest rate that does not exceed 6% for the period of the borrower’s qualifying military service that occurs 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~~ lower interest rate applies to an endorser if the endorser is an eligible servicemember who signed the PLUS MPN Endorser Addendum before the start date of his or her qualifying military service and the lender is actively collecting the loan from the endorser.
[HEA §428(d); DCL GEN-08-12/FP-08-10]¹

¹ Policy 1171 (Batch 166), approved March 18, 2010

When the borrower's, comaker's or endorser's period of military service ends, the lender is not permitted to assess any additional charge or fee on the loan to compensate for the difference between the applicable interest rate and the maximum permissible charges under the SCRA. [Federal Register dated July 23, 2009, p. 36565]

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, 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.) If a lender chooses to charge a lesser interest rate, it ~~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 revocation of the lower interest rate at the point of default does not apply to an interest rate that is reduced as a result of the SCRA. The loan will revert to the applicable statutory rate as of the date the defaulted loan or ineligible borrower claim is purchased.¹

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).

10.10 Capitalizing Accrued Interest

Capitalization of *interest* on all FFELP loans is permitted under the terms of the *promissory note* and federal regulations. A *lender* capitalizes *interest* by adding accrued interest to the loan's *principal balance*.

10.10.A Permitted Capitalization

A lender may capitalize unsubsidized interest that accrues during:

- An *in-school period* or *grace period*, if capitalization is expressly authorized by the *promissory note* (or with the written consent of the *borrower*).
- A period of authorized *deferment* or authorized *forbearance*, except a period of *administrative forbearance* granted to collect documentation of a deferment, forbearance, change in repayment plan, or loan consolidation (see *Section 11.21*).

¹ Policy 1171 (Batch 166), approved March 18, 2010

A lender also is permitted to capitalize the outstanding accrued interest without the written consent of the borrower during the following periods of administrative forbearance:

- Between the original [repayment start date](#) and the revised start date, including a situation when the lender, after converting the loan to repayment, learns of a new [out-of-school date](#) that is earlier than was previously reported.
- The period during which payments were made but subsequently returned due to a borrower's death or [total and permanent disability](#).
- When collection activities on a loan were suspended pending (a) the outcome of a [bankruptcy](#) action, closed school, false certification, unpaid [refund](#), or spouses and parents of victims of September 11, 2001, [discharge](#) determination or (b) the receipt of documentation of a death, [disability](#), closed school, false certification, unpaid [refund](#), or spouses and parents of victims of September 11, 2001, [claim](#) or [discharge](#) request.
- The period during which the loan was held by the [guarantor](#) due to a claim purchase. The [capitalization](#) may include interest accrued from date of claim payment through the [repurchase](#) date. The lender must document that the capitalization was a result of a repurchase. If the repurchase is due to the loan's loss of [guarantee](#), see [Subsection 13.3.D](#).

10.10.B Capitalization Frequency

To determine when the lender may capitalize interest, the lender should refer to the following instructions.

For a loan in repayment under an [income-based repayment \(IBR\) plan](#), unpaid interest is capitalized if the borrower ceases to have a [partial financial hardship \(PFH\)](#) or leaves IBR and is placed on the expedited-standard repayment schedule.
[§682.215(b)(5)]

Subsidized and Unsubsidized Stafford Loans First Disbursed on or after July 1, 2000

The lender may capitalize unpaid interest only as follows:

- When the loan enters repayment.
- When a [deferment](#) ends.

- When a [forbearance](#) ends.
- When the loan defaults.
[§682.202(b)(4)(ii)]

Unsubsidized Stafford Loans First Disbursed October 7, 1998, to June 30, 2000, Inclusive

The lender may capitalize unpaid interest only as follows:

- When the loan enters repayment.
- When the [grace period](#) ends.
- When a deferment ends.
- When a forbearance ends.
- When the loan defaults.
[HEA §428H(e)(2)(ii)]

Subsidized Stafford Loans First Disbursed Prior to July 1, 2000, Unsubsidized Stafford Loans First Disbursed Prior to October 7, 1998, and All PLUS and Consolidation Loans

A lender may capitalize the interest that accrues during in-school, grace, deferment (except in-school deferment for Consolidation loans), and forbearance periods no more frequently than quarterly, and again when repayment is scheduled to begin or resume. A lender may capitalize interest that accrues during the following periods only on the date repayment of principal is scheduled to begin:

- During the period from the date the first [disbursement](#) was made to the beginning date of the [in-school period](#).
- During the period from the date the first disbursement was made to the date the repayment period begins, on a PLUS loan.¹
- During the period from the date the first installment payment was due to the date it is made.
- During a period when the borrower's loan was in repayment, but the borrower made no payments because:
 - The lender received late notification that the borrower withdrew or ceased to be [enrolled](#) on at least a half-time basis, as applicable, from the

¹ Policy 1177 (Batch 167), approved March 18, 2010

For a student to be considered “continuously enrolled,” the school must include in the student’s file (a) a request for a [leave of absence](#) and (b) information proving that the student’s cumulative leaves of absence did not exceed 180 days in any 12-month period.

[§668.22(d)(1)]

A student enrolled in a program of [correspondence study](#) is eligible for an in-school deferment when the borrower is considered to be in the [in-school period](#) for half-time study (see [Section 10.2](#)). Also, a borrower maintains continuous enrollment status if he or she temporarily ceases to be enrolled, but subsequently reenrolls, at least half time. The school must document that—allowing for any adjustment to the student’s [cost of attendance \(COA\)](#) for the period of less-than-half-time enrollment—the student remains qualified for the entire amount of any loan received, including any [disbursements](#) made before the cessation of half-time enrollment. Otherwise, the school must have made appropriate [refunds](#), and payments to comply with the requirements for the [return of Title IV funds](#) (see [Section 9.5](#)).

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

11.6.D Summer Bridge Extension

In some cases, a borrower may be eligible to extend the period of in-school deferment based on anticipated reenrollment for the fall term. If a student attends school and is deferred through the end of the spring [academic period](#) and is planning to reenroll for the academic period in the fall, the deferment may be extended through the summer months.

A PLUS loan borrower is eligible to extend an in-school deferment through the summer if the PLUS borrower intends to enroll on at least a half-time basis in the fall. If a PLUS loan borrower is eligible for deferment based upon a dependent student’s status, the summer bridge extension may also be applied if any [dependent student](#) for whom a PLUS loan was obtained intends to enroll in the fall (see [Subsection 11.1.A](#)).

[§682.210(b)(4) and (6); §682.210(s)(2)]

When the lender receives notice of a student’s intent to reenroll, it may maintain the in-school deferment on the loan for up to 30 days following the date the borrower has provided as the beginning of the fall academic period. If the lender does not receive verification of reenrollment by the end of the extension, the lender must convert the loan to repayment on the day following the last date of certified

enrollment and capitalize [interest](#) accrued during the extension period. A payment due date must be established that is no later than 60 days—plus the 30-day extension in the case of a Stafford or SLS loan, *if applicable*, as outlined in [Subsections 10.5.A](#) and [10.5.C](#)—after the end of the summer bridge extension.

A lender may accept the borrower’s verbal statement of the student’s intent to reenroll if that request is documented or may use a guarantor’s form or its own form to document a borrower’s request for a summer bridge extension.

Guarantors recommend that the lender send the borrower a form and a letter explaining the extension approximately 45 to 60 days before the expiration date of an in-school deferment that was granted for the spring academic period.

If the lender does not receive a notice from the borrower regarding the student’s intent to reenroll for the fall [academic period](#), but subsequently receives documentation of the borrower’s [deferment](#) eligibility for the fall period, the lender may retroactively process the summer bridge extension.

▲ Lenders may contact individual guarantors for more information on obtaining summer bridge extension forms. See [Section 1.5](#) for contact information.

11.6.E Post-Enrollment Deferment

For a [parent PLUS loan](#) first disbursed on or after July 1, 2008, the borrower may request deferment of his or her PLUS loan during any 6-month period beginning on the day after the parent PLUS borrower ceases to be enrolled at least half time at an eligible school. For a [Grad PLUS loan](#) first disbursed on or after July 1, 2008, the ~~borrower may~~ lender must, unless otherwise notified by the borrower, defer ~~his or her~~ the borrower’s Grad PLUS loan during any 6-month period beginning on the day after the Grad PLUS borrower ceases to be enrolled at least half time at an eligible school, as determined by the [out-of-school date](#) provided by the school.¹

For a parent PLUS loan first disbursed on or after July 1, 2008, the borrower may request deferment of his or her PLUS loan during any 6-month period beginning on the day after the student on whose behalf the PLUS loan(s) was borrowed ceases to be enrolled at least half time, as determined by the out-of-school date provided by the school. If both the parent PLUS borrower and the student for whom the PLUS loan was borrowed meet the conditions

¹ Policy 1178 (Batch 167), approved March 18, 2010

for an in-school deferment, the parent PLUS borrower may request a deferment during any 6-month period beginning on the later of the following:

- The day after the student on whose behalf the loan was borrowed ceases to be enrolled at least half time at an eligible school as determined by the out-of-school date provided by the school.
- The day after the parent borrower ceases to be enrolled at least half time at an eligible school.
[HEA §428B(d)(1)(B); §682.210(v)]¹

11.7 Internship/Residency Deferment

An internship/residency deferment is available to a borrower for either of the following:

- Service in an internship program that is required of the borrower to receive professional recognition in order to begin professional practice or service.
- Service in a medical internship or residency training program that leads to a degree or certificate awarded by an [institution of higher education](#), hospital, or a health care facility that offers postgraduate training.
[§682.210(n)]

11.7.A Eligibility Criteria—Internship/Residency

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 authorized official of the organization with which the borrower is undertaking the internship or residency program certifying the following:

- That the internship or residency program is a supervised training program that requires the completion of at least a bachelor's degree before acceptance into the program.
- That the borrower has been accepted into the program.
- The anticipated dates on which the borrower will begin and complete the program, or begin and complete the minimum period of participation in the program that the [state](#) requires before an individual may be certified for professional practice or service, whichever is less.

For a medical internship or residency training program performed at a hospital, health care facility, or [institution of higher education](#), the borrower must provide [certification](#) from an authorized official of the internship/residency program. The certification must include a statement that completion of the program leads to a degree or certificate awarded by a hospital, health care facility, or institution of higher education that offers postgraduate training.

For a nonmedical internship program that is required of a borrower to begin professional practice of service, the borrower must provide certification from both the authorized program official and the appropriate state licensing agency. The certification must include a statement that completion of the program is required before the borrower can begin professional practice or service.

11.7.B Deferment Documentation—Internship/ Residency

If a borrower requests an internship/residency training deferment, the lender should forward to the borrower the following common deferment form:

EDU
Education Related Deferment Request

11.7.C Length of Deferment—Internship/ Residency

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 2 years after the date on which it began, or the date on which the borrower's internship or residency is certified to end or actually ends, whichever is earlier.

[§682.210(n)]

¹ Policy 1178 (Batch 167), approved March 18, 2010

- That interest will accrue on the loan for the entire [forbearance](#) period.
- The amount of interest accrued since the last [forbearance notice](#) ~~interest accrual information~~ was provided to the borrower [or endorser](#).
- The amount of interest that will be capitalized on the loan, [projected as of the date of the notice](#), and the date that the [capitalization](#) will occur.
- The borrower's [or endorser's](#) option to pay the interest before it is capitalized.¹
- That the borrower or endorser may opt to discontinue the forbearance at any time.

This notification requirement does not apply to the postponement of [interest](#) payments during a [deferment](#) period.

[HEA §428(c)(3); §682.211(e); DCL GEN-08-12/FP-08-10]

11.20.J Establishing Repayment after Forbearance

A [borrower's](#) first payment due date after an authorized forbearance generally must be no later than 60 days after the date that the forbearance expires. For a Stafford loan, federal regulations permit the lender to extend the first due date an additional 30 days beyond the standard 60-day limit, if the extension is necessary to permit the lender to comply with requirements that the repayment disclosure be sent to the borrower no less than 30 days before the first payment on the loan is due.

A borrower must be notified of any [interest](#) capitalized due to the forbearance. The notice should include the new [principal balance](#) and any other repayment term changes (such as a new monthly payment amount) resulting from the interest being capitalized. The lender may develop its own format for disclosing such information or may use a [repayment schedule](#) and disclosure form provided by a [guarantor](#). For more information on disclosure of repayment terms, see [Section 10.7](#).

[§682.205(c); §682.209(a)(3)(ii)(B)]

¹ Policy 1179 (Batch 167), approved March 18, 2010

Forbearance Eligibility Chart**Figure 11-2**

TYPE	LENGTH
Discretionary	
Financial difficulties due to personal problems when the borrower is unable to make regularly scheduled payments ¹	The period established in the terms of the forbearance agreement (not to exceed 12-month increments); no maximum
Reduced-Payment Forbearance ¹	
Mandatory	
Medical or Dental Internship/Residency ^{2, 3}	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 ³	
National Service ^{2, 3}	
Active Military State Duty ^{2, 3, 9}	
Debt Exceeds Monthly Income ^{4, 5}	12-month increments; 3 years maximum
Teacher Loan Forgiveness ^{2, 3}	Period while borrower maintains forgiveness eligibility. 12-month increments
Mandatory Administrative	
Local or National Emergency ⁷	Period specified by the Department or guarantor plus 30 days following the period
Military Mobilization ⁸	
Designated Disaster Area ⁷	
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 ^{2, 6}	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
Administrative	
Borrower Ineligible for Deferment ⁶	Beginning date to ending date of the ineligible deferment
Delinquency before a Deferment or Certain Forbearances ⁶	First date of overdue payment to the day before the beginning date of deferment or other forbearance type
Forgiveness under Income-Based Repayment ⁶	60 days for lender to collect and process documentation to determine a borrower's eligibility
Late Notification of Out-of-School Dates ⁶	Date borrower should have entered repayment to date first or next payment was established
Bankruptcy Filing ⁶	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 ⁶	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 Victims of September 11, 2001 ⁶	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 ⁶	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 ⁶	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 ⁶	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 ⁶	Deferment or mandatory forbearance end date to establishment of next payment due date
Documentation Collection and Processing ⁶	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 ⁶	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 ⁶	Original repayment start date to adjusted start date
Loan Sale or Transfer ⁶	First date of delinquency to date loan is sold or transferred, if the loan is less than 60 days delinquent
Ineligible Summer Bridge Extension ⁶	Day after expiration of borrower's last in-school deferment to the 30th day after fall classes begin
Cure ⁶	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 ⁶	From date borrower affected, not to exceed 3 months for each occurrence
Repayment Alignment-SLS/Stafford ⁴	First payment due date to last day of the longest applicable Stafford loan grace period
Repayment Alignment-PLUS/Stafford ¹⁰	<u>Until end of in-school deferment or post-enrollment deferment on PLUS loan disbursed on or after July 1, 2008, or until end of grace on Stafford loan</u>

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

- ¹ Lender must document the borrower's request, the reason for the forbearance, and the terms of the forbearance agreement.
- ² For borrowers only.
- ³ A request and supporting documentation from the authorized official(s) indicating the beginning and ending dates, and a verbal or written agreement are required.
- ⁴ A request is required.
- ⁵ 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.

- ⁶ 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.
- ⁷ Notice from the Department or guarantor is required.
- ⁸ Documentation showing borrower is subject to a military mobilization is required.
- ⁹ For military service that begins on or after October 1, 2007, or includes that date.
- ¹⁰ Lender must notify borrower forbearance has been granted; notice must inform borrower of option to cancel forbearance and continue paying on the PLUS loan.¹

¹ Policy 1180 (Batch 167), approved March 18, 2010

11.21.M Natural Disasters, Local or National Emergency, or Military Mobilization

If the lender determines that the ability of the borrower or endorser to make payments is adversely affected by a natural disaster, a local or national emergency (declared by the appropriate government agency), or a military mobilization, the lender may grant an administrative forbearance for a period not to exceed 3 months. The lender must document the reason it granted the forbearance in the borrower's loan file. Continuation of the forbearance beyond the 3-month period based on the same situation requires supporting documentation and an agreement with the borrower or endorser.

[§682.211(f)(12); Disaster Letter 99-28]

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

11.21.N New Out-of-School Dates after Conversion to Repayment

If a Stafford, PLUS, SLS, or Consolidation loan is in repayment, and the lender receives a new out-of-school date or deferment end date showing that the borrower should have entered repayment earlier than was previously reported, the lender may apply an administrative forbearance between the original repayment start date and the adjusted date. The lender may not use administrative forbearance to resolve a delinquency that existed on the loan before the information was received. After the lender's adjustments, the loan should retain the status that was applicable before the new information was received; further, due diligence must continue on the loan.

11.21.0 Repayment Alignment

Aligning Repayment of a Stafford and SLS Loan

A borrower with one or more Stafford loans that have not entered repayment and one or more SLS loans is eligible to have the repayment period start dates on these loans aligned. A borrower's request for aligned repayment may be made verbally or in writing. A separate request is unnecessary when the borrower has signed the Stafford

loan Master Promissory Note, which authorizes the lender to align repayment of the borrower's Stafford and SLS loans.

If repayment alignment is requested by an eligible borrower, the lender must align the repayment of the borrower's SLS loan(s). If the SLS loan is not eligible for deferment, the lender must apply an administrative forbearance to postpone repayment until the end of the grace period on the borrower's Stafford loan. If the borrower has multiple Stafford loans that have not yet entered repayment and those loans have grace periods that are different in length, the lender must postpone repayment of the SLS loan(s) until the end of the longest applicable Stafford loan grace period. In addition, a lender may apply an administrative forbearance to a Stafford loan(s) that has entered repayment in order to align the repayment of all the borrower's Stafford and SLS loans.

For more information on aligning the repayment of Stafford and SLS loans and on required borrower notifications, see Subsection 10.4.C.

[§682.209(a)(2)(iii); DCL 96-L-186/96-G-287, Q&As #19 and #24]

Aligning Repayment of a PLUS Loan Not Eligible for a Post-Enrollment Deferment with Another PLUS or Stafford Loan

A lender may grant an administrative forbearance on a borrower's PLUS loan(s) that was first disbursed prior to July 1, 2008, to align repayment with either of the following:

- The end of the in-school or post-enrollment period on the borrower's PLUS loan(s) that is first disbursed on or after July 1, 2008.
- The grace period end date on the borrower's Stafford loan(s).

When granting an administrative forbearance in this situation, the lender must notify the borrower that forbearance has been granted on the PLUS loan. The notice must inform the borrower that he or she may cancel the forbearance and continue paying on the PLUS loan. [§682.211(f)(15)]¹

¹ Policy 1180 (Batch 167), approved March 18, 2010

Information to Be Provided on the Default Aversion Assistance Request Form Figure 12-5

Item Description-Field Name	Required ¹	If Available ²
DEFAULT AVERSION INFORMATION		
Type of default aversion assistance requested (i.e., SK = skip assistance request, DF = default aversion assistance request for a borrower delinquent on monthly payments, DQ = default aversion assistance request for a borrower delinquent on payments due less frequently than monthly)- <u>Default Aversion Type</u>	•	
Date the default aversion assistance request was generated.- <u>Request Date</u>	•	
BORROWER INFORMATION		
Borrower's Social Security number (SSN)- <u>Social Security #</u>	•	
Borrower's last name, first name, and middle initial- <u>Name (Last, First MI)</u>	•	
AKA (previous or alternative name used by the borrower)-		•
Borrower's last known complete address.- <u>Address and Valid?</u>	•	
Validity of the borrower's address-		
Effective date of the borrower's address.- <u>Address Effective Date</u>		•
Borrower's home telephone number, work number, and other number.- <u>Home #, Work #, Other #</u>		•
Validity of the borrower's telephone numbers.- <u>Home #, Work #, Other #, and Valid?</u>	•	
Name, telephone number, and address of the borrower's place of employment.- <u>Employer</u>		•
Name of the last known eligible school attended by the borrower or attended by the student for a PLUS loan.- <u>Last School Attended</u>	•	
<u>Code</u>		•
The out-of-school date. Stafford loans—the date the borrower ended enrollment on at least a half-time basis, before any grace period and the initial conversion of the loan to repayment. PLUS/SLS loans—the date the student or borrower ceased eligibility for an in-school deferment (for immediately deferred loans only). Consolidation loans and PLUS/SLS loans not immediately deferred—the date of the last disbursement. For Consolidation loans, the latest disbursement date on the beginning loan balance should be used if the lender did not establish a new due date when an add-on was accomplished. If the lender did establish a new due date with the add-on loan, the disbursement date for the add-on should be provided.- <u>OSD</u>		•
Six or eight-digit code assigned by the Department of the last known eligible school attended by the borrower-		
REFERENCE INFORMATION		
Address and last name, first name, and middle initial of two references.- <u>Name and Address</u>	• ³	
Validity of the address for each reference.- <u>Valid?</u>	•	
Relationship of each reference to the borrower (i.e., E = employer, F = friend, G = guardian, O = other, P = parent, R = relative, S = sibling, M = spouse, or N = not available).		•
Home telephone number and other numbers for each reference.- <u>Home #, Other #</u>		•
Validity of the telephone numbers for each reference.- <u>Home #, Other, and Valid?</u>	•	
LOAN INFORMATION		
Loan #Type for each loan identified on the default aversion assistance request (i.e., SF = subsidized Stafford, including nonsubsidized prior to 10/92; SU = unsubsidized Stafford; PL = Parent PLUS; GB = Grad PLUS; SL = SLS; CL = Consolidation).	•	
Loan ID for each loan identified on the default aversion assistance request (e.g., the loan identifier code, file number, guaranty date, or amount, as indicated by the guarantor).	•	
First disbursement date for each loan identified on the default aversion assistance request, as specified in the lender's records.- <u>1st Disb Dt</u>	•	
Current principal balance (including all insured and uninsured capitalized interest) due on the date of the default aversion assistance request for each loan identified on the default aversion assistance request.- <u>\$ Curr Prin Bal</u>	•	
Accrued interest due on the date of the default aversion assistance request for each loan identified on the default aversion assistance request.- <u>\$ Accrued Int</u>	•	
Date the loan sold (as applicable).- <u>Dt Loan Sold</u>	•	
Date on which the current servicer assumed responsibility for servicing the loan for each loan identified on the default aversion assistance request (as applicable).- <u>Dt Servicer Resp</u>	•	
Payment due date of the borrower's first unmet payment.- <u>Pmt Due Dt</u>	•	
Payment amount of the borrower's currently scheduled installment.- <u>\$ Pmt Amt</u>	•	
Amount of the most recent payment received and the date received.- <u>Last Pmt Dt and \$ Last Pmt Amt</u>		•
Total amount delinquent on the date the default aversion assistance request was generated.- <u>\$ Amt Delinq</u>	•	
Number of days delinquent on the date the default aversion assistance request was generated.- <u># Days Delinq</u>	•	

Item Description-Field Name	Required ¹	If Available ²
Total number of deferment and/or discretionary forbearance months granted to the borrower for each specific deferment or discretionary forbearance identified on the default aversion assistance request. <u>Deferment and Forbearance Information</u>		•
ENDORSER/COMAKER/PLUS STUDENT (E/C/S) INFORMATION		
<u>Loan ID</u>	•	
<u>E/C/S Code, E/C/S Name-Full name of the endorser, comaker, or PLUS student and identifying code (i.e., E = endorser, C = comaker, S = PLUS student)</u>	• ³	
<u>Endorser's, comaker's, or PLUS student's SSN-Social Security #</u>	• ³	
<u>Endorser's or comaker's last known complete address-E/C Address</u>	• ³	
<u>Validity of the endorser's or comaker's address-E/C Address and Valid?</u>	•	
<u>Endorser's or comaker's home telephone number-E/C Home #</u>		•
<u>Validity of the endorser's or comaker's telephone number-E/C Home # and Valid?</u>	•	
<u>PLUS §Student's Address-last known complete address.</u>		•
<u>Validity of the PLUS student's address-PLUS Student's Address and Valid?</u>	•	
<u>PLUS §Student's Home #-home telephone number.</u>		•
<u>Validity of the PLUS student's telephone number-PLUS Student's Home # and Valid?</u>	•	
LENDER/SERVICER INFORMATION		
<u>Lender or servicer name and address. If the account is being serviced, only the servicer name and address must be provided.</u>	•	
<u>Lender's six digit lender ID assigned by the Department and, as applicable, four digit non-Department suffix.</u>	•	
<u>Lender ID</u>		
<u>Servicer's six digit servicer ID assigned by the Department-Servicer ID</u>	•	
<u>Lender/Servicer Name, Lender/Servicer Address</u>	•	
<u>Contact and telephone number to whom the borrower should be referred (e.g., Customer Service Department, Collections Department)-Borrower Contact and Contact #</u>	•	
<u>Telephone number and name of the person or unit responsible for answering questions about information provided on the form-Prepared by and Preparer's #</u>	•	

¹ Refers to information the lender must provide on the default aversion assistance request.

² Refers to information the lender may or may not have. If the lender has the information, it must be provided on the default aversion assistance request.

³ Refers to information the lender must provide on the default aversion assistance request for loans first disbursed on or after September 1, 1998. For disbursements prior to September 1, 1998, if the lender has the information, it must be provided on the default aversion assistance request.¹

12.5.C Default Aversion Assistance and Bankruptcy Filing

If the lender has received a Notice of the First Meeting of Creditors (the Notice) or other proof of filing from the borrower's attorney or the **bankruptcy** court (either directly from the court or from another source) that a borrower has filed for relief under any chapter of the **bankruptcy code**, the lender must cease collection activities and may not submit a **default aversion assistance** request to the **guarantor**. Further, if the lender has already requested default aversion assistance and receives notice of any bankruptcy action, the lender must immediately, within 5 business days of the lender's receipt of the Notice, notify the guarantor to cancel

default aversion activities based on a bankruptcy action filed on the borrower's loans.
[§682.402(f)(2)]

A guarantor will permanently cancel a loan's **guarantee** if either of the following conditions occurs:

- The lender requests default aversion assistance on a loan on which it has received notice of a bankruptcy action.
- The lender fails to timely notify the guarantor, within 5 business days, to cease collection activity on a loan on which default aversion assistance was previously requested.

¹ Policy 1168 (Batch 166), approved March 18, 2010

requirements.) This designation was eliminated on October 1, 2007, per statutory changes from the [College Cost Reduction and Access Act \(P.L. 110-84\)](#). See History Appendix for more information. [[§682.415\(b\)\(7\)\(i\)](#)]

- The *Standard Review Status* is applicable to a lender for whom the guarantor has identified no significant servicing deficiencies. Lenders under this status may file claims using documentation requirements as outlined in [Subsection 13.1.D](#).
- The *Program Review Status* is applicable to a lender for whom the [guarantor](#) has identified significant servicing deficiencies. For lenders assigned this claim filing status, the guarantor may require additional information and documentation to support the [claim](#).

▲ Some guarantors may require a separate claim for subsidized and unsubsidized loans and/or for loans with different interest rates. Lenders may contact individual guarantors for more information. See [Section 1.5](#) for contact information.

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

Claim Form Instructions

[Figure 13-1](#) will help lenders determine what information must be provided on the Claim Form. Detailed descriptions of these items are located in the instructions on the Claim Form.

▲ Lenders may contact individual guarantors for more information on required data elements associated with the Claim Form. See [Section 1.5](#) for contact information.

Information to Be Provided on the Claim Form

Figure 13-1

<u>Item Description</u> <u>Field Name</u>	Required ¹	If Available ²
CLAIM INFORMATION		
<u>Claim Type</u> of claim being submitted.	•	
<u>Date condition occurred</u> — <u>DCO</u>	•	
<u>Claim Review Type</u>	•	
BORROWER INFORMATION		
<u>Borrower's Social Security #</u> number (SSN).	•	
<u>Borrower's last name, first name, and middle initial</u> — <u>Name (Last, First, MI)</u>	•	
<u>AKA</u> (previous or alternate name used by the borrower).		•
<u>Borrower's last known complete address</u> and Valid?	•	
<u>Validity of the borrower's address</u> :		
<u>Borrower's Home #, telephone number, Work # number, and Other # number</u> .		•
<u>Validity of the borrower's telephone numbers</u> —Home #, Work #, Other #, and Valid?	•	
<u>Name, telephone number, and address of the borrower's place of employment</u> — <u>Employer</u>		•
<u>E-mail Address</u>		•
LOAN INFORMATION		
<u>Loan #</u> Type for each loan identified on the Claim Form (i.e., SF = subsidized Stafford, including nonsubsidized prior to 10/92; SU = unsubsidized Stafford; PL = Parent PLUS; GB = Grad PLUS; SL = SLS; CL = Consolidation).	•	
<u>Loan ID</u> for each loan identified on the Claim Form (e.g., the loan identifier code, file number, guarantee date, or amount, as indicated by the guarantor).	•	
<u>1st Disb Dt</u>	•	
<u>\$ Current Prin Bal</u>	•	
<u>\$ Unpd Fee/Int</u>	• ⁴	
<u>Date the Dt Loan sSold</u> (as applicable).	•	
<u>Date on which the current servicer assumed responsibility for servicing the loan</u> for each loan identified on the Claim Form (as applicable)— <u>Dt Servicer Resp</u>	•	
<u>First disbursement date</u> for each loan identified on the claim request.		
<u>Interest rate, interest rate type, and the date loan converted</u> (as required by HEA 1986 or HEA 1992 rebate requirements) for each loan identified— <u>Int Rate/Type/Conv Dt</u>	•	

<u>Item Description-Field Name</u>	<u>Required¹</u>	<u>If Available²</u>
<u>Current principal balance (including all insured and uninsured capitalized interest) due for each loan identified on the date of the claim request.</u>	•	
<u>Amount of unpaid origination fee and, separately, amount of unpaid capitalized interest.</u>	• ⁴	
<u>Amount of cure interest capitalized and unpaid cure interest not capitalized for each loan claimed. \$ Uninsured Interest</u>	•	
<u>ENDORSER/COMAKER/PLUS STUDENT (E/C/S) INFORMATION</u>		
<u>Loan ID</u>	•	
<u>E/C/S Code, ID #</u>	•	
<u>PLUS student's Social Security number (SSN), and name. E/C/S Name</u>	•	
<u>PLUS Student Social Security #</u>	•	
<u>Endorser's or Comaker's Social Security #</u>	• ²	
<u>PLUS sStudent's last known complete aAddress.</u>		•
<u>E/C Address</u>	• ³	
<u>Validity of the PLUS student's address. E/C/S Address and Valid?</u>	•	
<u>PLUS sStudent's hHome telephone number. #</u>		•
<u>E/C Home #</u>	• ³	
<u>Validity of the PLUS student's home telephone number. E/C/S Home # and Valid?</u>	•	
<u>Full name of the endorser or comaker, the identifying code (i.e., E=endorser, C=comaker), and the numeric identifier.</u>	•	
<u>Endorser's or comaker's SSN.</u>	• ³	
<u>Endorser's or comaker's last known complete address.</u>	• ³	
<u>Validity of the endorser's or comaker's address.</u>	•	
<u>Endorser's or comaker's home telephone number.</u>	• ³	
<u>Validity of the endorser's or comaker's home telephone number.</u>	•	
<u>CONVERSION TO REPAYMENT INFORMATION</u>		
<u>The out of school date. Stafford loans—the date the borrower ended enrollment on at least a half-time basis, before any grace period and the initial conversion of the loan to repayment. PLUS/SLS loans—the date the student or borrower ceased eligibility for an in-school deferment (for immediately deferred loans only). Consolidation loans and PLUS/SLS loans not immediately deferred—the date of the last disbursement. For Consolidation loans, the latest disbursement date on the beginning loan balance should be used if the lender did not establish a new due date when an add-on was accomplished. If the lender did establish a new due date with the add-on loan, the disbursement date for the add-on should be provided. OSD</u>	•	
<u>Date the lender was notified of the original out-of-school date. Notification Dt</u>	•	
<u>Note whether the original out-of-school date changed after the account entered repayment. Repayment Change?</u>	•	
<u>Due date of the first monthly payment. 1st Pmt Due Dt</u>	•	
<u>REPAYMENT INFORMATION</u>		
<u>Total amount of payments made by or on behalf of the borrower. \$ Total Borrower Pmts</u>	•	
<u>For disability claims, total amount of payments made by or on behalf of borrower after the date the borrower became unable to work and earn money. \$ DI Refund</u>	•	
<u>Number of months due date advanced by payments made by or on behalf of the borrower. # Mnths Pmts</u>	•	
<u>Number of regular monthly payments deferred or forborne. # Mnths Def/Forb</u>	•	
<u>Number of months account was out of guarantee. # Mnths Violation</u>	•	
<u>Total number of noncontinuous individual periods of deferment and forbearance. # Events</u>	•	
<u>Number of reconversion months. # Recony Mnths</u>	•	
<u>Due date of the first unmet payment of the borrower's delinquency. Pmt Due Dt</u>	•	
<u>REQUESTED CLAIM AMOUNT</u>		
<u>Total original principal value disbursed to the borrower for the loans claimed. Total Amount Disb/Repurchased</u>	•	
<u>Total amount of interest capitalized. Capitalized Int</u>	•	
<u>Total principal repaid on the borrower's account before and after entering repayment. Prin Repaid</u>	•	
<u>Total principal value of the borrower's debt which is used to compute the interest claimed. Prin Used For Int Claimed</u>	•	
<u>Amount of interest capitalized not eligible for claim payment. Cure Int Capitalized</u>	•	
<u>Total principal value of the claim. Prin Claimed</u>	•	
<u>Date through which interest was last paid. Int-Paid-Through Dt</u>	•	
<u>Amount of outstanding insured interest claimed and the date through which it was accrued. Int Claimed As Of</u>	•	

<u>Item Description-Field Name</u>	<u>Required¹</u>	<u>If Available²</u>
Amount of unpaid cure interest not capitalized- Unpaid Cure Int Not Capitalized	•	
Amount of any other insured costs incurred on the account- Other Charges Claimed	•	
<u>LENDER/SERVICER INFORMATION AND CERTIFICATION</u>		
Lender's six digit lender ID assigned by the Department and, as applicable, four digit non-Department suffix- Lender ID	•	
Servicer's six digit servicer ID assigned by the Department- Servicer ID	•	
Claim review status for which the institution currently qualifies (i.e., 1=Exceptional performer status, 2=standard review status, 3=Program review status)-	•	
Current servicer's name and address- Lender/Servicer Name	•	
Lender/Servicer Address	•	
Preparer's name and telephone number- Prepared By	•	
Preparer's #	•	
<u>COLLECTION HISTORY (THE 270-DAY PERIOD PRIOR TO DEFAULT DATE)</u>		
Borrower, endorser, and comaker collection activity codes and dates the activities were performed- Collection History	•	
<u>INCOME BASED REPAYMENT</u>		
Loan ID	• ⁵	
Standard-Standard \$	• ⁵	
Permanent-Standard \$	• ⁵	
25-Year Forgiveness Date Begin Dt	• ⁵	
# Qualifying Forgiveness Mnths	• ⁵	
IBR Start Dt	• ⁵	
# Days HRD Def	• ⁵	

¹ Refers to information the lender must provide on the Claim Form.

² Refers to information that the lender may or may not have. If the lender has the information, it must be provided on the Claim Form.

³ Refers to information that the lender must provide on the Claim Form for loans first disbursed on or after September 1, 1998. For loans first disbursed prior to September 1, 1998, if the lender has the information, it must be provided on the Claim Form.

⁴ Refers to information that the lender is required to provide on the Claim Form for claims filed for loans first disbursed on or after September 1, 2004.

⁵ Refers to information that the lender is not required to provide for BC, BH, or DI claims for which no first payment due date has been established; for parent PLUS loans or Consolidation loans that include a parent PLUS loan; or for claim types CS, DE, FC, ID, or IN.¹

¹ Policy 1169 (Batch 166), approved March 18, 2010

The guarantor may alter the original claim type to reflect the new status or may return the claim for additional information, if applicable.

If a lender receives information indicating that a borrower has filed a bankruptcy petition on the loan, the lender should follow the additional instructions outlined in [Subsection 13.8.A](#).

If a lender receives information indicating an unpaid refund, or information that the borrower may qualify as an eligible spouse or parent of a victim of the September 11, 2001, terrorist attacks, the lender should follow the additional instructions outlined in [Subsections 13.8.F and 13.8.H](#).¹

Filing Time Frames for Default Claims

A lender is strongly encouraged to file a default claim on or after the 300th day of delinquency and may not file a default claim before the 271st day of delinquency for loans with monthly installments. For a loan with installments due less frequently than monthly (e.g., quarterly), a lender is strongly encouraged to file a default claim on or after the 360th day of delinquency and may not file a default claim before the 331st day of delinquency.

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

A [lender](#) may attempt to [cure](#) a timely filing violation; if successful, the lender is entitled to resubmit the [claim](#) (see [Subsection 14.5.D](#)). However, the claim will be subject to an [interest](#) penalty, and the lender will be required to repay all [interest benefits](#) and [special allowance](#) payments for amounts received or otherwise payable after the 330th day of [delinquency](#).

13.6.B Ineligible Borrower Claims

A loan for which the borrower is ineligible due to the borrower's or student's error (see [Subsection 5.16.A](#)) is treated as a default if the borrower fails to repay the full

amount due within 30 days after the [final demand](#) letter is mailed.

[[§682.412\(e\)](#)]

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

[[§682.412\(e\)\(2\)](#)]

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

[[§682.412\(e\)\(1\)](#)]

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

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

13.7 Rehabilitation of Defaulted FFELP Loans

To be eligible to [rehabilitate](#) a defaulted FFELP loan, a borrower must enter into a rehabilitation agreement with the guarantor or a collection agency acting on its behalf. A borrower who receives loan funds for which he or she is ineligible due solely to his or her error may not rehabilitate the ineligible funds or otherwise have his or her Title IV eligibility reinstated until the ineligible funds are repaid in full. A borrower may not include in a rehabilitation agreement a loan on which a judgment has been obtained or a loan on which the borrower has been convicted of, or has pled *nolo contendere* or guilty to, a crime involving fraud in obtaining Title IV funds. A loan may be rehabilitated only once. Any loan included in a rehabilitation agreement on or after August 14, 2008, may not be included in a future rehabilitation agreement. A borrower may include in a rehabilitation agreement another defaulted loan that has not previously been rehabilitated on or after August 14, 2008. A defaulted Consolidation loan that includes a loan previously rehabilitated on or after August 14, 2008, is eligible for rehabilitation.

[[HEA §428F\(a\)\(5\)](#); [§682.405\(a\)\(1\)](#); [Federal Register dated October 29, 2009, p. 55979](#); [DCL GEN-08-12/FP-08-10](#)]²

¹ Policy 1156 (Batch 163), approved December 17, 2009

¹ Policy 1156 (Batch 163), approved December 17, 2009

² Policy 1173 (Batch 166), approved March 18, 2010

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

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

[HEA §428F(a)(1)(A); §682.405(a)(2)]

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

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

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 or any other holder of the loan that previously reported it as in a defaulted status must report to the national consumer reporting agency to which it reported the default status that such status is to be removed from the borrower's credit history, as the loan is now considered rehabilitated. Within 30 days of receiving notification of the rehabilitation from the guarantor, the prior holder of the loan must request that any consumer reporting agency to which the default status or other equivalent record was reported, remove the default status or other equivalent record from the borrower's credit history.

[HEA §428F(a)(1)(A); §682.405(a); §682.405(b)(3)(ii); DCL GEN-08-12/FP-08-10]¹

¹ Policy 1173 (Batch 166), approved March 18, 2010

discharged Consolidation loan, the lender must return to the sender any payments received by the lender after the date the guarantor paid the discharge claim and notify the borrower and any endorser that there is no further obligation to repay the loan(s).
[§682.407(c)(11)]

13.8.G Total and Permanent Disability

*Note: See Section 5.4 for more information about eligibility requirements that a borrower must meet in order for the borrower to receive a new loan after he or she has received a loan discharge due to total and permanent disability.*¹

A borrower is not eligible for discharge of a loan that has already been paid in full when the loan holder receives the borrower's total and permanent disability loan discharge request.²

A total and permanent disability discharge request based on a determination by the U.S. Department of Veterans Affairs (VA) has different eligibility criteria than one that is not based on a VA determination, as outlined below.

Discharge Requests Based on VA Determinations

A borrower is eligible for loan discharge due to total and permanent disability if the borrower provides documentation from the VA showing that the VA has determined the borrower to be unemployable due to a service-connected condition, and this documentation is acceptable to the U.S. Department of Education (the Department). The borrower is not required to provide additional documentation to support the discharge; however, the borrower is required to complete the appropriate sections of the Discharge Application: Total and Permanent Disability. If the lender believes the borrower qualifies for discharge based on its review of the VA disability documentation, the lender must forward the loan discharge application and VA documentation to the guarantor for review. If the guarantor determines that the borrower meets the criteria for discharge based on its review of the VA documentation, the guarantor must forward the VA documentation and the loan discharge application to the Department for determination of the borrower's eligibility for loan discharge. The borrower is not subject to the 3-year conditional period. If the Department grants a final discharge based on a VA determination, it will notify the loan holder of the

discharge. Any loan payments made after the effective date of the VA determination (that the borrower is unemployable due to a service-connected condition) are refunded to the borrower.

[HEA §437(a); DCL GEN-08-12/FP 08-10; Discharge Application: Total and Permanent Disability]

Discharge Requests Not Based on VA Determinations

If any party to a loan claims to be **totally and permanently disabled**, the lender must request that party to provide **certification** of the **disability** from a physician who is a doctor of medicine or osteopathy and is legally authorized to practice in a state. An eligible party includes any one of the following:

- A borrower.
- One of two comakers on a PLUS or Consolidation loan.
- An endorser, if the lender is pursuing collection activities against the endorser.

The borrower's, comaker's, or endorser's representative may provide the physician's certification if the borrower, comaker, or endorser is unable to do so. The borrower, comaker, or endorser, or his or her representative, must submit a completed Discharge Application: Total and Permanent Disability or other form(s) approved by the Department. The physician's certification must state that the borrower, comaker, or endorser is unable to work and earn money because of an injury or illness that is expected to continue indefinitely or result in death. The borrower must submit the 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 must submit the new application to the lender within 90 days of the physician's new certification.

[§682.402(c)]

Suspending Collection

If a lender receives information indicating that a borrower or one of two comakers on a PLUS or Consolidation loan has become **totally and permanently disabled**, the lender must continue collection activities until it receives the physician's certification—or until it receives a written request from the physician requesting additional time to determine whether the borrower or comaker is totally and permanently disabled. If the lender receives reliable

¹ Policy 1149 (Batch 162), approved November 19, 2009

² Policy 1181 (Batch 167), approved March 18, 2010

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 ~~qualifies is covered~~ under Section 207 of the [Servicemembers Civil Relief Act \(SCRA\)](#) and requests a lower interest rate in writing, the lender is required to reduce the interest rate on any loan that is accruing interest at a higher rate so that it does not charge the borrower an interest rate that does not exceeds 6% for the period of the borrower's military service occurring on or after August 14, 2008. The borrower must provide the lender with a copy of initial military orders and any orders that extend his or her military service not later than 180 days following the last date of the applicable period of military service. The Consolidation loan must have been made before the eligible borrower entered qualifying

military service. The loan is considered "made" for this purpose on the date that the Consolidation loan itself was disbursed, and not the dates on which the underlying loans were disbursed.

[[HEA §428\(d\)](#); [DCL GEN-08-12/FP-08-10](#); [Federal Register](#) dated July 23, 2009, p. 36565]

When the borrower's or comaker's period of military service ends, the lender is not permitted to assess any additional charge or fee to compensate for the difference between the applicable interest rate and the maximum permissible charges under the SCRA.

[[Federal Register](#) dated July 23, 2009, p. 36565]

For purposes of this provision, the maximum interest rate must take into consideration any amount of ~~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~~ each of the borrowers on a comade (spousal) Consolidation loan ~~qualifies as the an eligible~~ 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](#)]

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 the lower rate, 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\(a\)\(5\)](#)]

If a lender chooses to charge a lower interest rate, it ~~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 revocation of the lower interest rate at the point of default does not apply to an interest rate that is reduced as a result of the SCRA.¹ 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

¹ Policy 1171 (Batch 166), approved March 18, 2010

National Student Loan Data System (NSLDS):

A database comprised of information from guarantors, schools, lenders, and the Department of Education which contains information on Title IV aid received by students.

Need Analysis: A standardized assessment of the ability of a student or of a student's family to contribute toward educational expenses.

New Borrower: A borrower who has no outstanding balance on a FFELP loan at the time he or she signs a promissory note for a FFELP loan.

Nonsubsidized Loan: A loan that is not eligible for federal interest benefits. The borrower is responsible for paying the interest on the outstanding principal balance of a nonsubsidized loan throughout the life of the loan. During in-school, grace, and deferment periods, these interest payments are normally made on a monthly or quarterly basis, or are capitalized. *Nonsubsidized loans were guaranteed by some guarantors before the introduction of unsubsidized Stafford loans.*

Non-Term-Based Institution: A school that measures its academic year in credit or clock hours rather than academic terms (e.g., semesters, trimesters, or quarters).

Notification (as it relates to the Stafford MPN): A process by which the school, lender, or guarantor notifies the borrower of the proposed loan types and amounts. The borrower is required to take action only to reject or adjust the type or amount of the loan.

NSLDS: See [National Student Loan Data System \(NSLDS\)](#)

O

Official: The person at the guarantor with the responsibility for initiating an Action under the Limitation, Suspension, or Termination procedures outlined in [Chapter 18](#) of this Manual.

One-Academic-Year Training Program: A program that includes:

- At least 30 weeks of instructional time and 24 semester or trimester hours, or 36 quarter hours in a program using credit hours to measure academic progress.
- At least 26 weeks of instructional time and 900 clock hours of supervised training in a program using clock hours to measure academic progress.

- At least 26 weeks of instructional time and 900 clock hours in a correspondence program.

Opportunity Pool Loan: A private education loan made by a lender to a student (or the student's family) that involves a payment by the school of points, premiums, additional interest, or financial support to the lender for extending credit to the student (or the student's family).¹

Origination Fee: A fee charged to offset the cost of interest, special allowance, and reinsurance payments by the federal government on a FFELP loan. This fee, if charged to the borrower, may be subtracted from the borrower's loan proceeds. See [Section 7.9](#).

Out-of-School Date: The date the student ceases to be enrolled on at least a half-time basis at an eligible school.

Overaward: The Any amount of a student's total estimated financial assistance (excluding Pell grants)-need-based aid that exceeds the student's financial need, or the amount of the student's estimated financial assistance (EFA), including any need-based aid, that exceeds the student's COA. See [Section 8.6](#).²

P

Parent: For purposes of PLUS loan eligibility, a student's natural or adoptive mother, father, or the spouse of a parent who remarried if the spouse's income and assets would have been taken into account when calculating a dependent student's expected family contribution.

Parent PLUS Loan: A PLUS loan made to the parent of a dependent undergraduate student.

Partial Cancellation: Cancellation of a disbursement or a portion of a disbursement rather than of an entire loan.

Partial Financial Hardship (PFH): A borrower has a partial financial hardship if the annual payment amount, calculated under a standard repayment schedule and based on a 10-year repayment period on all eligible FFELP and Direct loans outstanding when the borrower initially entered repayment on each loan, exceeds 15% of the difference between the borrower's adjusted gross income and 150% of the U.S. Department of Health and Human Services poverty guideline applicable to the borrower's family size. Eligible FFELP and Direct loans include the outstanding balances on all loans except a defaulted loan, a FFELP or Direct parent PLUS loan, and a FFELP or Direct

¹ Policy 1176 (Batch 167), approved March 18, 2010

² Policy 1174 (Batch 166), approved March 18, 2010