

Summary of Changes Approved September through October 2010

This summary lists changes made since the 2010 Annual Update of the *Common Manual* was printed.

Change bars denote the latest policy changes, which were approved October 21, 2010.

Changes made before the 2010 Annual Update was printed are shown in Appendix H of the Manual.

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 4: School Participation			
4.1.A Establishing Eligibility	Permits the school that is required to make a good faith effort to distribute voter registration forms to comply with this requirement electronically.	Voter registration information distributed by a school on or after August 14, 2008.	1219/171
Chapter 6: School Certification			
6.5 Determining the Student's Cost of Attendance (COA)	Provides the definition of and explains how to determine current-year and prior-year charges for the purpose of determining if a school may pay minor, prior-year charges with current-year Title IV funds.	Prior-year charges paid by a school with current-year funds on or after September 8, 2009.	1213/170
Chapter 7: Loan Origination			
7.7.A Earliest Date for Disbursement	Deletes redundant and incomplete references to rules that a school must use in establishing a disbursement schedule from Manual text that addresses lender disbursement.	Upon approval by the <i>Common Manual</i> Governing Board.	1218/170
Chapter 8: Loan Delivery			
8.7.I Delivery Methods 8.8 Managing Credit Balances	Provides the definition of and explains how to determine current-year and prior-year charges for the purpose of determining if a school may pay minor, prior-year charges with current-year Title IV funds.	Prior-year charges paid by a school with current-year funds on or after September 8, 2009.	1213/170
8.9.C Return of Unearned Loan Funds	Clarifies that if a student drops to less-than-half-time status, but is still enrolled, the school does not perform a return of Title IV funds calculation and is not required to return a Stafford or PLUS loan disbursement the school previously delivered when the student was enrolled at least half time.	Students who drop to less-than-half-time enrollment on or after the publication date of DCL GEN-00-24.	1222/171
Chapter 10: Loan Servicing			
10.5.B PLUS and SLS Loan First Payment Due Date 10.5.D Revised Out-of-School Dates before Conversion to Repayment	States that the 30-day payment due date extension to comply with the repayment disclosure requirement is applicable to PLUS loans.	PLUS loans that enter or reenter repayment on or after July 1, 2010.	1214/170

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 11: Deferment and Forbearance			
11.1.I Establishing Repayment after Deferment	States that the 30-day payment due date extension to comply with the repayment disclosure requirement is applicable to PLUS loans.	PLUS loans that enter or reenter repayment on or after July 1, 2010.	1214/170
11.6.D Summer Bridge Extension			
11.20.J Establishing Repayment after Forbearance			
Chapter 15: Federal Consolidation Loans			
15.7 Interest Payment Rebate Fee	Provides a current address for mailing Consolidation loan rebate fees by check and a current process for remitting Consolidation loan rebate fees through the Automated Clearinghouse (ACH).	Effective for Consolidation loan rebate fee payments made by: <ul style="list-style-type: none"> Automated Clearinghouse (ACH) on or after September 9, 2007. Check on or after October 1, 2007 	1217/170
Chapter 16: Cohort Default Rates and Appeals			
16.1 Overview of Cohort Default Rates and Terminology	Removes the exemption for some historically black colleges and universities (HBCUs) and tribally controlled and Navajo community colleges from the loss of FFELP, FDLP, or Federal Pell Grant Program eligibility.	Official FY 2003 cohort default rates.	1220/171
16.4 School Official Cohort Default Rates, Adjustments, and Appeals			
16.4.B School Appeals			
Appendix G: Glossary			
Institution of Higher Education (Institution)	Revises the definition of an institution of higher education.	July 1, 2010.	1221/171
Institution-Affiliated Organization	Clarifies that an institution-affiliated organization does not include a lender with respect to any education loan that a lender secures, makes, or otherwise extends to the school's students or their families.	July 1, 2010.	1215/170

- The school will operate a drug abuse prevention program that is available to any officer, employee, or student of the school. [§668.14(c)(1)]
 - 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~~ must 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. ~~The schools are~~ is 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 requirement includes elections for a state's governor or other chief executive, or for federal office elections. A school may also comply with this requirement by electronically transmitting a message to the student that is devoted exclusively to voter registration and that contains either of the following:
 - = A voter registration form acceptable for use in the state in which the school is located.
 - = An Internet address where such a form can be downloaded.
 - The school will prepare a **teach-out plan** and submit it to the school's **accrediting agency** or association if any of the following occurs:
 - The Department initiates a **limitation, suspension, termination, or emergency action** (see **Section 18.1**).
 - The school's accrediting agency acts to withdraw, terminate, or suspend the accreditation or preaccreditation of the school.
 - The school's state licensing or authorizing agency revokes the school's license or legal authorization to provide an educational program.
 - The school intends to close a location that provides 100% of at least one program.
 - The school otherwise intends to cease operations.
- A school seeking to participate for the first time in the **FFELP** must use a **default** management plan approved by the Department for at least the first two years of its participation in the FFELP if the owner of the school owns or owned any other school that had a **cohort default rate** greater than 10%. [§668.14(b)(15)(A)]
 - A school seeking to participate for the first time in a Title IV program must not have a withdrawal rate during its latest completed **award year** that exceeds 33% of its regular, undergraduate students. The school must include in its withdrawal calculation every **regular student** who was enrolled during the latest completed award year except a student who during that period meets both of the following criteria.
 - The student withdrew, dropped out, or was expelled from school. [§668.16(1)(1)]
 - The student was entitled to receive and did receive—in a timely manner—a **refund** of 100% of the tuition and fees. [§668.16(1)(2)]
 - A FFELP-participating school undergoing a change of ownership that results in a **change in control** may be required to use a default management plan approved by the Department for at least the first two years following the change (see **Subsection 4.1.C** for more information). [§668.14(b)(15)(B); GEN-05-14]
 - The school will not impose any penalty—such as assessing late fees, denying access to classes, libraries, or other school facilities, or requiring the student to borrow additional **funds** for which **interest** or other charges are assessed—on any student because of the student's inability to meet his or her financial obligations to the school as a result of the **delayed disbursement** of **Title IV loan proceeds** due to compliance with statutory and regulatory requirements applicable to the Title IV programs, or delays attributable to the school. [§668.14(b)(21)]
 - The school will not provide any commission, bonus, or other incentive payment to a person or entity engaged in student recruitment or admission activities or in making decisions regarding the awarding of **Title IV**

¹ Policy 1219 (Batch 171), approved October 21, 2010

- Initiates an electronic transaction that informs the lender to adjust the borrower's loan account for the amount of returned funds.
- Issues a check for the returned funds. In this case, the school's records must show that the lender's bank endorsed the check within 45 days after the date the school becomes aware that the student will not, or has not, begun attendance.
[§668.21(d)]

8.9.C Return of Unearned Loan Funds

If the student registers but officially or unofficially withdraws, takes an unapproved [leave of absence](#), does not return from an approved leave of absence, or is expelled, the [school](#) must perform the return of Title IV funds calculation and return to the lender that portion of unearned Title IV funds for which the school is responsible and that is allocable to a [FFELP](#) loan. The funds must be returned no later than 45 days from the date the school determines that the student has withdrawn. In the case of an approved leave of absence, the funds must be returned to the lender within 45 days of the date the leave of absence ended or within 45 days of the date the student notified the school that he or she would not be returning, whichever is earlier. For more information on determining the date of withdrawal, see [Section 9.4](#).

If the student drops to less-than-half-time status, but is still enrolled, the school does not perform a return of Title IV funds calculation and is not required to return a Stafford or PLUS loan disbursement that the school delivered when the student was enrolled at least half time. ~~For more information on determining the date of withdrawal, see [Section 9.4](#).~~

[[HEA §484B\(b\)\(1\)](#); [DCL GEN-06-05](#); [§668.22\(j\)](#); [§668.22\(1\)\(3\)\(iii\)](#); [§682.607\(c\)](#); [DCL GEN-06-05](#); [DCL GEN-00-24](#); [09-10 FSA Handbook, Volume 5, Chapter 2, p. 5-75](#)]¹

8.9.D Return of Loan Funds for a Deceased Borrower

The [disbursement](#) or delivery of Stafford or PLUS loan funds after the date of a borrower's death or after the death of a student for whom a [parent](#) borrowed a PLUS loan is

prohibited. The school must return funds to the lender that were disbursed to the school after the borrower or [dependent student's](#) death.

Death of a Student Borrower

When a school determines that a student borrower died during the [payment period](#) or [period of enrollment](#), as applicable, the school must complete a [return of Title IV funds](#) calculation and return all Title IV funds for which it is responsible. The school must return to the lender all Stafford and [Grad PLUS](#) loan funds that were not delivered before the student borrower died. Any loan funds delivered after the date of the student's death must be returned to the lender. See [Section 9.4](#) for information about determining the student's [withdrawal date](#) and completing the [return of Title IV funds](#) calculation.
[[09-10 FSA Handbook, Volume 5, Chapter 2, p. 5-99](#)]

Death of a Parent Borrower

A school may not deliver [parent PLUS](#) loan funds after the date of the parent borrower's death even if the student is alive and otherwise eligible. The school must return to the lender all parent PLUS loan funds that were not delivered before the borrower died. If the school delivers a parent PLUS loan disbursement and subsequently learns that the parent borrower died prior to the date that the disbursement was delivered, the school must return the disbursement to the lender. See [Section 6.8](#) for information about correcting a FAFSA if the student's last remaining parent dies. See [Subsection 6.15.D](#) for information about certifying an [additional unsubsidized Stafford loan](#) for a student whose parent dies during the [loan period](#).

Death of a Student for Whom a Parent Borrows a PLUS Loan

A school may not deliver parent PLUS loan funds after the date of the death of a dependent student for whom a parent borrowed the parent PLUS loan. The school must return to the lender all parent PLUS loan funds that were not delivered before the dependent student died. If the school delivers a parent PLUS loan disbursement and subsequently learns that the dependent student for whom the parent borrowed the parent PLUS loan died prior to the date that the disbursement was delivered, the school must return the disbursement to the lender.

[[09-10 FSA Handbook, Volume 5, Chapter 2, p. 5-99](#)]

¹ Policy 1222 (Batch 171), approved October 21, 2010

Chapter 16 provides an overview of the annual **cohort default rates** calculated by the Department for schools, lenders, and holders participating in the FFELP. Section 16.1 includes an overview of the cohort default rate process and definitions applicable to cohort default rates. Sections 16.2 through 16.5 cover in more detail default rate calculations; the process by which schools can challenge a draft cohort default rate, request an adjustment to an official cohort default rate, or appeal an official cohort default rate; and the consequences of official cohort default rates. The last section of this chapter, Section 16.6, addresses FFELP cohort default rates and appeals for lenders and holders.

Unless otherwise noted, each reference in the Manual to the cohort default rate pertains to the FFELP cohort default rate or the **dual-program cohort default rate**, as applicable.

16.1 Overview of Cohort Default Rates and Terminology

FFELP cohort default rates—and a series of increasingly stringent school requirements and limitations based on those rates—were added to federal regulations in 1989. These provisions were introduced to reduce the overall default rate in the federal student loan programs. FFELP cohort default rates for lenders and loan holders were introduced in the 1992 Reauthorization of the Higher Education Act of 1965, as amended. In addition, default rate provisions were expanded in the **Omnibus Budget Reconciliation Act of 1993**. The dual-program cohort default rate was implemented July 1, 1996, for schools with borrowers entering repayment in both the FFELP and FDLP. (See Section 16.3)

A school with a low official cohort default rate may qualify for specific regulatory exemptions, such as more flexible **disbursement** requirements. A school with persistently or excessively high official cohort default rates may lose FFELP or FDLP eligibility and may also become ineligible to participate in the Federal **Pell Grant** Program.

~~Some historically black colleges and universities (HBCUs), and tribally controlled and Navajo community colleges, may qualify for an exemption from the loss of FFELP, FDLP, or Federal Pell Grant Program eligibility based on cohort default rates in excess of applicable thresholds. For more information on these exemptions, contact the Department's Default Management Division. (See Appendix D.)¹~~

A school may challenge its draft cohort default rate, and may, in some cases, appeal or request an adjustment to its official cohort default rate. Detailed parameters for challenges, appeals, and adjustment requests are defined in federal regulations (**subpart M of §668**) and the Department's *Cohort Default Rate Guide*, and are also outlined in Sections 15.3 and 15.4 of this Manual.

Cohort Default Rate Terminology

Following are terms used throughout this chapter, defined solely as they pertain to cohort default rates:

- **Cohort:** The group of borrowers who enter repayment during the fiscal year for which the rate is calculated which is used to determine the default rate. [§668.182(a)]
- **Cohort default rate notification:** The process by which the Department notifies a school of its draft and official cohort default rates. The Department notifies a school of its cohort default rates as follows:
 - The Department uses an electronic cohort default rate (eCDR) process through the Student Aid Internet Gateway (SAIG) to notify a domestic school of its cohort default rates. All domestic schools must designate a SAIG destination point that will receive the school's eCDR notification packages. The designation of the eCDR destination point must be conducted through the SAIG enrollment process.
 - The Department notifies a **foreign school** of its cohort default rates via mail. Starting with the official FY 2008 cohort default rate cycle in September 2010, the Department will exclusively transmit the CDR notification electronically. [*Cohort Default Rate Guide; Federal Student Aid Newsletter; FY 2008 Draft Cohort Default Rate*, dated February 2010]
- **Days:** For all cohort default rate rules, days mean calendar days. [§668.182(c)]
- **Default:** A FFELP borrower is considered “in default” if the borrower defaults on a loan for which the **claim** is paid by the **guarantor** before the end of the fiscal year following the fiscal year in which the borrower entered repayment on the loan. For an FDLP borrower, default is defined under the parameters of that program. If a borrower defaults on a Federal Consolidation loan

¹ Policy 1220 (Batch 171), approved October 21, 2010

official cohort default rate is published, even if that rate exceeds the applicable regulatory threshold for participation in those programs. However, the successful challenge will not exempt the school from any other loss of eligibility.

[§668.185(c)(4) and (5)]

If the Department determines that the school qualifies for continued FFELP, FDLP, or Federal Pell Grant Program eligibility based on its PRI challenge, it will notify the school of that determination prior to the publication of official cohort default rates. A successful challenge that is based on the draft cohort default rate does not preclude the school from any other loss of eligibility.

[§668.185(c)(4) and (5)]

A detailed explanation of the structure and content of a valid challenge is included in the Department's *Cohort Default Rate Guide*. Schools should carefully note the time frames and criteria prescribed.

16.4 School Official Cohort Default Rates, Adjustments, and Appeals

Each year, approximately six months after the release of the draft cohort default rate and prior to September 30, the Department electronically notifies each school of its official cohort default rate through the eCDR notification package. A loan record detail report (LRDR) is included in the eCDR package if the school has one or more borrowers entering repayment or is subject to sanctions, or if the Department believes the school will have an official cohort default rate calculated as an average rate. Following notification, the Department publishes a list of official cohort default rates for all participating schools. The timeline for submitting a challenge, adjustment, or appeal begins on the sixth business day following the successful transmission date of the eCDR package as posted on the Department's Website, and lasts for 45 days. If a school reports a problem with the receipt of the eCDR package within 5 business days following the transmission and the Department agrees that the problem was not caused by the school, then the timeline for challenge, adjustment, or appeals is extended for that school to account for retransmission of the eCDR notification package once the technical problem is resolved. The school's 45-day timeline for submitting a challenge, adjustment, or appeal begins with the school's receipt of the eCDR package. If the school does not notify the Department of a transmission problem within the 5 business days following the transmission date of the eCDR package, the Department does not extend the timeline for submitting a challenge, adjustment, or appeal.

[§668.186; §668.205]

What Official Rates Mean for Schools

If the school's official cohort default rate is excessively high (most recent rate exceeds 40%), the school may lose eligibility to participate in the FFELP or FDLP. If the school's official cohort default rates are persistently high (three most recent rates equal or exceed 25%), the school may lose its eligibility to participate in the FFELP, the FDLP, and the Federal Pell Grant Program.

[§668.187(a)(1)]

In addition, schools with an official cohort default rate of 25% or more in the three most recent fiscal years for which rates are available may be subject to provisional certification of the school's Title IV program participation.

[§668.16(m); §668.187(a)(2)]

~~For HBCUs and tribally controlled and Navajo community colleges, high official cohort default rates may also result in requirements for additional default reduction measures.~~

~~[§668.187(d); §668.198(a)]¹~~

Low official cohort default rates may qualify the school for exemption from selected disbursement requirements (see Subsection 7.7.B).

Responding to Rates: Adjustment or Appeal?

A school's eligibility to appeal or request an adjustment to its official cohort default rate depends on the default rate and the type of adjustment or appeal the school is considering, as follows:

- Any school may request a new data adjustment to its official cohort default rate (see Subsection 16.4.A). [§668.191]
- Any school that successfully challenged the accuracy of the data in the loan record detail report supporting its draft cohort default rate may submit an uncorrected data adjustment request covering any approved changes that are not reflected in the school's official cohort default rate. [§668.190]
- Any school may submit an appeal based on improper loan servicing or collection. [§668.193]
- A school that is subject to loss of FFELP, FDLP, or Federal Pell Grant Program eligibility or provisional certification because of its cohort default rate may

¹ Policy 1220 (Batch 171), approved October 21, 2010

appeal the official cohort default rate based on erroneous data.

[§668.192]

- For all types of appeals, a school may appeal its official cohort default rate only if the school would be subject to a loss of FFELP, FDLP, or Federal Pell Grant Program eligibility based on that rate.

16.4.A School Requests for Adjustment

Two options are available for a school to request an adjustment of its official [cohort default rate](#):

• **Uncorrected Data Adjustment**

The uncorrected data adjustment is used to identify and correct data that has been included in the published, official cohort default rate. The school may submit this type of adjustment request if it had, during the “draft” phase, submitted a timely challenge regarding data included in its draft cohort default rate and the guarantor agreed that the changes were necessary, but the revised data is not included in the official cohort default rate. The school must submit the uncorrected data adjustment request to the Department within 30 days after receiving the [loan record detail report](#). If the Department determines that incorrect data was used to calculate the cohort default rate, it will recalculate the cohort default rate based on the correct data and electronically correct the rate that is publicly released. Additional instructions for this adjustment process are detailed in the *Cohort Default Rate Guide* and federal regulations.

[§668.190; *Cohort Default Rate Guide*]

• **New Data Adjustment**

A school may request a new data adjustment if the loan data reported to the [National Student Loan Data System \(NSLDS\)](#) is changed during the period between the calculation of the draft [cohort default rate](#) and the official rate, and if the school believes that the new, modified, or excluded data is inaccurate. However, the school may not submit the adjustment request to the Department if the [guarantor](#) does not concur that the data is inaccurate. The school must submit the new data adjustment request to the guarantor, with a copy to the Department (unless the disputed loans have been assigned to the Department), within 15 days after receiving the loan record detail report. If the Department determines that incorrect data was used to calculate the cohort default rate, it will

recalculate the cohort default rate based on the correct data and electronically correct the rate that is publicly released. Additional steps for this adjustment process are detailed in the *Cohort Default Rate Guide* and federal regulations.

[§668.191; *Cohort Default Rate Guide*]

16.4.B School Appeals

Appeal criteria, procedures, and time frames are explained in federal regulations and the *Cohort Default Rate Guide*. Depending on circumstances, a school may appeal for one or more of the following reasons:

- Erroneous data.
- Improper loan servicing or collection.
- Economically disadvantaged population.
- Participation rate index.
- Average rates.
- Thirty or fewer borrowers entering repayment in the three most recent cohort periods.
- ~~HBCU or tribally controlled or Navajo community college exemption.~~
[§668.198; HEA §435(a)(2)(C)]¹

Appeals must be initiated and submitted within strict time frames and must include specific information in formats prescribed by federal regulation. Each appeal type is subject to different requirements.

[§668.189; Appendix A to Subpart M of Part 668; *Cohort Default Rate Guide*]

Erroneous Data Appeals

Generally, a school that is initially subject to provisional certification or loss of FFELP, FDLP, or Federal Pell Grant Program eligibility due to high official cohort default rates may appeal a cohort default rate based on erroneous data for any of the years used to make that determination. A school subject to continued loss of eligibility may appeal

¹ Policy 1220 (Batch 171), approved October 21, 2010

Income-Sensitive Repayment Schedule: A repayment schedule for some FFELP loans under which the borrower's monthly payment amount is adjusted annually, based solely on the borrower's expected total monthly gross income received from employment and other sources during the course of the repayment period.

Independent Student: A student who meets one or more of the criteria listed on the Free Application for Federal Student Aid (FAFSA) that classify a student as independent for Title IV purposes. A student also may be classified as independent if a financial aid administrator determines and documents that the student is independent based on his or her professional judgment of the student's unusual circumstances. See [Section 6.8](#) for additional information regarding the determination of a student's dependency status.

Ineligible Borrower: A borrower who does not meet federal eligibility criteria for a Federal Stafford loan or, in the case of a parent borrower, a Federal PLUS loan. See [Subsection 5.1.A](#) for specific eligibility criteria, and [Subsections 12.4.F](#) and [13.6.B](#) for more information.

In-School Period: The time during which a student is enrolled on at least a half-time basis at a participating school. See [Section 10.2](#).

Institution of Higher Education (Institution): A school that:

- Is located in a state (see [State](#)).
[[§600.4\(a\)\(1\)](#)]
- Admits as a regular student only a person who ~~has~~ meets any one of the following conditions:
 - Has a certificate of graduation from a secondary school or a recognized equivalent. ~~or~~
[[HEA §101\(a\)\(1\)](#); [§600.4\(a\)\(2\)\(i\)](#) and [\(ii\)](#)]
 - = Is beyond the age of compulsory school attendance in the state in which the school is physically located and has demonstrated the ability to benefit (see [Ability-to-Benefit \(ATB\)](#)) from the school's education or training program.
[[HEA §101\(b\)\(2\)\(A\)](#); [§600.4\(a\)\(2\)\(iii\)](#)]
 - = Has completed a secondary school education in a home school setting that is treated as a home school or private school under state law.
[[HEA §101\(a\)\(1\)](#)]

- = Will be dually or concurrently enrolled in the institution and a secondary school. However, a school must not award Title IV aid for postsecondary enrollment to a student who is concurrently enrolled in a secondary school (see [Section 5.11](#)).
[[HEA §101\(b\)\(2\)\(B\)](#)]

- Is legally authorized in each state in which it is physically located to provide, a program of education beyond secondary school.
[[HEA §101\(a\)\(2\)](#); [§600.4\(a\)\(3\)](#)]

- ~~and provides within that state, a~~ Provides any one of the following:

- = A program of postsecondary education that awards an associate, bachelor's, graduate, or professional degree; or provides a program of not less than two years in length that is acceptable for full credit toward such a degree; or provides.
[[HEA §101\(a\)\(3\)](#); [§600.4\(a\)\(4\)\(i\)\(A\)](#) and [\(B\)](#)]

- = At a public or other nonprofit school, a training program of at least one academic year that leads to a certificate, degree, or other recognized credential and prepares students for gainful employment in a recognized occupation.
[[HEA §101\(a\)\(4\)](#) and [\(b\)\(1\)](#); [§600.4\(a\)\(4\)\(i\)\(C\)](#)]

- = At a school that does not offer a bachelor's degree or a two-year degree, a program that leads to a degree that is acceptable for admission to a graduate or professional degree program, subject to review and approval by the Department.
[[HEA §101\(a\)\(3\)](#); [DCL GEN-08-12](#)]

- Is a public or other nonprofit school and is accredited by a nationally recognized accrediting agency or association approved by the ~~U.S. Department of Education~~ for this purpose, or if not so accredited, is a school that the Department determines will meet the accreditation standards of such an agency or association within a reasonable period of time.
[[HEA §101\(a\)\(4\)](#) and [\(5\)](#); [§600.4\(a\)\(5\)\(i\)](#)]¹

See [Participating School](#) and [School](#).

¹ Policy 1221 (Batch 171), approved October 21, 2010