

Summary of Changes Approved September 2010

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

The policy changes listed below were approved September 16, 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 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
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
Chapter 11: Deferment and Forbearance			
11.1.I Establishing Repayment after Deferment 11.6.D Summer Bridge Extension 11.20.J Establishing Repayment after Forbearance	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
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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Appendix G: Glossary			
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

6.5 Determining the Student's Cost of Attendance (COA)

In order for a school to certify a borrower's Stafford or PLUS loan, it must determine the loan amount the borrower is eligible to receive. The first factor in this determination is the student's **cost of attendance (COA)**. A student's COA for a **loan period** includes tuition and fees applicable to the student's attendance. The COA also must include the school's estimate of other expenses reasonably related to attendance at that school, including origination and **guarantee fees** associated with each Stafford or PLUS loan for which the student or **parent borrower** is applying. The COA must include only those costs already incurred, or expected to be incurred, by the student over the course of the loan period. It may not include outstanding charges or fees from a previous **period of enrollment**.

If a school requires the student to pay the tuition and fees for an entire program at the time of initial enrollment in the program, and that program of study is greater than an academic year in length, the school must include these total charges in the COA for the first academic year. The cost of attendance for any subsequent academic year must not include any program costs that are assessed at the beginning of the program.

[DCL GEN-09-11; 09-10 FSA Handbook, Volume 4, Chapter 1, pp. 4-11 to 4-14]¹

A tuition and fee charge may be included in the COA only if that charge is actually made to the student and is paid by or on behalf of the student, including payments made by some form of federal student aid. To determine if a charge should be used for **Title IV** purposes, determine if the student would be required to pay the charge if it were not paid by another source. The school's audit trail must show that actual funds were used to pay all tuition and fee charges. The amount due may not be "written off." If a waiver of tuition and fees is treated as a payment of tuition and fees actually charged to the student by the school, the payment would be considered to be a financial aid resource and the COA calculation would include the full amount of tuition and fees.

[DCL GEN-00-24; 09-10 FSA Handbook, Volume 3, Chapter 2, pp. 3-36 to 3-39]

In addition, the COA does not include the costs satisfied by state financial assistance if the state specifies that the funds must be used to pay a specific component of the student's

COA, and the state funds were excluded from the student's **estimated financial assistance (EFA)**.

[DCL GEN-06-05]

6.5.A COA Components

A student's COA for a **loan period** is comprised of the following, as applicable:

- Tuition and fee charges normally assessed a student with the same academic workload—including costs for the rental or purchase of equipment, materials, or supplies required of all students in the same course of study.
- A room and board allowance, as follows:
 - For a student without dependents who lives at home with parents, the school determines the allowance.
 - For a student without dependents who lives in institutionally owned or operated housing, the school determines a standard allowance based on the amount normally assessed most residents for such housing.
 - For all other students, the school must include an allowance based on reasonably incurred expenses for room and board.
- An allowance for books, supplies, transportation, and miscellaneous personal expenses, as determined by the school. A reasonable amount for the documented rental or purchase of a personal computer may be included as part of this allowance.
- For an **independent student** with one or more dependents, an allowance for dependent care. This allowance is based on the estimated expenses incurred (during periods that include class time, study time, field work, internships, and commuting time for the student) based on the number and age of the dependents—not to exceed the reasonable cost in the community for the type of care provided.
- For a student **enrolled** in a program that requires professional licensure or certification, the school has the option of including the one-time cost of obtaining the first professional credential, as determined by the

¹ Policy 1213 (Batch 170), approved September 16, 2010

disclosure and initial the corrections, or generate a corrected notice. Some lenders use the guarantee disclosure to fulfill certain requirements of an initial borrower disclosure.

- ▲ Lenders may contact individual guarantors for more information on guarantee disclosure processing. See [Section 1.5](#) for contact information.

7.7 Disbursing the Loan

Disbursement is the transfer of **loan proceeds** by the **lender** to a **borrower**, **school**, or **escrow agent**. Disbursement may be accomplished by **checks** for individual borrowers, by **master checks** containing loan proceeds for more than one borrower, or by **electronic funds transfer (EFT)**. [[§682.200\(b\) definition of disbursement](#)]

The lender must disburse loans in compliance with federal requirements for the origination of FFELP loans (see [Subsection 7.1.A](#)). In addition, the lender must comply with information certified by the school on the disbursement schedule and, unless the lender has a separate agreement with the guarantor to disburse funds prior to the issuance of a **guarantee** (see [Subsection 3.3.B](#)), the lender must comply with information supplied by the guarantor on the guarantee disclosure.

The following loans or portions of loans will not be insured by the **guarantor**:

- The amount disbursed that exceeds the amount on the **guarantee disclosure**.
- The amount disbursed under an individual agreement with a guarantor (i.e., blanket **guarantee**) that exceeds the amount for which the borrower is eligible, if the lender knew or had reason to know that the borrower did not qualify for the loan or some part of the loan. (See [Subsection 5.16.C](#) for information regarding ineligibility due to lender error.)
- The amount that is disbursed prior to the scheduled **disbursement date** certified by the school on the disbursement schedule or any revised disbursement date that the school, or the guarantor acting on behalf of the school, subsequently requests. Some guarantors may allow **reinstatement** of the loan guarantee under the individual guarantor's policy. The lender should contact the guarantor if this condition occurs.

A lender that disburses **loan proceeds** through an **escrow agent** must make funds available to the escrow agent no earlier than 10 days prior to the date of the scheduled disbursement to the school or borrower and must require the escrow agent to disburse loan proceeds no later than 10 days after receiving the proceeds from the lender. [[HEA §428\(i\)\(1\)](#); [§682.207\(b\)\(1\)\(iv\)](#)]

Neither a lender nor a school may:

- Obtain a borrower's power of attorney or other authorization to endorse or otherwise approve the cashing of a loan check, or the delivery of funds disbursed by EFT.
- Use a document containing the borrower's power of attorney to support another party's endorsement or other method used to approve the cashing of a loan check, or the delivery of loan funds disbursed through EFT. [[§682.207\(b\)\(3\)](#)]

See [Subsection 7.7.E](#) for acceptable uses of power of attorney applicable to students **enrolled** in study-abroad programs.

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

7.7.A Earliest Date for Disbursement

A lender or its disbursing agent must not disburse a Stafford or PLUS loan before obtaining a valid **Master Promissory Note (MPN)**, a disbursement schedule provided by the **school**, and, except with the guarantor's prior approval, a **guarantee disclosure** from the guarantor.

The lender must disburse the loan according to the original schedule provided by the school, or any modifications the school makes to that schedule. If a lender cannot comply with the scheduled dates (for example, the date for the first disbursement has elapsed when the lender receives the **guarantee disclosure**), the lender may disburse the proceeds on the earliest possible date after the **disbursement date** requested by the school. The lender may not, under any circumstances, disburse proceeds *earlier* than the school's scheduled dates. For more information on how a school schedules disbursement dates, see [Section 6.4](#). For more information about the earliest dates that loan funds may be disbursed and delivered, see [Figure 8-4](#). [[§682.207](#)]¹

¹ Policy 1218 (Batch 170), approved September 16, 2010

Rules That Schools Use in Establishing a Disbursement Schedule

Although schools are responsible for establishing a disbursement schedule that provides for disbursements to be made on a payment period basis, lenders should be aware that federal regulations prohibit the making of a loan's first disbursement earlier than:

- 13 days before the first day of the first payment period for a loan disbursed by EFT or master check.
- 30 days before the first day of the first payment period for a loan disbursed by individual check.
- The 28th day of the first payment period if the student is a first year undergraduate, first time borrower and the school is subject to the delayed delivery provisions for such students, and the loan is disbursed by EFT or master check.

See Figure 8-4 for information on the earliest dates that loan funds may be disbursed and delivered.

- The first day of the first payment period if the student is subject to the delayed delivery provisions and the loan is disbursed by individual check.

If the loan period for a Stafford or PLUS loan consists of one payment period, and the school is required to schedule multiple disbursements (see Subsection 7.7.B), the school must schedule the second or subsequent disbursement so that the disbursement is delivered no earlier than the calendar midpoint between the first and last scheduled days of class of the loan period.

If the loan period for a Stafford or PLUS loan consists of more than one payment period, the earliest date on which a second or subsequent disbursement may be made is:

- 13 days before the first day of any subsequent payment period for a loan disbursed by EFT or master check.
- 30 days before the first day of any subsequent payment period for a loan disbursed by individual check.

[§668.167(a); §682.207(b)(1)(iii)]¹

For more information on scheduling disbursements and payment periods, see Sections 6.4 and 6.3.

7.7.B Multiple Disbursement

Federal regulations require that a lender disburse each Stafford and PLUS loan according to the disbursement schedule provided by the school (see Section 6.4). If the school is required to schedule loan disbursement in two or more installments, no installment may exceed one half of the loan amount. If the date on which a disbursement would be made is on or after the earliest date that the subsequent disbursements could be made, the disbursement amount may be the sum of all disbursements scheduled by the school through that date.

[§682.207(c); DCL GEN-90-33]

Exceptions to Multiple Disbursement Requirements

A Stafford or PLUS loan may be made in a single disbursement in the following cases:

- The loan is made for a period of enrollment that is not more than one semester, trimester, or quarter, or, for a school without standard terms, not more than 4 months, if the school's cohort default rate for each of the three most recent fiscal years for which information is available is less than 10%.
[HEA §428G(a)(3); §682.604(c)(8)(i)]
- The loan is made to a student enrolled in a study-abroad program, if the eligible school at which the student will receive course credit for the study-abroad program has a cohort default rate of less than 5% for the most recent fiscal year for which information is available.
[§682.604(c)(8)(ii)]

A school must cease to certify loans based upon these exceptions no later than 30 days after the date it receives notice from the Department of a cohort default rate that causes the school to no longer meet the necessary qualifications.

[§682.603(h)(1)(i)]

¹ Policy 1218 (Batch 170), approved September 16, 2010

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

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

8.7.1 Delivery Methods

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

- Crediting the proceeds to the student's account at the school. [§668.164(d)]
- Paying the student or parent borrower directly.

Crediting the Student's Account

A school may credit a student's account with Title IV funds to satisfy the following charges without obtaining the student or parent borrower's authorization:

- Current-year or minor, prior-year charges for tuition and fees. [§668.164(d)(1)(i); §668.164(d)(2)(i)]
- Current-year or minor, prior-year charges for room and/or board, if the student contracts with the school for room and/or board. [§668.164(d)(1)(ii) and (iii); §668.164(d)(2)(i)]

After obtaining written authorization from the student, or the parent borrower in the case of a parent PLUS loan, a school may credit a student's account with Title IV funds to pay the following charges:

- Additional current-year charges incurred for educationally related activities other than tuition, fees, room, and board. [§668.164(d)(1)(iv)]
- Minor, prior-year charges incurred for educationally related activities other than tuition, fees, room, and board. [§668.164(d)(2)(ii)]

Allocating Charges to the Current and Prior Years Limitation on Payment of Minor, Prior Year Charges with Current Year Title IV Funds

The sum of all minor, prior-year charges for tuition, fees, room, board, and other authorized charges—~~with the student's or parent borrower's authorization—~~ educationally related activities that are paid with Title IV funds from the current year must not exceed \$200. [§668.164(d)(2)]

For the purpose of determining whether a school may pay minor, prior-year charges with Title IV funds from the current year, the costs of education and other services that a school provides to a student are associated with the "year" for which they are provided.

If a student's financial aid package includes a FFELP or Direct loan, the "year" is the loan period. "Current-year" charges are defined as charges for tuition, fees, room, board, and other authorized charges the school assessed for the current loan period. "Prior-year" charges are defined as those charges assessed for any loan period that precedes the current loan period.

If the student's financial aid package does not have a FFELP or Direct loan, the "year" is the award year, and costs for the current year are defined as charges for education and other services provided during the current award year.

If the student's program of study is more than one academic year in length and the school charges the total costs of that program of study at the beginning of the program, then the school must apportion the program's total charges to each applicable "year" (i.e., each loan period or award year, as appropriate) to determine what, if any, minor, prior-year charges may be paid with current-year Title IV funds.¹

¹ Policy 1213 (Batch 170), approved September 16, 2010

The school must allocate charges to each year or portion of a year based on the education and other services the school provides to the student during the period of time associated with each year or portion of a year. This apportionment determines the amount of charges applicable to the current and prior years. Charges for books, equipment, supplies, or other materials could be allocated on a pro rata basis, or alternatively, could be allocated to the period in which the school requires the student to purchase them. The school must also use the portion of the program’s total charges that it allocates to each “year” for the purpose of determining whether the student has a credit balance of Title IV funds (see Section 8.8).

The allocation of charges for the purposes of paying minor prior-year charges and determining when a credit balance has been created on the student’s account does not modify the calculation of cost of attendance for determining a student’s aid package, nor does it modify the return of Title IV funds calculation. For more information on calculating the cost of attendance, see Section 6.5. For more information on the treatment of institutional costs in the return of Title IV funds calculation, see Subsection 9.5.A. [§668.164(d)(2) and (e); DCL GEN-09-11; 09-10 FSA Handbook, Volume 4, Chapter 1, pp. 4-11 to 4-14]¹

For more information on required authorizations, see Section 8.3.

Direct Delivery to a Borrower

The school may choose to use any of the following methods to pay the student or parent borrower directly:

- Issuing a [check](#) or other instrument to the [borrower](#) that requires endorsement or [certification](#). The school may issue a check by releasing or mailing it to the borrower or by notifying the student that it is available for immediate pickup at a specified location at the school. [§668.164(c)(1)(ii)]
- Releasing or mailing to the borrower a check that has been provided by a lender. [§668.164(c)(1)(i)]
- Initiating an [electronic funds transfer \(EFT\)](#) to a bank account designated by the student or [parent borrower](#). The bank account must be insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF). [§668.164(c)(1)(iii), (2), and (3)]

- Issuing a stored-value card to the student, in which case the school must obtain authorization from the student or [parent borrower](#), as applicable. If a bank account underlies a stored-value card, the bank account must be insured by the FDIC or the NCUSIF. [§668.164(c)(2) and (3)]
- Dispensing cash for which a school obtains a signed receipt from the student or parent borrower. [§668.164(c)(1)(iv)]

To help prevent fraud, the school is encouraged to verify the student’s identity by requiring at least one form of identification with a photograph before delivering the loan proceeds directly to the student. See [Subsection 8.8.B](#) for information regarding the requirements for paying a borrower by issuing a check or stored-value card, or by EFT to a designated bank account. See [Subsection 8.9.A](#) for information regarding the return requirements when a direct delivery attempt fails.

8.8 Managing Credit Balances

A credit balance is created when a school credits Title IV funds to a student’s school account and the total amount of funds credited to the account exceeds the amount of tuition and fees, contracted room and board, and other authorized charges allocated to the current loan period or award year, as appropriate that the school assessed the student. See [Section 8.3](#) for information about required authorizations, ~~and~~ See [Subsection 8.7.I](#) for a description of what constitutes authorized charges and allocating charges to the current year. [§668.164(e); DCL GEN-09-11; 09-10 FSA Handbook, Volume 4, Chapter 1, pp. 4-11 to 4-14]²

8.8.A Timeframes for Paying Credit Balances

Any time the delivery of Title IV funds creates a credit balance, the school must pay the final credit balance directly to the student or [parent borrower](#) as soon as possible, but no later than 14 days after one of the following:

- The first day of the [payment period](#) if the credit balance occurs on or before the first day of the payment period. [§668.164(e)(2)]

¹ Policy 1213 (Batch 170), approved September 16, 2010

² Policy 1213 (Batch 170), approved September 16, 2010

- 75 days after the date the lender learns that the borrower's loan has entered repayment without the lender's knowledge (late notification that the borrower ceased at least half-time enrollment).

In each case, the preceding time frames may be extended for up to 30 days if an extension is necessary for the lender to comply with the requirement that a repayment disclosure be sent to the borrower no less than 30 days before the first payment is due.

[§682.205(c)(1); §682.209(a)(3); §682, Appendix D]

10.5.B PLUS and SLS Loan First Payment Due Date

The first payment due date for a PLUS or SLS loan must be no later than:

- 60 days after the date the loan is fully disbursed.
- 60 days after the last day of a deferment or forbearance period, unless the borrower makes a prepayment during this period that advances the due date (see Subsection 10.11.D).
- 60 days after the last day of a post-deferment grace period, unless the borrower makes a prepayment during this period that advances the due date (see Subsection 10.11.B).
- In the case of a late notification, 75 days after the date the lender learns the student withdrew from school before the loan was fully disbursed—or, in the case of a loan for which the borrower previously qualified for deferment, 75 days after the date the lender is notified that the borrower no longer qualifies for that deferment.

In each case, the preceding time frames may be extended for up to 30 days on a PLUS or SLS loan if an extension is necessary for the lender to comply with the requirement that a repayment notification-disclosure be sent to the borrower no less than 30 days before the first payment is due. ~~This extension is not applicable to PLUS loans.~~

[HEA §433(b); §682.209(a)(2) and (3); DCL 96-G-287/96-L-186 Q&A #17-#19]¹

10.5.C Aligning First Payment Due Dates for Stafford and SLS Loans

The first payment due date for aligned repayment of Stafford and SLS loans must be no later than:

- 60 days after the beginning of the repayment period on the Stafford loan.
- 60 days after the last day of a deferment or forbearance period.
- In the case of a late notification, 75 days after the date the lender learns the borrower's loan has entered the repayment period without the lender's knowledge (late notification that the borrower ceased at least half-time enrollment).

In each case, the preceding time frames may be extended for up to 30 days if an extension is necessary for the lender to comply with the requirement that a repayment notification be sent to the borrower no less than 30 days before the first payment is due.

[HEA §433(b); §682.209(a)(2) and (3); DCL 96-G-287/96-L-186 Q&A #17-#19]

10.5.D Revised Out-of-School Dates before Conversion to Repayment

A lender may learn after the fact that a student ceased attendance or dropped to less-than-half-time enrollment. In such cases of late notification, the lender must consistently convert these loans to repayment in a timely manner. [§682.209; §682.411(b); §682, Appendix D]

Stafford Loans

An adjustment must be made if a Stafford loan is not yet in repayment at the time a lender receives a new out-of-school date that places the loan into an immediate repayment status. The lender must convert the loan to repayment based on the new information within 60 days after receiving the notice. The lender must establish a first payment due date that is no later than 75 days from the date on which it received the new information. The lender must send the borrower a coupon book, billing notice, or other correspondence establishing the new first payment due date and amount. In some cases, regulations permit the lender up to an additional 30 days in which to establish a payment due date in cases where the extension is necessary for the lender

¹ Policy 1214 (Batch 170), approved September 16, 2010

to comply with the requirements that a repayment disclosure be sent to the borrower no less than 30 days before the first payment is due (see [Section 10.5](#)).

The accrued [interest](#) on the borrower's loan from the actual [grace period](#) end date to the new first payment due date may be capitalized and disclosed to the borrower. A repayment disclosure must be sent to the borrower reflecting the adjusted due date, payment amounts, and revised [principal balance](#), if applicable.

[§682.209(a)(3); §682, Appendix D]

If the [lender](#) has already sent a repayment disclosure to the [borrower](#), the lender may send a notice of the change in repayment terms to the borrower reflecting the adjusted due date, payment amounts, and any revised [principal balance](#).

PLUS and SLS Loans

If the lender receives late notification that an SLS loan borrower, a [Grad PLUS loan](#) borrower, or a [dependent student](#) for whom a [parent PLUS loan](#) was obtained has ceased enrollment on at least a half-time basis before the lender's projected [deferment](#) end date—or the date the loan is fully disbursed, in the case of a multiply disbursed loan—the lender must:

- Correct the deferment end date on the loan to reflect the actual date on which the student was last [enrolled](#) at least half time.
- Cancel remaining disbursements, as applicable, and notify the [guarantor](#) that those [funds](#) will not be disbursed.
- Reschedule the borrower's first payment due date to a date that is no more than 60 days after the new deferment end date or no more than 75 days after the date on which the lender received the late notification, whichever is later. The preceding time frames may be extended for up to 30 days if an extension is necessary for the lender to comply with the requirement that a repayment disclosure be sent to the borrower no less than 30 days before the first payment is due.¹
- Apply an [administrative forbearance](#) for the period from the actual (new) deferment end date to the new first payment due date.
- Send a repayment disclosure to the borrower within 60 days after receiving the late notification. If the lender has already sent a repayment disclosure to the

borrower, the lender may send a notice of the change in repayment terms to the borrower reflecting the adjusted due date, payment amounts, and revised [principal balance](#), if applicable.

The unpaid [interest](#) that accrued on the borrower's loan from the actual deferment end date up to the new first payment due date may be capitalized.

10.5.E Revised Out-of-School Dates after Conversion to Repayment

If a Stafford loan is already in repayment when the lender receives a new [out-of-school date](#) that results in a change of the date the lender used to convert the loan to repayment, the borrower's loan(s) must be adjusted. For example, the lender may need to reapply payments received, adjust previous interest and [special allowance](#) billings, and revise repayment terms. The lender must calculate a new [repayment start date](#) and, if necessary, a new first payment due date to coincide with the new out-of-school date.

Later Out-of-School Date

If the new out-of-school date shows that the borrower withdrew *later* than was originally reported, and the borrower's loan should still be in its [grace](#) or [in-school period](#) based on the new out-of-school date, the lender must correct the loan's status and later return the loan to repayment following the expiration of the new (actual) grace period.

If the loan is in repayment and is delinquent at the time the updated information is received, the establishment of a new first payment due date may reduce or eliminate the [delinquency](#) on the loan. The lender must recalculate the number of days delinquent from the new (actual) first payment due date and perform the appropriate [due diligence](#) activities based on the adjusted delinquency status. The lender must adjust interest and special allowance billings, revise the borrower's repayment terms to support the new information, and report the new information to the guarantor.

EXAMPLE

A borrower has a subsidized Stafford loan. The borrower's old graduation date was June 2001 with a 6-month grace period ending in December 2001. The first payment due date was established as February 1, 2002. The borrower made two timely payments for February and March, but the April payment is delinquent. The lender received new

¹ Policy 1214 (Batch 170), approved September 16, 2010

If a [claim](#) has been filed on the loan, the lender may be required to [recall](#) or [repurchase](#) the claim, as appropriate (see [Subsection 13.2.B](#) and [Section 13.5](#), respectively).
[§682.210(a)(8)]

11.1.H Post-Deferment Grace Period

If any of a borrower's loans were first disbursed before October 1, 1981, the borrower is entitled to defer principal payments during a 6-month [post-deferment grace period](#) on those loans. The post-deferment grace period begins on the first day after an authorized [deferment](#) ends (when the borrower's deferment eligibility or the maximum time limit for the deferment expires). The post-deferment grace period expires on the day that is 6 consecutive months from the date it began. The [repayment period](#) of the loan resumes or begins on the day after the post-deferment grace period expires.

[§682.210(a)(2)(i)]

An [eligible borrower](#) may receive a post-deferment grace period after each deferment period or combination of periods—except after unemployment deferments. A borrower may receive a post-deferment grace period only once following a period of unemployment deferment. The borrower may waive in writing any or all of his or her post-deferment grace. That post-deferment grace may not be used later.

[§682.210(a)(2)(i)]

A borrower that is eligible for [interest benefits](#) during a period of deferment is eligible for that subsidy during the post-deferment grace period.

[§682.210(a)(3)]

A lender may encounter a situation in which some—but not all—of a borrower's loans qualify for the post-deferment grace period. If the borrower does not waive the post-deferment grace period on the eligible loans, or if the loans will not enter repayment at the same time for other reasons (such as different [repayment start dates](#)), the lender may grant [forbearance](#) to align the repayment start dates of the loans. The borrower must authorize the forbearance in writing, which is accomplished when the borrower signs any new common deferment form.

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

11.1.I Establishing Repayment after Deferment

A borrower's first payment after deferment must be due no later than 60 days—plus the permissible 30-day extension in the case of a Stafford, [PLUS](#), or SLS loan, as outlined in [Subsections 10.5.A](#) and [10.5.C](#)—after the date on which an authorized deferment period ends, unless the borrower makes payments during the deferment period. For information on payments made during deferment, see [Subsection 10.11.D](#).¹

A lender may grant an [administrative forbearance](#) to resolve any [delinquency](#) that exists before a borrower's deferment period begins or that remains after the borrower's deferment period ends. If the lender grants an administrative forbearance, the loan should enter repayment after the deferment or administrative forbearance period with a next payment due no later than 60 days after the deferment or administrative forbearance period end date. For information on deferment of delinquent loans, see [Subsection 11.1.F](#). For information on granting an administrative forbearance for a period of delinquency before or after a deferment, see [Subsections 11.21.G](#) and [11.21.H](#).

The borrower must be notified of [interest](#) capitalized as a result of the deferment, including the new [principal balance](#) and any other repayment term changes (such as a new monthly payment amount) that result from the [capitalization](#). The lender may develop its own format for disclosing the information or use the [guarantor's repayment schedule](#) and disclosure statement.

[§682.202(b)(6)]

11.1.J Disclosure When Granting a Deferment on Unsubsidized Stafford or PLUS Loan

Before or at the time a lender grants a deferment on an unsubsidized Stafford or PLUS loan, a lender must provide general information, including an example, to the borrower to assist the borrower in understanding the impact of the [capitalization](#) of interest on the loan principal and the total amount of interest to be paid over the life of the loan.
[HEA §428(b)(1)(Y)(iii)]

The lender must also notify the borrower of the option to pay the accruing interest or cancel the deferment and continue to make payments on the loan.

[§682.210(a)(3)(ii)]

¹ Policy 1214 (Batch 170), approved September 16, 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, [PLUS](#), or SLS loan, *if applicable*, as outlined in [Subsections 10.5.A](#) and [10.5.C](#)—after the end of the summer bridge extension.¹

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 lender must, unless otherwise notified by the borrower, defer 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.

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 1214 (Batch 170), approved September 16, 2010

- The obligation to repay the loan.
- The outstanding balance of principal and interest on the loan.
- That interest will accrue on the loan for the entire [forbearance](#) period.
- The amount of interest accrued since the last forbearance notice 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.
- 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, PLUS, or SLS 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.¹

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 1214 (Batch 170), approved September 16, 2010

Submitting the Fee

A holder may send its monthly Consolidation loan rebate fee payment to the Department electronically using the Automated Clearinghouse (ACH). The holder may remit payments electronically through Federal Student Aid's Financial Management System using the Pay.gov functionality, and including the FFEL Consolidation Loan Rebate Fee Report and Remittance Form.

[Financial Management System FFEL Lender Reporting System Pay.gov Funds Remittance Guide, Version 3.2, dated September 22, 2008]

Alternatively, a A-holder may remit its monthly fee by a-check payable to the "U.S. Department of Education," with the notation "Consolidation loan fee." Checks-The check and the FFEL Consolidation Loan Rebate Fee Report and Remittance Form should be mailed to:

U.S. Department of Education
P.O. Box 979066-371584
St. Louis, MO 63197-9000Pittsburgh, PA 15251-7584

[Financial Management System FFEL Lender Reporting System Pay.gov Funds Remittance Guide, Version 3.2, dated September 22, 2008]

Alternatively, a holder may send its fee to the Department electronically, using the Automated Clearinghouse (ACH). Payments by ACH should be transmitted to:

Mellon Bank
RTN# 0430-0026-1
ACCT# 9116165

The holder should include with its payment a cover letter identifying the holder's name, the holder's lender identification number (LID), the month to which the fees apply, and the amount of unpaid principal and interest on which the fee was calculated.

Payments must be received within 30 days of the end of the month for which the fee is calculated. For example, fees for the month of February must be submitted by March 30.

[HEA §428C(f); DCL 93-G-248; DCL FP-07-11]¹

¹ Policy 1217 (Batch 170), approved September 16, 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](#)).
- Admits as a regular student only a person who has a certificate of graduation from a secondary school or a recognized equivalent or 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.
- Is legally authorized in each state in which it is physically located to provide, and provides within that state, 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 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.

- 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.

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

Institution-Affiliated Organization: Any organization directly or indirectly related to a school that is engaged in the practice of recommending, promoting, or endorsing education loans for students attending that school or their families. Such an organization may include an alumni organization; athletic organization; foundation; or social, academic, or professional organization of a school. An institution-affiliated organization does not include a lender with respect to any education loan the lender secures, makes, or otherwise extends to the school's students or their families.¹

Institutional Student Information Record (ISIR): The electronic output record provided to the school by the Department's Central Processing System that includes information provided by the student on the Free Application for Federal Student Aid (FAFSA). The ISIR also contains the student's expected family contribution (EFC) and the results of federal database matches. The paper version that is sent to the student is called a Student Aid Report (SAR).

Insurance Premium: See [Federal Default Fee](#) and [Guarantee Fee](#)

Intensive Collection Activities (ICA): A series of collection activities performed within an abbreviated time frame. Performance of the activities within the time frames prescribed reestablishes the guarantee on loans on which the lender's noncompliance with due diligence requirements has resulted in the cancellation of the guarantee. See [Section 14.6](#).

Interest: The charge made to a borrower for use of a lender's money. Past and present applicable interest rates for FFELP loans are included in [Section 7.4](#).

Interest Benefits: See [Federal Interest Benefits](#)

¹ Policy 1215 (Batch 170), approved September 16, 2010