

Summary of Changes Approved September 2011

This summary lists changes made since the 2011 Annual Update of the *Common Manual*. Changes listed below were approved September 15, 2011. Changes made before the 2011 Annual Update are noted in Appendix H.

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 6: School Certification			
6.4.A Multiple Disbursements and Low Cohort Default Rate Exemptions	States that for a loan first disbursed on or after October 1, 2011, a school is exempt from delayed delivery of Stafford loans and, under certain conditions, multiple disbursement of Stafford and PLUS loans if the school's official cohort default rate is less than 15% for each of the three most recent fiscal years from which data are available.	For the multiple disbursement exemption, loan disbursements made on or after October 1, 2011. For the delayed delivery exemption, Stafford loans first disbursed on or after October 1, 2011.	1249/179
6.7 Determining the Amount of Estimated Financial Assistance (EFA)	Deletes references to ACG and National SMART grants in Manual text that discusses a school's responsibility for determining a student's eligibility for federal student aid, including a transfer student. Also aligns the Manual with existing regulations, which state that a school must also determine the amount of a student's scheduled TEACH grant award for the award year for which a TEACH grant is requested and the amount of any TEACH grant funds already delivered to the student for the award year.	For deletion of the reference to the Academic Competitiveness Grant Program and National SMART Grant Program, the 2011-2012 award year. For insertion of a reference to the TEACH Grant Program, July 1, 2008.	1250/179
Chapter 7: Loan Origination			
7.7.B Multiple Disbursement	States that for a loan first disbursed on or after October 1, 2011, a school is exempt from delayed delivery of Stafford loans and, under certain conditions, multiple disbursement of Stafford and PLUS loans if the school's official cohort default rate is less than 15% for each of the three most recent fiscal years from which data are available.	For the multiple disbursement exemption, loan disbursements made on or after October 1, 2011. For the delayed delivery exemption, Stafford loans first disbursed on or after October 1, 2011.	1249/179
Chapter 8: Loan Delivery			
8.7.D Delayed Delivery	States that for a loan first disbursed on or after October 1, 2011, a school is exempt from delayed delivery of Stafford loans and, under certain conditions, multiple disbursement of Stafford and PLUS loans if the school's official cohort default rate is less than 15% for each of the three most recent fiscal years from which data are available.	For the multiple disbursement exemption, loan disbursements made on or after October 1, 2011. For the delayed delivery exemption, Stafford loans first disbursed on or after October 1, 2011.	1249/179

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
8.7.H Delivery to Transfer Students	<p>Deletes references to ACG and National SMART grants in Manual text that discusses a school's responsibility for determining a student's eligibility for federal student aid, including a transfer student.</p> <p>Also aligns the Manual with existing regulations, which state that a school must also determine the amount of a student's scheduled TEACH grant award for the award year for which a TEACH grant is requested and the amount of any TEACH grant funds already delivered to the student for the award year.</p>	<p>For deletion of the reference to the Academic Competitiveness Grant Program and National SMART Grant Program, the 2011-2012 award year.</p> <p>For insertion of a reference to the TEACH Grant Program, July 1, 2008.</p>	1250/179
Chapter 13: Claim Filing, Discharge, and Forgiveness			
13.1.G Additional Documentation Requested by the Guarantor	<p>States that a lender must allow a guarantor or the Department access to the lender's records for inspection and copying to verify the accuracy of the information provided by the lender in the claim request, to verify the right of the lender to receive or retain claim payments, to investigate a borrower's dispute, or to enforce any right acquired by the guarantor or the Department.</p>	Retroactive to the implementation of the <i>Common Manual</i> .	1251/179

schedule disbursement dates that comply with applicable delivery requirements. For more information on delivery requirements, see [Section 8.7](#).

The requirement that disbursements be made on a payment-period basis (see [Section 6.3](#) for information regarding payment periods) does not eliminate any applicable multiple disbursement requirement (see [Subsection 6.4.A](#)) for a school to deliver [loan proceeds](#) in substantially equal installments, with no installment exceeding one half of the loan amount. See [Subsection 6.4.A](#) for information about multiple disbursement and [Section 8.7](#) for information about proportional disbursement and special delivery requirements for programs with nonstandard terms. [[§682.604\(c\)\(6\)](#) and [\(7\)](#)]

6.4.A Multiple Disbursements and Low Cohort Default Rate Exemptions

The school must establish a [disbursement](#) schedule that ensures that a Stafford or PLUS loan is disbursed in two or more installments, regardless of the loan amount. A school may deliver a Stafford or PLUS loan in a single installment only in the following cases:

- For a loan disbursement made on or after October 1, 2011, ~~the~~ school has a [cohort default rate](#) of less than ~~10%~~15% for each of the three most recent fiscal years for which data are available, and any one of the following conditions applies:
 - The loan is certified for a [period of enrollment](#) that is not more than one semester, trimester, or quarter.
 - In a nonstandard term-based program with terms that are substantially equal and at least 9 weeks of instructional time in length ([SE9W](#)), the loan is certified for a period of enrollment that is not more than one nonstandard term. However, a school must schedule at least two disbursements of a loan made for a single, nonstandard term that is [SE9W](#), but that is more than 4 months in length.
 - In a nonstandard term-based program with terms that are not [SE9W](#) - i.e., the terms are not substantially equal or each term is not at least 9 weeks of instructional time in length - or in a non-term-based program, the loan is certified for a period of enrollment that is not more than 4 months.

[~~HEA §428G(a)(3)(4); §682.604(c)(8)(i); §685.301(b)(6)(i)(A)(2)(ii); 10-11 FSA Handbook, Volume 3, Chapter 1, p. 3-18~~]¹

- The loan is certified to a student [enrolled](#) in a study-abroad program, and the school at which the student will receive course credit for the study-abroad program has an official [cohort default rate](#) that is less than 5% for the most recent fiscal year for which data are available. [[HEA §428G\(e\)](#); [§682.604\(c\)\(8\)\(ii\)](#)]

A school may begin certifying loans based on these exemptions when it receives from the Department its official cohort default rate notification letter (see [Section 16.1](#)) or notification of a successful adjustment or appeal. A school must cease to certify loans based upon these exemptions no later than 30 days after the date it receives notification from the Department of an official cohort default rate that causes the school to no longer meet the necessary qualifications for an exemption. [[§682.603\(i\)\(2\)](#); *Cohort Default Rate Guide*]

6.4.B When Disbursements May Be Scheduled

For a Stafford loan disbursed by [EFT](#) or [master check](#), the earliest date for which a first disbursement may be scheduled is:

- 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 [delayed delivery](#) provisions for such students. [[§668.167\(a\)\(1\)\(i\)](#)]
- 13 days before the first day of the first payment period for all other borrowers, including first-year undergraduate first-time borrowers at schools not subject to delayed delivery. [[§668.167\(a\)\(1\)\(ii\)](#)]

For a Stafford loan disbursed by individual [check](#), the earliest date for which a first [disbursement](#) may be scheduled is:

- The first day of the first [payment period](#) if the student is a first-year undergraduate, first-time borrower and the school is subject to [delayed delivery](#) provisions for such students. [[§668.167\(a\)\(2\)\(i\)](#)]

¹ Policy 1249 (Batch 179), approved September 15, 2011

Change to EFC

If the EFC used in certifying a FFELP loan changes as a result of the [verification](#) process, the school must make the necessary corrections and any resulting adjustments to the borrower's loan eligibility. No tolerance is permitted on a FFELP loan when determining whether a loan should be decreased. The school is responsible for eliminating any [overaward](#) resulting from corrections necessitated by the verification process (see [Section 8.6](#)).
[§668.59(c)(1)]

6.6.B Use of Professional Judgment to Determine EFC

A [financial aid administrator \(FAA\)](#) is permitted to increase or decrease a student's [expected family contribution \(EFC\)](#) based on extenuating circumstances. In adjusting the EFC, the FAA must adjust a specific data element within the calculation. Alterations must be documented in the student's file.

In determining whether a student has extenuating circumstances, an FAA may request and use additional information concerning the financial status or personal circumstances of a student or the student's family.
[HEA §479A; DCL GEN-92-21; 11-12 FSA Handbook, Application and Verification Guide, Chapter 5, pp. AVG-103 to AVG-104]

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

6.7 Determining the Amount of Estimated Financial Assistance (EFA)

As part of the loan certification process, the school must determine the [estimated financial assistance \(EFA\)](#) the student may receive from other sources. To determine the amount and type of FFELP loan funds for which a borrower is eligible, the [school](#) must deduct from the student's [cost of attendance \(COA\)](#) any other types of financial assistance the student has received, or will receive, during the [loan period](#).
[HEA §471]

A student's EFA includes all aid the student—or a [parent](#) on behalf of a [dependent student](#)—will receive for the loan period from federal, [state](#), institutional, or other sources. Examples of aid that must be included in the EFA are scholarships, grants, [financial need](#)-based employment income, and loans—including, but not limited to:

- National service education awards or postservice benefits paid under Title I of the National and Community Service Act of 1990 ([AmeriCorps](#)). When determining eligibility for a subsidized Stafford loan, these benefits are excluded from the EFA, as noted later in the section.
[§682.200(b)(1)(i)]
- Reserve Officer Training Corps (ROTC) scholarships and subsistence allowances awarded under [Chapter 2 of Title 10](#) and Chapter 2 of [Title 37 of the U. S. Code](#).
[§682.200(b)(1)(ii)]
- Educational benefits paid because of enrollment in a postsecondary education institution, or to cover postsecondary education expenses.
[§682.200(b)(1)(iii)]
- Fellowships or assistantships, except non-need-based employment portions of such awards.
[§682.200(b)(1)(iv)]
- Insurance programs for the student's education.
[§682.200(b)(1)(v)]
- The estimated amount of other federal student aid—including, but not limited to, Federal [Pell grant](#), ~~Academic Competitiveness grant~~, ~~National SMART grant~~, [TEACH grant](#), and campus-based aid. The gross amount (including fees) of any subsidized Stafford, unsubsidized Stafford, or PLUS loan is also included, except as noted below.
[HEA §480(j); §682.200(b)(1)(vi)]¹

¹ Policy 1250 (Batch 179), approved September 15, 2011

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 lender may make 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 data are~~ available is less than 10%.

[HEA §428G(a)(3); §682.604(c)(8)(i)(A) and (B)(1)]¹

- 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)]

7.7.C Disbursement by Individual Check

A Stafford loan disbursed by an individual check must be made payable to the student or made copayable to the student and the school. A PLUS loan disbursed by an individual check must be made copayable to the borrower and the school. The lender must provide both the borrower's and student's names for parent PLUS loans. The lender also must provide sufficient identifying information on the individual check to ensure that the school may efficiently match the check to the appropriate student. Such information may include the borrower's and/or student's Social Security number; a student identifier assigned by the school or lender, and communicated to the other party; or other reliable identifying information. The lender must send an individual check for a Stafford or PLUS loan borrower directly to the school, except in the case of a student enrolled at an eligible foreign school (see Subsection 7.7.E).

[§682.207(b)(1)(ii)(A); §682.207(b)(1)(v)(B)(2) and (3)]

The personal endorsement of or other written certification by the borrower is required for Stafford and PLUS loan disbursement checks to be cashed or deposited in a borrower's account at a financial institution. A check made copayable to the borrower and school must be endorsed by both the borrower and the school. See Subsection 7.7.E for acceptable uses of power of attorney applicable to students enrolled in study-abroad programs.

In lieu of a personal endorsement, the school may present the loan check to a financial institution for deposit in a borrower's account pursuant to the borrower's written authorization. This practice constitutes endorsement and does not violate the prohibition against the school or any person associated with the school having the borrower's power of attorney. When a Stafford or PLUS loan borrower provides the school with written authorization to deposit loan proceeds into the borrower's personal bank account, the school must retain documentation in the student's file that the authorization was obtained.

[§682.207(b)]

¹ Policy 1249 (Batch 179), approved September 15, 2011

- Aid that has not yet been awarded to a student at least 10 days before the start of classes because the student missed a financial aid deadline date.
- Aid to a student who had not completed the [verification](#) process, had an unresolved “C” code on the [SAR](#) and [ISIR](#), or had unresolved conflicting information, 10 days prior to the [payment period](#).
[§668.164(i)]

The school must make a single method available to eligible students and may provide an alternative method by which a student may obtain necessary books and supplies if the student opts out of the school’s preferred method. A school has several options for providing its students with a method to obtain the necessary books and supplies, for example, cash or check; stored-value card or bookstore voucher; or, a short-term loan.

When two eligible schools have a consortium agreement, the payment period of the school that pays the funds dictates the timing of the student’s ability to obtain the necessary books and supplies. If the “home” school pays the funds, then the student must be able to purchase the necessary books and supplies by the seventh day of the payment period of the home school; if the “host” school pays the funds, then the student must be able to purchase the necessary books and supplies by the seventh day of the payment period at the host school.

Although this is a requirement for Pell grant-eligible students, a school may use the same process to make funds for necessary books and supplies available to all of its Title IV-eligible students.
[§668.164(i); *Federal Register* dated October 29, 2010, pp. 66929-66931]

8.7.D Delayed Delivery

Unless a school qualifies for an exemption (see the following paragraphs), the school must not deliver the first [disbursement](#) of a Stafford loan to a first-year [undergraduate student](#) who is a first-time borrower (that is, an undergraduate student who is [enrolled](#) in the first year of a [program of study](#) and who has not previously received a Stafford [FFELP or Direct] or SLS loan) until the student completes the first 30 days of his or her program of study. Delivery includes crediting proceeds to the student’s

account as well as delivering proceeds directly to the student. Before the delivery of proceeds, the school must confirm the student’s eligibility.

Note: A school must provide certain Pell grant-eligible students with Title IV credit balance funds to obtain or purchase necessary books and supplies. For this purpose, a school may not consider a first disbursement of Stafford loan funds as funds for which the student would have been eligible 10 days prior to the start of the payment period if the student is subject to the federal 30-day delayed delivery provisions.

[HEA §428G(b)(1); §668.164(f)(3); §668.164(i); §682.604(c)(5)]

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

Low Cohort Default Rate Exemptions

A school is not required to delay the delivery of the first disbursement of a Stafford loan [made](#) to a first-year undergraduate student who is a first-time borrower in the following cases:

- [For a loan first disbursed on or after October 1, 2011](#), ~~if~~ the school’s official [cohort default rate](#) is less than ~~10%~~ [15%](#) for each of the three most recent fiscal years for which data are available.
[HEA §428G(b)(1)(2); §685.303(b)(4)(i)(A)(2)]¹
- The school at which a student will receive course credit in a study-abroad program has an official [cohort default rate](#) that is less than 5% for the most recent fiscal year for which data are available.

A school may begin certifying loans based on these exemptions when it receives from the Department its official cohort default rate notification letter (see [Section 16.1](#)), or notification of a successful adjustment or appeal. The school must cease certifying loans based upon these exemptions no later than 30 days after the date it receives notification from the Department of an official [cohort default rate](#) that causes the school to no longer meet the necessary qualifications for an exemption.

[HEA §428G(b)(1) and (e); §682.603(i)(2); §682.604(c)(5); *Cohort Default Rate Guide*]

¹ Policy 1249 (Batch 179), approved September 15, 2011

attending determines, from information obtained through the [National Student Loan Data System \(NSLDS\)](#) or its successor system, all of the following:

- The student is not in [default](#) on any Title IV program loan.
[§668.19(a)(1)]
- The student does not owe an overpayment on any Title IV program grant or [Federal Perkins loan](#).
[§668.19(a)(2)]
- For the [award year](#) for which a Federal [Pell grant](#), ~~an Academic Competitiveness grant (ACG), and/or a National SMART grant~~ or a [TEACH grant](#) is requested, the student's scheduled Federal Pell grant, ~~ACG, and/or National SMART or TEACH grant~~ award and the amount of any Pell grant, ~~ACG, and/or National SMART or TEACH grant~~ funds already delivered to the student.
[§668.19(a)(3)]¹
- The outstanding [principal balance](#) of loans made to the student under each of the Title IV loan programs.
[§668.19(a)(4)]
- 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

The sum of all minor, prior-year charges for tuition, fees, room, board, and other authorized charges that are paid with Title IV funds from the current year must not exceed \$200.

¹ Policy 1250 (Batch 179), approved September 15, 2011

13.1.G Additional Documentation Requested by the Guarantor

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

- The guarantor requests additional information due to the [subrogation](#) of the loan.
- The borrower disputes the default determination, the loan amount, or other lender account information. [[§682.414\(c\)\(2\)](#)]
- The school disputes its [cohort default rate](#).

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

- A record of the lender's disbursement of Stafford and/or PLUS loan proceeds to the school for delivery to the borrower.
- If the promissory note was signed electronically, the name and location of the entity in possession of the original electronically signed promissory note. [[§682.409\(c\)\(4\)\(vii\) and \(viii\)](#)]
- Any document in the lender's records that the guarantor or the Department determines necessary to verify the accuracy of the information provided by the lender in the claim request, to verify the right of the lender to receive or retain claim payments, to investigate a borrower's dispute, or to enforce any right acquired by the guarantor or the Department. [[§682.414\(c\)\(2\)](#)]¹

▲ Lenders may contact individual guarantors or see [Appendix C](#) for more information on when the additional documentation is required.

13.2 Claim Returns

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

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

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

- 90 days for a [default](#), total and permanent disability – regular, or closed school claim.
- 45 days for a [total and permanent disability – VA](#) claim.
 - The guarantor must, within 45 days after receiving a total and permanent disability – VA claim from the lender, determine if the documentation is complete.
- 45 days for a [bankruptcy](#) claim, a death claim, or an unpaid refund discharge.
- 120 days for a false certification claim (90 days to determine the loan's eligibility for discharge, and another 30 days to authorize payment of the claim or return it to the lender). [[§682.402\(d\)\(6\)\(ii\)\(G\)\(2\)](#); [§682.402\(e\)\(6\)\(iv\) and \(e\)\(7\)](#); [§682.402\(h\)\(1\)\(i\)](#); [§682.402\(h\)\(1\)\(v\)\(A\)](#); [§682.406\(a\)\(8\)](#)]

¹ Policy 1251 (Batch 179), approved September 15, 2011