

Summary of Changes Approved through April 2012

This summary lists changes made since the 2011 Annual Update of the *Common Manual*.
 Change bars denote the latest policy changes, which were approved March 15, 2012, and April 19, 2012.
 Changes made before the 2011 Annual Update are noted in Appendix H.

Common Manual Section	Description of Change	Effective Date/Triggering Event	Policy/Batch
Chapter 2: About the FFELP			
2.3.B U.S. Department of Education Publications	Incorporates a definition of “proprietary institution” and “postsecondary vocational institution.” Manual text has been revised to use these terms consistently, as applicable, and to ensure the accurate use of existing, defined terms such as “institution of higher education” and “school.” Additional corrections of the same nature will be accomplished through the technical editing process.	Retroactive to the implementation of the <i>Common Manual</i> , except that provisions regarding a postsecondary program for students with intellectual disabilities are effective July 1, 2010.	1262/184
2.3.C Common Forms	Clarifies that if a borrower requests a military service deferment or a post-active duty student deferment form (MIL), the lender should make available to the borrower the appropriate common deferment form.	Requests for military service deferment or post-active duty student deferment form received on or after October 1, 2007.	1257/181
Chapter 4: School Participation			
4.1 School Eligibility 4.1.A Establishing Eligibility 4.1.C Maintaining Eligibility 4.1.D Loss of Eligibility	Incorporates a definition of “proprietary institution” and “postsecondary vocational institution.” Manual text has been revised to use these terms consistently, as applicable, and to ensure the accurate use of existing, defined terms such as “institution of higher education” and “school.” Additional corrections of the same nature will be accomplished through the technical editing process.	Retroactive to the implementation of the <i>Common Manual</i> , except that provisions regarding a postsecondary program for students with intellectual disabilities are effective July 1, 2010.	1262/184
4.1.C Maintaining Eligibility	Adds information about debt measures for gainful employment programs.	Gainful employment program debt measures implemented by a school on and after July 1, 2012.	1264/186
4.1.C Maintaining Eligibility	Adds information about gainful employment debt warnings and sanctions.	§668.7(h) through (l); §668.26(d)(1) and (3); <i>Federal Register</i> published on June 13, 2011.	1265/186

Common Manual Section	Description of Change	Effective Date/Triggering Event	Policy/Batch
4.2 Administrative Capability Standards	<p>Provides information on the transition from the two-year cohort default rate to a three-year cohort default rate. Beginning in calendar year 2012 with the publication of the official 2009 three-year cohort default rate, a school with a single-year cohort default rate of 30% or greater will be required to establish a default prevention task force to prepare and submit a plan to the Department that identifies factors, establishes steps to improve the default rate, and specifies actions that can improve repayment rates. A school with a three-year cohort default rate of 30% or greater for two consecutive years must revise its plan to implement additional measures and also may be subject to provisional certification.</p> <p>As a part of a school's administrative capability standards, in order to maintain eligibility, the school's official CDR must be:</p> <ul style="list-style-type: none"> • No more than 40% for the most recent fiscal year for which cohort default rates have been issued. • Less than 25% for each of the three most recent fiscal years for which two-year cohort default rates have been issued. • As of 2014, less than 30% for at least two of the three most recent fiscal years for which three-year cohort default rates have been issued. • No more than 15% for Perkins Loans. <p>Also a school may challenge a draft three-year cohort default rate on the basis of its participation rate index (PRI), as follows:</p> <ul style="list-style-type: none"> • Challenge an anticipated loss of eligibility based on a three-year cohort default rate that exceeds 40%, if the school's PRI for that fiscal year was less than or equal to 0.06015. • Challenge an anticipated loss of eligibility based on three consecutive three-year cohort default rates of at least 30% but no more than 40%, if the school's PRI for any of the three years was less than or equal to 0.0625. • Challenge a potential provisional certification based on three-year cohort default rates of at least 30% but no more than 40% in two of the three most recent years, if the school's PRI for either of the two years was less than or equal to 0.0625. 	Expansion of the cohort default period from a two-year period to a three-year period beginning with fiscal year 2009.	1263/185
4.4.A Preferred Lender Arrangements and Lists	Removes reference to the PLUS loan auction pilot program.	Upon approval by the <i>Common Manual</i> Governing Board.	1255/181
Chapter 5: Borrower Eligibility			
5.1.B Student Eligibility Requirements	Clarifies that some states issue a secondary school completion credential to home-schooled students. If this is the case in the state in which the student was home schooled, the student must obtain this credential in order to qualify for Title IV aid. If a school's policy permits students to self-certify completion of a secondary school education, the home-schooled student may also self-certify that he or she received this state-issued credential.	<p>Publication date of the 02-03 FSA Handbook, Volume 1.</p> <p>For provisions that permit a home-schooled student to self-certify that he or she received a state-issued secondary school completion credential for home-schooled students, publication date of the 03-04 FSA Handbook, Volume 1.</p>	1266/186

Common Manual Section	Description of Change	Effective Date/Triggering Event	Policy/Batch
5.1.B Student Eligibility Requirements 5.1.C Graduate or Professional Student and Parent PLUS Loan Borrower Eligibility Requirements	Eliminates this exception to the FAFSA completion requirement. All students must complete the FAFSA, even if the only Title IV aid for which they will apply is the parent PLUS loan.	Parent PLUS loans obtained for the 2011-2012 award year.	1256/181
5.1.B Student Eligibility Requirements 5.10 Required High School Diploma or Equivalent 5.11 Ability-to-Benefit Provisions 5.11.A Testing ATB Students with Special Needs 5.11.B School Liability in ATB Testing	Strikes language from the <i>Common Manual</i> that pertains to a borrower obtaining Title IV eligibility by any means other than a high school diploma or its equivalent.	Students first enrolled in a program of study on or after July 1, 2012, who do not have a high school diploma or its equivalent.	1267/186
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
6.6.A Performing Verification Requirements	Notates that the Department will publish annually a potentially changing set of data elements that are subject to verification each award year, and that it may revise applicable verification documentation requirements. Also notates that schools may choose to originate Title IV aid prior to the completion of verification, but prohibits the disbursements of subsidized funds prior to the completion of verification and more clearly states that borrowers who are eligible to receive only unsubsidized Stafford and/or PLUS Loan funds are not subject to verification requirements. Revised verification exemptions are listed.	<i>Federal Register</i> published October 29, 2010, pp. 66954 - 66958; <i>Dear Colleague Letter</i> (DCL) GEN-11-13.	1268/186
6.6.B Use of Professional Judgment to Determine EFC	Requires the school to complete any federally-mandated professional judgment before exercising professional judgment.	Preamble to the <i>Federal Register</i> published October 29, 2010, p. 66903.	1269/186
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

Common Manual Section	Description of Change	Effective Date/Triggering Event	Policy/Batch
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
8.7.G Delivery to Borrowers in Special Circumstances	Clarifies the applicability of the modular rules to both term-based and non-term-based and clock hour programs of study. Clarifies that for a term-based program offered in modules, if the student withdraws and misses only a portion of a module or modules during a term, but re-enters within that period of enrollment or payment period, the school is not required to recalculate the student's award based on the student's attendance in only a portion of a module. The school must restore the student's original award, and is not required to adjust any award based on the student's attendance in only part of a module. If, however, the student withdraws and does not attend any portion of a module for which he or she was originally scheduled, the school must re-evaluate the student's cost of attendance based on the omitted module(s) and adjust the Title IV aid eligibility prior to awarding additional funds. Clarifies that if the student who is enrolled in a program offered in modules withdraws and confirms at the time of withdrawal his or her intent to resume enrollment within the payment period or period of enrollment, as applicable, and, for a clock-hour or non-term-based program, within 45 days of the date of withdrawal, but fails to return, the withdrawal date is the last day of the student's recorded, eligible academic attendance if the school is considered to be "required to take attendance." At a school that is not required to take attendance, normal rules apply for determining the withdrawal date.	July 1, 2011, for students who withdraw from payment periods or periods of enrollment that begin on or after that date.	1253/180
8.7.H Delivery to Transfer Students	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

Common Manual Section	Description of Change	Effective Date/Triggering Event	Policy/Batch
Chapter 9: School Reporting Responsibilities and the Return of Title IV Funds			
9.4 Withdrawal Dates	<p>Clarifies the applicability of the modular rules to both term-based and non-term-based and clock hour programs of study.</p> <p>Clarifies that for a term-based program offered in modules, if the student withdraws and misses only a portion of a module or modules during a term, but re-enters within that period of enrollment or payment period, the school is not required to recalculate the student's award based on the student's attendance in only a portion of a module. The school must restore the student's original award, and is not required to adjust any award based on the student's attendance in only part of a module. If, however, the student withdraws and does not attend any portion of a module for which he or she was originally scheduled, the school must re-evaluate the student's cost of attendance based on the omitted module(s) and adjust the Title IV aid eligibility prior to awarding additional funds.</p> <p>Clarifies that if the student who is enrolled in a program offered in modules withdraws and confirms at the time of withdrawal his or her intent to resume enrollment within the payment period or period of enrollment, as applicable, and, for a clock-hour or non-term-based program, within 45 days of the date of withdrawal, but fails to return, the withdrawal date is the last day of the student's recorded, eligible academic attendance if the school is considered to be "required to take attendance." At a school that is not required to take attendance, normal rules apply for determining the withdrawal date.</p>	July 1, 2011, for students who withdraw from payment periods or periods of enrollment that begin on or after that date.	1253/180
9.5.A Return Amounts for Title IV Grant and Loan Programs	<p>Deletes any reference to the Academic Competitiveness or National SMART grant programs from text that describes a school's responsibilities to calculate a return of Title IV funds or process a return of unearned Title IV funds.</p> <p>Also deletes the glossary definitions the Academic Competitiveness and National SMART grant programs.</p>	HEA §401A(e); §668.19(a)(3); <i>Federal Register</i> dated June 23, 2008; DCL P-11-02.	1270/186
9.5.B Processing Returned Funds			
Chapter 11: Deferment and Forbearance			
11.8.A Eligibility Criteria—Military Service	Removes language that may lead a reader to think that this deferment is only for borrowers who are serving in the military after October 1, 2007. The October 1, 2007, date is only tied to the 180-day post-deferment time frame and is discussed in Subsections 11.8.B and 11.8.C of the <i>Common Manual</i> .	Military service deferments granted on or after October 1, 2007.	1275/187
11.8.B Deferment Documentation—Military Service	Clarifies that if a borrower requests a military service deferment or a post-active duty student deferment form (MIL), the lender should make available to the borrower the appropriate common deferment form.	Requests for military service deferment or post-active duty student deferment form received on or after October 1, 2007.	1257/181
11.12.B Deferment Documentation—Post-Active Duty Student			
11.21.M Natural Disasters, Local or National Emergency, or Military Mobilization	Includes the updated guidance reflected in DCL GEN-10-16 regarding disaster relief waivers.	<i>Dear Colleague Letter</i> (DCL) GEN-10-16.	1271/186

Common Manual Section	Description of Change	Effective Date/Triggering Event	Policy/Batch
11.21.0 Repayment Alignment	Add that lenders must monitor the enrollment status of the dependent student on both the forbore and/or deferred PLUS loan(s) or the lender must find another basis for granting a forbearance on the non-deferred PLUS loan(s).	For PLUS borrowers who have loans first disbursed prior to July 1, 2008, and subsequently obtained loans disbursed on or after July 1, 2008.	1260/183
11.24.B Medical or Dental Internship or Residency	No longer states that a borrower in any internship or residency program is eligible to receive a mandatory forbearance for the length of time remaining in the borrower's internship or residency that is required for the borrower to successfully complete his or her degree or to begin professional practice or service. This benefit is only available to borrowers in a medical or dental internship or residency program.	Retroactive to the implementation of the <i>Common Manual</i> .	1259/182
Chapter 13: Claim Filing, Discharge, and Forgiveness			
13.1.D Claim File Documentation	Acknowledges that some lenders may file electronic documents with the bankruptcy court and requires the lender to include a copy of those electronically filed documents, such as the Proof of Claim, in any claim file that it files.	Claims filed by the lender on or after March 1, 2012, unless implemented earlier by the guarantor.	1252/180
13.1.G Additional Documentation Requested by the Guarantor	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.	Retroactive to the implementation of the <i>Common Manual</i> .	1251/179
13.8.A Bankruptcy	Acknowledges that some lenders may file electronic documents with the bankruptcy court and requires the lender to include a copy of those electronically filed documents, such as the Proof of Claim, in any claim file that it files.	Claims filed by the lender on or after March 1, 2012, unless implemented earlier by the guarantor.	1252/180
13.9.A Teacher Loan Forgiveness Program	Clarifies that a qualified borrower's underlying loans of a spousal Consolidation loan may be eligible for teacher loan forgiveness regardless of the status of the spouse's underlying loans.	Teacher loan forgiveness for new borrowers on or after October 1, 1998.	1261/183
13.9.A Teacher Loan Forgiveness Program	Adds information regarding the Department's waiver of the statutory and regulatory requirements for an interruption in required teaching service under the Teacher Loan Forgiveness Program due to the borrower being affected by Hurricane Katrina or Hurricane Rita. The waiver applies to any period beginning on the date of the relevant hurricane and continues through June 30, 2006.	Interruptions in required Teacher Loan Forgiveness Program teaching service for an affected borrower for any period beginning on the date of the relevant hurricane, Katrina or Rita, continuing through June 30, 2006.	1258/182
Chapter 15: Federal Consolidation Loans			
15.8 Direct Consolidation Loan Program Treatment of Underpayments and Overpayments	Adds information about the Department's policy on the treatment of underpayments and overpayments made to a borrower's underlying loan holder(s) when a borrower consolidates his or her federal student loans under the Direct Consolidation Loan Program.	Underpayments and overpayments received by loan holders from the Direct Consolidation Loan Program on or after July 1998.	1254/180

Common Manual Section	Description of Change	Effective Date/Triggering Event	Policy/Batch
Chapter 16: Cohort Default Rates and Appeals			
<p>16.1 Overview of Cohort Default Rates and Terminology</p> <p>16.3 School Draft Cohort Default Rates and Challenges</p> <p>16.4 School Official Cohort Default Rates, Adjustments, and Appeals</p> <p>16.4.B School Appeals</p> <p>16.5 Consequences of High Official Cohort Default Rates for Schools</p>	<p>Provides information on the transition from the two-year cohort default rate to a three-year cohort default rate. Beginning in calendar year 2012 with the publication of the official 2009 three-year cohort default rate, a school with a single-year cohort default rate of 30% or greater will be required to establish a default prevention task force to prepare and submit a plan to the Department that identifies factors, establishes steps to improve the default rate, and specifies actions that can improve repayment rates. A school with a three-year cohort default rate of 30% or greater for two consecutive years must revise its plan to implement additional measures and also may be subject to provisional certification.</p> <p>As a part of a school's administrative capability standards, in order to maintain eligibility, the school's official CDR must be:</p> <ul style="list-style-type: none"> • No more than 40% for the most recent fiscal year for which cohort default rates have been issued. • Less than 25% for each of the three most recent fiscal years for which two-year cohort default rates have been issued. • As of 2014, less than 30% for at least two of the three most recent fiscal years for which three-year cohort default rates have been issued. • No more than 15% for Perkins Loans. <p>Also a school may challenge a draft three-year cohort default rate on the basis of its participation rate index (PRI), as follows:</p> <ul style="list-style-type: none"> • Challenge an anticipated loss of eligibility based on a three-year cohort default rate that exceeds 40%, if the school's PRI for that fiscal year was less than or equal to 0.06015. • Challenge an anticipated loss of eligibility based on three consecutive three-year cohort default rates of at least 30% but no more than 40%, if the school's PRI for any of the three years was less than or equal to 0.0625. • Challenge a potential provisional certification based on three-year cohort default rates of at least 30% but no more than 40% in two of the three most recent years, if the school's PRI for either of the two years was less than or equal to 0.0625. 	Expansion of the cohort default period from a two-year period to a three-year period beginning with fiscal year 2009.	1263/185
Appendix G: Glossary			
Ability-to-Benefit (ATB)	Strikes language from the <i>Common Manual</i> that pertains to a borrower obtaining Title IV eligibility by any means other than a high school diploma or its equivalent.	Students first enrolled in a program of study on or after July 1, 2012, who do not have a high school diploma or its equivalent.	1267/186

Common Manual Section	Description of Change	Effective Date/Triggering Event	Policy/Batch
Academic Competitiveness Grant (ACG) National Science and Mathematics Access to Retain Talent Grant (National SMART Grant)	Deletes any reference to the Academic Competitiveness or National SMART grant programs from text that describes a school's responsibilities to calculate a return of Title IV funds or process a return of unearned Title IV funds. Also deletes the glossary definitions the Academic Competitiveness and National SMART grant programs.	HEA §401A(e); §668.19(a)(3); <i>Federal Register</i> dated June 23, 2008; DCL P-11-02.	1270/186
Institution of Higher Education (Institution) Postsecondary Vocational Institution Proprietary Institution (of Higher Education)	Incorporates a definition of "proprietary institution" and "postsecondary vocational institution." Manual text has been revised to use these terms consistently, as applicable, and to ensure the accurate use of existing, defined terms such as "institution of higher education" and "school." Additional corrections of the same nature will be accomplished through the technical editing process.	Retroactive to the implementation of the <i>Common Manual</i> , except that provisions regarding a postsecondary program for students with intellectual disabilities are effective July 1, 2010.	1262/184
Preferred Lender Arrangement	Removes reference to the PLUS loan auction pilot program.	Upon approval by the <i>Common Manual</i> Governing Board.	1255/181
Appendix H: History of the FFELP and the <i>Common Manual</i>			
H.4.D Disaster Waivers	Includes the updated guidance reflected in DCL GEN-10-16 regarding disaster relief waivers.	<i>Dear Colleague Letter</i> (DCL) GEN-10-16.	1271/186

A program offered by a proprietary ~~school~~-institution and leading to a baccalaureate degree in liberal arts is also an eligible program if the school has provided the program continuously since January 1, 2009, and if the school has been continuously accredited by a recognized regional accrediting agency or association since October 1, 2007, or earlier. The baccalaureate degree in liberal arts must be a regular program that the ~~school's~~-proprietary institution's recognized regional accreditation agency or organization determined to be a general instructional program in the liberal arts subjects, the humanities disciplines, or the general curriculum, falling within one or more of the following instructional categories:¹

- A program that is a structured combination of the arts, biological and physical sciences, social sciences, and humanities that emphasizes a breadth of study.
- An undifferentiated program that includes instruction in the general arts or general science.
- A program that focuses on combined studies and research in the humanities emphasizing languages, literatures, art, music, philosophy, and religion.
- Any single instructional program in liberal arts and sciences, general studies, and humanities not listed above.

Independently-designed, individualized, and unstructured programs and studies in the liberal arts offered by proprietary schools are not eligible.
[§600.5(e); §668.8(d)(4)]

Eligibility of Gainful Employment Programs

A gainful employment (GE) program must meet minimum standards to demonstrate that it sufficiently prepares its students for gainful employment in a recognized occupation. GE programs are evaluated annually based on a fiscal year (FY) from October 1 through September 30 designated by the calendar year in which it ends. For example, FY 2013 is from October 1, 2012, to September 30, 2013.

The Department evaluates a GE program using two debt measures—the loan repayment rate and debt-to-earnings ratios. A program must meet at least one of the three following thresholds or it will be a failing program:

- The program's annual loan repayment rate is 35% or greater.

- The program's annual loan payment is 30% or less of discretionary income.
- The program's annual loan payment is 12% or less of average annual earnings.
[§668.7(a)(1)(i) and (ii); §668.7(a)(2)(iii)]

A program is considered satisfactory if either of the following applies:

- The data needed to determine whether a program satisfies these minimum standards are not available to the Department.
- There are 30 or fewer borrowers whose loans entered repayment or 30 or fewer students who completed the program in the most recent FY that is evaluated. (See *Debt-to-Earnings Ratios*)
[§668.7(a)(1)(iii); §668.7(d)]

Loan Repayment Rate

The loan repayment rate is used to determine if former students (both those who completed the program and those who did not complete the program) who entered repayment succeed in paying down the balance of their FFELP and Direct loans by at least one dollar during the most recently completed FY that is evaluated. A program satisfies this measure if the program's annual loan repayment rate is 35% or greater.

Definitions applicable to the loan repayment rate include the following:

- *Original Outstanding Principal Balance (OOPB)* is the amount of the outstanding balance, including capitalized interest, on FFEL and Direct loans owed by students for attendance in the program on the date those loans first entered repayment. Parent PLUS loans and Teach Grant-related loans are excluded. For Consolidation loans, the OOPB includes only the loans attributable to a borrower's attendance in the program.
[§668.7(b)(1)]
- *Loans Paid in Full (LPF)* are loans that have never been in default, or in the case of a Consolidation loan, neither the Consolidation loan nor the underlying loan(s) have ever been in default and have been paid in full by a borrower. A loan that is paid in full by a Consolidation loan is not counted as paid in full for this purpose.
[§668.7(b)(2)]²

¹ Policy 1262 (Batch 184), approved February 16, 2012

² Policy 1264 (Batch 186), approved April 19, 2012

- Payments-Made Loans (PML) are loans that have never been in default (in the case of a Consolidation Loan, neither the Consolidation loan nor the underlying loan(s) have ever been in default), where payments made by a borrower during the most recently completed FY reduce the outstanding balance by the end of that FY (including accrued, non-capitalized interest) to an amount that is at least one dollar less than the outstanding balance of the loan at the beginning of that FY.
[Federal Register dated June 13, 2011, p. 34400]

For a Consolidation loan that paid loans for a post-baccalaureate certificate or master's, doctoral, or first-professional degree program, the total outstanding balance (including accrued, non-capitalized interest) at the end of the most recent FY may be less than or equal to the total outstanding balance at the beginning of the year.

PML includes a loan(s) for a borrower in the process of qualifying for Public Service Loan Forgiveness who submits an employment certification to the Department. The employment certification must demonstrate the borrower is engaged in qualifying employment. The borrower must have made qualifying payments on the loan during the most recently completed FY, even if the payments did not reduce the principal balance.

PML also includes loans for a borrower in the income-based, income-contingent, or any other repayment plan that makes scheduled payments on the loan during the most recently completed FY for an amount that is equal to or less than the interest that accrues on the loan during the FY. However, the Department limits the dollar amount of these interest-only or negative amortization loans in the numerator of the ratio to no more than 3% of the total amount of OOPB in the denominator.
[\$668.7(b)(3)]

Generally, borrowers who are included in the loan repayment rate are those who entered repayment on their applicable loans during the third and fourth FYs prior to the most recently completed FY for which the debt measures are calculated (2YP). For example, for FY 2012, the 2YP is FY 2008 and FY 2009.
[\$668.7(a)(2)(iv)(A)(1)]

However, for FY 2012, FY 2013, and FY 2014, the first and second FYs (2YP-A) prior to the most recently completed FY for which the loan repayment rate is calculated, will be used as an alternate method to calculate the rate. For example, if the most recently completed FY is 2012, the

2YP-A is FY 2010 and FY 2011. The Department will calculate the loan repayment rate using two loan repayment rates for a program—one with the 2YP and the other with the 2YP-A, provided that the 2YP-A represents more than 30 borrowers whose loans entered repayment. If both loan repayment rates are calculated, the Department will use the highest rate to make a determination of whether the programs meet the required minimum standard.
[\$668.7(a)(2)(iv)(A)(2) and §668.7(b)(1)(iv)]

If a program has 30 or fewer borrowers who entered repayment during the 2YP, the period is extended to include the fifth and sixth prior FYs to include additional borrowers who entered loan repayment during a 4 year period (4YP). For example, for FY2012, the 4YP is FY 2006, FY 2007, FY 2008, and FY 2009.
[\$668.7(a)(2)(v); §668.7(d)]

For a medical or dental program with a required residency or internship, the 2YP is adjusted to include the sixth and seventh FYs (2YP-R) prior to the most recently completed FY for which the debt measures are calculated. For example, for FY 2012, the 2YP-R is FY 2005 and FY 2006. Also, the 4YP is adjusted to include the sixth, seventh, eighth, and ninth FYs (4YP-R) prior to the most recently completed FY for which the debt measures are calculated. For example, for FY 2017, the 4YP-R is FY 2008, FY 2009, FY 2010, and FY 2011. For these purposes, a required medical or dental internship or residency is a supervised training program that meets all of the following requirements:

- Requires the student to hold a degree as a doctor of medicine or osteopathy, or a doctor of dental science.
- Leads to a degree or certificate awarded by a school of higher education, a hospital, or a health care facility that offers post-graduate training.
- Must be completed before the borrower may be licensed by the state and board certified for professional practice or service.
[\$668.7(a)(2)(iv)(B) and §668.7(a)(2)(v)(B)]

For the most recently completed FY, the Department calculates the loan repayment rate for a program annually using the following ratio:

$$\frac{\text{OOPB of LPF} + \text{OOPB of PML}}{\text{OOPB of all included loans borrowed by students to enroll in the program}}$$

$$\frac{\text{OOPB of all included loans borrowed by students to enroll in the program}}{\text{OOPB of all included loans borrowed by students to enroll in the program}}$$

[\$668.7(b)]¹

¹ Policy 1264 (Batch 186), approved April 19, 2012

For the most recently completed FY, the OOPB in the numerator and the denominator excludes loans that were in any of the following statuses:

- An in-school deferment during any part of the FY.
- A military-related deferment status during any part of the FY.
- Discharged as a result of the borrower's death.
- Discharged as a result of the borrower's total and permanent disability (TPD) or pending TPD discharge.

[\[§668.7\(b\)\(4\)\]](#)

Debt-to-Earnings Ratios

Debt-to-earnings ratios are used to determine the portion of a typical graduate's (completer's) annual earnings or discretionary income that is consumed by repayment of educational debt incurred to attend a particular GE program. A program satisfies these measures if a typical completer's annual loan payment represents 30% or less of discretionary income, or 12% or less of average annual earnings.

The discretionary income rate calculation is:

$$\frac{\text{Annual loan payment}}{\text{Higher of the mean or median annual earnings — 150\% of poverty guideline for a family of one}}$$

[\[§668.7\(c\)\(1\)\(i\)\]](#)

The earnings rate calculation is:

$$\frac{\text{Annual loan payment}}{\text{Higher of the mean or median annual earnings}}$$

[\[§668.7\(c\)\(1\)\(ii\)\]](#)

The Department determines the annual loan payment for a program by calculating the median loan debt of the program for each student who completed the program during the 2YP, the 2YP-R, the 4YP, or the 4YP-R. The loan debt includes **FFEL** and **Direct** loans (except **parent PLUS** loans and **Teach Grant**-related loans) and any private education loans or debt obligations from school financing plans owed by the student for attendance in a program. However, if the school provides tuition and fee information, the **Department** will use the total amount of tuition and fees charged to the student for enrollment in all programs at the

school if that amount is less than the total loan debt that the student incurred.

[\[§668.7\(c\)\(2\), \(3\) and \(4\)\(i\)\]](#)

To determine the loan debt for a student, the Department includes all the loan debt incurred by the student for attendance in programs at the school to the highest credentialed program subsequently completed by the student at the school. Although loan debt incurred by the student for attendance in programs at other schools is not included in the student's loan debt, the Department may include loan debt incurred by the student for attending other schools if the school and other school(s) are under common ownership or control.

[\[§668.7\(c\)\(4\)\(ii\) and \(iii\)\]](#)

The Department uses the median loan debt for the program and the current annual interest rate on Direct Unsubsidized loans to calculate the annual loan payment based on the following:

- A 10-year repayment schedule for a program that leads to an undergraduate or post-baccalaureate certificate or to an associate's degree.
- A 15-year repayment schedule for a program that leads to a bachelor's or master's degree.
- A 20-year repayment schedule for a program that leads to a doctoral or first-professional degree.

[\[§668.7\(c\)\(2\)\(ii\)\]](#)

To determine the annual earnings of the borrower, the Department obtains from the Social Security Administration (SSA), or other Federal agency, the most currently available mean and median annual earnings of the students who completed the program during the 2YP, the 2YP-R, the 4YP, or the 4YP-R. The Department calculates the debt-to-earnings ratios using the higher of the mean or median annual earnings.

[\[§668.7\(c\)\(3\)\]](#)

For the FY that debt-to-earnings ratios are calculated, the following students are excluded if:

- The student's loan(s) were in a military-related deferment at any time during the calendar year for which earnings are obtained.
- The student died.¹

¹ Policy 1264 (Batch 186), approved April 19, 2012

- The student was enrolled in any other eligible program at the school or at another school during the calendar year for which the earnings information is gathered.
- The student's loan(s) was discharged as a result of total and permanent disability (TPD) or is pending TPD discharge.
[§668.7(c)(5)]

A program automatically satisfies the debt-to-earnings measures if any one of the following applies:

- A program has 30 or fewer students who entered repayment or completed the program, during the 2YP or 2YP-R, and the 4YP or 4YP-R.
- SSA did not provide the mean and median earnings for the programs.
- The median loan debt calculated is zero.
[§668.7(d)]

Debt Measures and Data Corrections

Before issuing the draft results of the debt-to-earnings ratios for a program, the Department provides to a school a list of the students who will be included in the applicable 2YP or 4YP for calculating the ratios. No later than 30 days after the date the Department provides the list, the school may provide evidence showing that a student should be included on or removed from the list and the school may correct or update the identity information provided for a student on the list, such as name, Social Security number, or date of birth. After the 30-day correction period, the school may no longer challenge whether students should be included on the list or update the identity information of those students.
[§668.7(e)(1)(i) and (ii)]

The Department makes applicable changes that result from the information provided by a school and creates a final list of students to submit to the SSA. The Department calculates the draft debt-to-earnings ratios based on the mean and median earnings provided by the SSA for the students on the final list. A school may not challenge the mean and median annual earnings that SSA provides to the Department. However, a school may demonstrate that a failing program would meet a debt-to-earnings standard by recalculating the debt-to-earnings ratios using the median loan debt for the program and alternative earnings (see *Final Debt Measures and Alternative Earnings Recalculations*).
[§668.7(e)(1)(iii) and (iv)]

No later than 45 days after the Department issues the draft results of the debt-to-earnings ratios for a program and no later than 45 days after the Department issues the draft results of the loan repayment rate for a program, respectively, a school may challenge the accuracy of the loan data for a borrower that was used to calculate the draft loan repayment rate, or the mean loan debt for the program that was used for the numerator of the draft debt-to-earnings ratios, by submitting evidence showing that the borrower loan data or the program median loan debt is inaccurate. The school may also challenge the accuracy of the list of borrowers included in the applicable 2YP or 4YP used to calculate the draft loan repayment rate by submitting evidence showing that a borrower should be included on or removed from the list or correcting or updating the identity information provided for a borrower on the list.
[§668.7(e)(2)]

For debt measures in general, if the information provided by a school is accurate, the Department uses the corrected information to recalculate the debt measures for the program. For a failing program, if the SSA is unable to include in its calculation of the mean and median earnings for the program, for one or more students on the final list, the Department adjusts the median loan debt by removing the highest loan debt associated with the number of students the SSA is unable to include in its calculation. For example, if the SSA is unable to include three students in its calculation, the Department removes the loan debt for the same number of students on the list that had the highest loan debt. The Department then recalculates the debt-to-earnings ratios for the program based on the adjusted median loan debt.
[§668.7(e)(3)]

Final Debt Measures and Alternative Earnings Recalculations

The Department notifies the school of the final debt measures for the program. A school may demonstrate that a failing program would meet a debt-to-earnings standard by recalculating the debt-to-earnings ratios using the median loan debt for the program and alternative earnings from either a state-sponsored data system, a school survey conducted in accordance with National Center for Educational Statistics (NCES) standards, or, for FY 2012, FY 2013, and FY 2014, the Bureau of Labor Statistics (BLS). Alternative earnings are described below.
[§668.7(f); §668.7(g)(1)]¹

¹ Policy 1264 (Batch 186), approved April 19, 2012

State Data

For final debt-to-earnings ratios, a school may use state data to recalculate those ratios for a failing program only if one of the following applies:

- The school obtains earnings data from state-sponsored data systems for more than 50% of the students in the applicable 2YP or 4YP, or a comparable two- or four-year period, and that number of students is more than 30.
- The school uses the actual, state-derived mean or median earnings of the students in the applicable 2YP or 4YP, or a comparable two- or four-year period, and the school demonstrates that it accurately used the actual state-derived data to recalculate the ratios.
[§668.7(g)(2)]

Survey Data

For final debt-to-earnings ratios, a school may use survey data to recalculate those ratios for a failing program only if the school uses reported earnings obtained from a school survey conducted of the students in the applicable 2YP or 4YP, or a comparable two- or four-year period, and the survey data is for more than 30 students. The school may use the mean or median annual earnings derived from the survey data if it submits a copy of the survey and certifies that it was conducted in accordance with the statistical standards and procedures established by NCES and submits an examination-level attestation by an independent public accountant or independent governmental auditor, as appropriate, that the survey was conducted in accordance with the specified NCES standards and procedures. The attestation must be conducted in accordance with the general, field work, and reporting standards for attestation engagements contained in the Government Accounting Office's (GAO) *Government Auditing Standards*, and with procedures for attestations contained in guides developed by and available from the Department's Office of Inspector General.

[§668.7(g)(3)]

Bureau of Labor Statistics (BLS) Data

For the final debt-to-earnings ratios calculated by the Department for FY 2012, FY 2013, and FY 2014, a school may use BLS earnings data to recalculate those ratios for a failing program only if the school identifies and provides documentation of the occupation by Standard Occupational Classification (SOC) code, or combination of SOC codes, in which more than 50% of the students in the 2YP or 4YP were placed or found employment, and that number of

students is more than 30. The school may use placement records it maintains to satisfy accrediting agency or state requirements if those records indicate the occupation in which the student was placed. Otherwise, the school must submit employment records or other documentation showing the SOC code(s) in which the students typically found employment.

The school uses the most current BLS earnings data for the identified SOC code to calculate the debt-to-earnings ratio. If more than one SOC code is identified the school must calculate the weighted average earnings of those SOC codes based on BLS employment data or school placement data. In either case, the school must use BLS earnings at no higher than the 25th percentile. The school must submit, upon request, all the placement, employment, and other records maintained by the school for the program that the school examined to determine whether those records identified the SOC codes for the students who were placed or found employment.

[§668.7(g)(4)]

Alternative Earnings Process

A school must notify the Department of its intent to use alternative earnings no later than 14 days after the date the school is notified of its final debt measures. The school must submit all supporting documentation related to recalculating the debt-to-earnings ratios using alternative earnings no later than 60 days after the date the school is notified of its final debt measures. Pending the Department's review of the school's submission, the school is not subject to the requirements arising from the program's failure to satisfy the debt measures, provided the submission was complete, timely, and accurate.

[§668.7(g)(5)(i)]

If the Department denies the school's submission, the Department notifies the school of the reasons for the denial and the debt measures become the final measures for that FY. If the Department approves the school's submission, the recalculated debt-to-earnings ratios become final for that FY.

[§668.7(g)(5)(iii)]

Dissemination of Final Debt Measures

After the Department calculates the final debt measures, including the recalculated debt-to-earnings ratios, and provides those debt measures to a school, the school must disclose for each of its programs, the final loan repayment rate and final debt-to-earnings ratio.¹

¹ Policy 1264 (Batch 186), approved April 19, 2012

The Department may disseminate the final debt measures and information about or related to the debt measures to the public at any time or in any manner and form, including publishing information that will allow the public to ascertain how well programs perform under the debt measures and other appropriate objective metrics.

[\[§668.7\(g\)\(6\)\]¹](#)

Gainful Employment Debt Measure Warnings and Sanctions

Except for programs that have a small number of students, a program fails for a fiscal year (FY) if its final debt measures do not meet any of the minimum standards. The Department provides a transition year for the purposes of the debt measure warnings and sanctions for programs that become ineligible based on final debt measures for FY 2012, FY 2013, and FY 2014. For this period only, the Department caps the number of those ineligible programs by sorting all programs by category of school (public, private nonprofit, and proprietary) and then by loan repayment rate, from the lowest rate to the highest rate. For each category of schools, beginning with the ineligible program with the lowest loan repayment rate, the Department identifies the ineligible programs that account for a combined number of students who completed the programs during FY 2014 that do not exceed 5% of the total number of students who completed programs in that category. For example, the Department does not designate as ineligible a program, or two or more programs, that have the same loan repayment rate, if the total number of students who completed that program or programs would exceed the 5% cap for a school category.

[\[§668.7\(k\)\]](#)

Starting with the debt measures calculated for FY 2012, a failing program becomes ineligible if it does not meet any of the minimum standards for 3 out of the 4 most recent FYs. The Department notifies the school that the program is ineligible and the school may no longer disburse Title IV aid to students enrolled in that program except under the conditions discussed below.

[\[§668.7\(h\)\(i\)\]](#)

A school may use funds that it has received under the Federal Pell Grant Program or TEACH Grant Program, or a campus-based program, or request additional funds from the Department, under conditions specified by the Department, if the school does not possess sufficient funds, to satisfy any unpaid commitment made to a student under that Title IV program only if all of the following apply:

- The school's participation in that Title IV program ends during a payment period.

- The school continues to provide, from the date that the participation ends until the scheduled completion date of that payment period, educational programs to otherwise eligible students enrolled in the formerly eligible programs of the school.

- The commitment was made prior to the end of the participation.

- The commitment was made for attendance during that payment period or a previously completed payment period.

[\[§668.26\(d\)\(1\)\]](#)

A school may use funds that it has received under the Federal Direct Loan Program (FDLP) or request additional funds from the Department, under conditions specified by the Department, if the school does not possess sufficient funds, to credit to a student's account or disburse to the student the proceeds of a FDLP loan only if all of the following apply:

- The school's participation in the FDLP ends during a period of enrollment.

- The school continues to provide, from the date that the participation ends until the scheduled completion date of that period of enrollment, educational programs to otherwise eligible students enrolled in the formerly eligible programs of the school.

- The loan was made for attendance during that period of enrollment.

- The proceeds of the first disbursement of the loan were delivered to the student or credited to the student's account prior to the end of the participation.

[\[§668.26\(d\)\(3\)\]](#)

First-Year Failure

When the Department notifies a school of a failing program, the school must warn currently enrolled students as soon as administratively feasible, but no later than 30 days after the date the Department notifies the school that the program failed. The school must warn prospective students at the time the student first contacts the school requesting information about the program. If the prospective student intends to use Title IV aid to attend the program, the school may not enroll the student until 3 days after the debt warnings are first provided to the student.² If more than 30 days pass from the date the debt warnings

¹ Policy 1264 (Batch 186), approved April 19, 2012

² Policy 1265 (Batch 186), approved April 19, 2012

are first provided to the student and the date the student seeks to enroll in the program, the school must provide the debt warnings again and may not enroll the student until three days after the debt warnings are most recently provided to the student.

[\[§668.7\(j\)\(3\)\]](#)

For a failing program that does not meet the minimum standards for a single FY, the school's warning must be in plain language and provided in an easy to understand format. The warning must:

- Explain the debt measures and show the amount by which the program did not meet the minimum standards.
- Describe any actions the school plans to take to improve the program's performance under the debt measures.
- Be delivered orally or in writing directly to the student in accordance with the procedures established by the school. Delivering the debt warning directly to the student includes communicating with the student face-to-face or by telephone, communicating with the student along with other affected students as part of a group presentation, and sending the warning to the student's e-mail address.
 - = If a school opts to deliver the warning orally to a student, it must maintain documentation of how that information was provided, including any materials the school used to deliver that warning and any documentation of the student's presence at the time of the warning.
 - = A school must continue to provide the debt warning until it is notified by the Department that the failing program now satisfies one of the minimum standards.

[\[§668.7\(j\)\(1\)\]](#)

To the extent practicable, the school must provide alternatives to English-language warnings for those students for whom English is not their first language.

[\[§668.7\(j\)\(6\)\]](#)

Second-Year Failure

For a failing program that does not meet the minimum standards for two consecutive FYs or for 2 out of the 3 most recently completed FYs, the school must do the following:

- Provide the debt warning as described above for a single year failure except that the school will describe what actions it will take in response to the second failure.
- If the school plans to discontinue the program, it must provide the timeline for doing so, and the options available to the student.
- A plain language explanation of the risks associated with enrolling or continuing in the program, including the potential consequences for, and options available to, the student if the program becomes ineligible for Title IV aid.
- A plain language explanation of the resources available, including www.collegenavigator.gov, that the student may use to research other educational options and compare program costs.
- A clear and conspicuous statement that a student who enrolls or continues in the program should expect to have difficulty repaying his or her student loans.
- A school must continue to provide this warning to enrolled and prospective students until the program has met one of the minimum standards for two of the last three FYs.
- Prominently display the debt warning on the program home page of its Web site and include the debt warning in all promotional materials it makes available to prospective students.
- A school that voluntarily discontinues a failing program must notify enrolled students at the same time that it provides the written notice to the Department that it relinquishes the program's Title IV program eligibility.

[\[§668.7\(j\)\(2\), \(4\), and \(5\)\]](#)

Restrictions for Ineligible and Voluntarily Discontinued Failing Programs¹

An ineligible program, or a failing program that a school voluntarily discontinues, remains ineligible until the school reestablishes the eligibility of that program under 34 CFR 600.20(d). For this purpose, a school voluntarily discontinues a failing program on the date the school provides written notice to the Department that it relinquishes the Title IV program eligibility of that

¹ Policy 1265 (Batch 186), approved April 19, 2012

program. A school may not reestablish the eligibility of a failing program that it voluntarily discontinued until one of the following occurs:

- The end of the second FY following the FY the program was voluntarily discontinued if the school voluntarily discontinued the program at any time after the program is determined to be a failing program, but no later than 90 days after the date the Department notified the school that it must provide the second year debt warnings.
- The end of the third FY following the FY the program was voluntarily discontinued if the school voluntarily discontinued the program more than 90 days after the date the Department notified the school that it must provide the second year debt warnings.

A school may not seek to reestablish the eligibility of an ineligible program, or to establish the eligibility of a program that is substantially similar to the ineligible program, until the end of the third FY following the FY the program became ineligible. A program is substantially similar to the ineligible program if it has the same credential level and the same first four digits of the Classification of Instructional Program (CIP) code as that of the ineligible program.
[§668.7(l)]¹

Eligibility of Credit-Hour Programs

Schools that measure progress in credit hours must determine the Title IV eligibility of their undergraduate programs using the formulas listed below, except in the following cases:

- The program is at least 2 **academic years** in length and provides an associate, bachelor's, or **professional degree** or the equivalent, as determined by the **Department**. (Note: This exception does not permit a school to ask for a determination that a nondegree program is equivalent to a degree program).
[§668.8(k)(1)]
- Each course within the program is acceptable for full credit toward that school's associate, bachelor's, or professional degree, or a degree that the Department has determined to be equivalent at the school, and the degree requires at least 2 academic years of study.
[§668.8(k)(2)]

- The program is offered by a public or private nonprofit hospital-based school of nursing that awards a diploma at the completion of the program.
[§668.9(b)]

If the program does not meet one of the preceding three criteria, the school must use the appropriate formula, as follows. Clock hours used in the formula must comply with the regulatory definition.

To determine the number of credit hours in a program for **Title IV** eligibility purposes, schools must use the appropriate formula, as follows:

For programs measured in semesters or trimesters

$$\frac{\text{Number of clock hours in the credit-hour program}}{30}$$

For programs measured in quarters

$$\frac{\text{Number of clock hours in the credit-hour program}}{20}$$

[§668.8(l)]

The school must use the resulting number of equivalent credit hours to determine if a program is eligible under the program requirements. For a program to qualify as eligible by providing at least 16 semester or trimester credit hours or 24 quarter credit hours, the program must include at least 480 clock hours of instruction. For a program to qualify as eligible by providing at least 8 semester or trimester credit hours or 12 quarter credit hours, the program must include at least 240 clock hours of instruction.

A program that fails to include the minimum number of equivalent semester, trimester, or quarter credit hours of instruction does not qualify as an eligible program regardless of whether the **Department** previously designated that program as an eligible program. A school may not deliver the proceeds of any loan to a student **enrolled** in such a program regardless of when that program began. The school must return to the lender any loan funds delivered to or on behalf of students enrolled in a program that does not qualify as an eligible program.

[DCL GEN-95-38; 09-10 FSA Handbook, Volume 2, Chapter 2, pp. 2-17 to 2-18]

School and Program Eligibility at Additional Locations

The eligibility of a school and its programs does not automatically include each separate location of the school. When a school adds a licensed and accredited location that offers at least 50% of an educational program, the school

¹ Policy 1265 (Batch 186), approved April 19, 2012

Section 5.10), or the student must meet one of the following standards: [§668.32(e)(1)]

– The student must ~~(a)~~ be beyond the age of compulsory school attendance in the state in which the postsecondary school is located ~~and (b) pass an independently administered ability-to-benefit test that has been approved by the Department (see Section 5.11). See below for additional information about home-schooled students who are under the age of compulsory school attendance.~~

[§668.32(e)(2)]¹

– The student must have—and may self-certify that he or she has—completed a secondary school education in a home school setting that is treated as a home or private school under applicable state law. Some states issue a secondary school completion credential to home-schooled students. If this is the case in the state in which the student was home schooled, the student must obtain this credential in order to qualify for Title IV aid. If a school’s policy permits students to self-certify completion of a secondary school education, the school may permit the home-schooled student to self-certify that he or she received this state-issued credential.² ~~Federal regulations do not require a home-schooled student to pass an ability-to-benefit test approved by the Department in order to qualify for Title IV assistance.~~³ An underage home-schooled student is considered to be beyond the age of compulsory school attendance in the state in which the postsecondary school is located if that state does not consider the student to be truant once he or she has completed a home-school program, or if that state would not require the student to attend school or continue to be home-schooled.

[§668.32(e)(4); DCL GEN-02-11; 11-12 FSA Handbook, Volume 1, Chapter 1, pp. 1-7 to 1-8]⁴

• To receive any Title IV aid, including a parent PLUS loan with the exception of a parent PLUS loan, the student must certify, as part of the Free Application for Federal Student Aid (FAFSA) filed with the Department, a statement of educational purpose. ~~To receive a parent PLUS loan without completing a~~

~~FAFSA, the student must complete and submit to the school a separate statement of educational purpose.~~ [HEA §432(m)(1)(C); HEA §484(a)(4)(A); §668.32(h); §668.164(g)(2)(i)]⁵

• The student must be enrolled or accepted for enrollment on at least a half-time basis in an eligible program at a participating school. See Section 5.12 for student enrollment requirements.

[§668.32(a)(1)(i) and (iii)]

• The student, if currently enrolled, must be maintaining satisfactory academic progress (SAP), as determined by the school according to federal regulations and the school’s policy. (See Section 8.4 for information on SAP requirements.)

[§668.32(f)]

• The student must not be serving in a medical internship or residency program required of doctors of medicine, osteopathy, and optometry. Students who are serving in an internship as part of any other degree program (e.g., a dental or veterinary internship) are considered eligible students for purposes of Stafford loans and PLUS loans, as applicable.

[§682.201(a)(9); DCL GEN-90-33, Q&A #16]

• Unless exempt, a male student must register with the Selective Service. A female student is exempt from the Selective Service registration requirement (see Subsection 5.2.C).

[§668.32(j); §668.37]

• The student must not have fraudulently borrowed a loan, provided information that caused his or her loan to exceed applicable annual loan limits during an academic year, nor knowingly exceeded an aggregate loan limit for the FFELP, FDLP, or Federal Perkins Loan Program.

• The student must not have had his or her eligibility for Title IV aid denied when sentenced by a court due to conviction of possession or distribution of a controlled substance, under the authority of the Anti-Drug Abuse Act of 1988. A student whose financial aid eligibility is denied as part of the penalty for a drug conviction will be placed on the Department’s Drug Abuse Hold File at the direction of the Department of Justice. The student will receive a SAR with no calculated EFC and

¹. Policy 1267 (Batch 186), approved April 19, 2012

². Policy 1266 (Batch 186), approved April 19, 2012

³. Policy 1267 (Batch 186), approved April 19, 2012

⁴. Policy 1266 (Batch 186), approved April 19, 2012

⁵. Policy 1256 (Batch 181), approved November 17, 2011

based on the student's self-certification on the [Free Application for Federal Student Aid \(FAFSA\)](#). The school is notified of the student's eligibility on the [Institutional Student Information Record \(ISIR\)](#). However, if the school has conflicting information regarding a drug conviction that affects the student's eligibility, this discrepancy must be resolved.

[[HEA §484\(r\)\(1\)](#); [§668.40\(a\)](#); [DCL GEN-06-05](#)]

Convictions that are reversed, set aside, or removed from the student's record, or a determination arising from a juvenile court proceeding, do not affect eligibility and do not need to be reported by the student.

[[§668.40\(a\)\(2\)](#)]

A student who is convicted of a drug-related offense that occurred while the student was [enrolled](#) in school and receiving Title IV aid loses Title IV eligibility as follows:

- For the possession of illegal drugs:
 - 1st offense: one year from the date of conviction.
 - 2nd offense: two years from the date of the second conviction.
 - 3rd offense: indefinitely from the date of the third conviction.

[[§668.40\(b\)\(1\)](#)]
- For the sale of illegal drugs:
 - 1st offense: two years from the date of conviction.
 - 2nd offense: indefinitely from the date of the second conviction.

[[§668.40\(b\)\(2\)](#)]

A school must provide a student who loses Title IV eligibility due to a drug-related conviction with a timely, separate, clear, and conspicuous written notice. The notice must advise the student of his or her loss of Title IV eligibility and the ways in which the student may regain that eligibility.

[[HEA §485\(k\)\(2\)](#)]

A student may regain eligibility at any time by successfully completing an approved drug rehabilitation program or successfully passing two unannounced drug tests conducted by an approved drug rehabilitation program, and by informing the school that he or she has done so. A student regains Title IV eligibility on the date he or she successfully completes the program, or in the case of a student who successfully passes two unannounced drug tests, on the date that the student passes the second unannounced drug test. A drug rehabilitation program is considered approved for these purposes if it includes at

least two unannounced drug tests and meets one of the following criteria:

[[HEA §484\(r\)\(2\)\(B\)](#); [§668.40\(c\)](#)]

- The program received or is qualified to receive funds directly or indirectly under a federal, state, or local government program.

[[§668.40\(d\)\(2\)\(i\)](#)]
- The program is administered or recognized by a federal, state, or local government agency or court.

[[§668.40\(d\)\(2\)\(ii\)](#)]
- The program received or is qualified to receive payment directly or indirectly from a federally or state-licensed insurance company.

[[§668.40\(d\)\(2\)\(iii\)](#)]
- The program administered or recognized by a federally or state-licensed hospital, health clinic, or medical doctor.

[[§668.40\(d\)\(2\)\(iv\)](#)]

For a student whose Title IV eligibility is reinstated after a drug conviction, the maximum [loan period](#) that a school may certify is the [academic year](#) during which the student regains eligibility. However, the school may not certify eligibility prior to the date on which eligibility is regained. A student who loses eligibility during a loan period is immediately ineligible to receive subsequent [disbursements](#) of FFELP funds and is required to repay any Title IV funds received after the date he or she loses eligibility. Schools are not required to recalculate a student's loan amount.

[[§668.40\(c\)](#)]

5.10 Required High School Diploma or Equivalent

To be eligible for [Title IV](#) aid, the student must have a high school diploma or its equivalent, ~~or must demonstrate an ability to benefit from a program of study offered by a school (see Section 5.11 for more information on ability-to-benefit provisions).~~ Historically some students may have been admitted under prior ability-to-benefit provisions; see [History of Ability-to-Benefit Provisions, Appendix H.3](#). A school must develop and follow procedures to evaluate the validity of a student's claim of high school completion if the school or the Department has reason to believe that the student's high school diploma is not valid or the student obtained a diploma from an entity that does not provide secondary school education (see also [Section 4.2](#)).

[[§668.16\(p\)](#); [§668.32\(e\)\(1\)](#) and (2)]¹

¹ Policy 1267 (Batch 186), approved April 19, 2012

The following are considered equivalent to a high school diploma for establishing Title IV eligibility:

- A General Education Development (GED) Certificate—or a state certificate issued after a student passes an approved examination that the state recognizes as an equivalent to the GED. [§668.32(e)(3)]
- An academic transcript in a recognized program. A school may admit a limited number of students without high school diplomas or equivalent certificates who have excelled academically in high school and met the school's admissions standards. If such a student completes a program of at least two years that is acceptable for full credit toward a bachelor's degree, the academic transcript for that program would be considered the equivalent of a high school diploma. [10-11 FSA Handbook, Volume 1, Chapter 1, p. 1-6]

5.11 Ability-to-Benefit Provisions

To receive Title IV aid, a student without a high school diploma or its equivalent must demonstrate the potential to succeed in (i.e., an ability to benefit from) a program of study offered by a school. A student who is admitted on an ability to benefit (ATB) basis must meet one of the following requirements:

[§668.32(e); §682.201(a)(8)]

- The student takes—and achieves at least a passing score as specified by the U.S. Department of Education on—an independently administered test that has been approved by the Department to establish (according to the Department's criteria) whether the student has the ability to benefit from the education or training being offered. The independent administrator for the ATB test must be an individual or organization that has been certified by the test publisher and has no fiscal interest in the school. [§668.141(a)(1)]
- The student obtains a passing score on a Department-approved state test or assessment. [§668.141(a)(1)]
- The student is enrolled in an eligible school that participates in a state-approved testing process that is approved by the Department. [§668.141(a)(2)]

- ~~The student satisfactorily completes six credit hours or equivalent coursework that is applicable toward a degree or certificate offered by the school. The student is ineligible to receive Title IV aid while earning the six credit hours or their equivalent. However, in cases where a student is enrolled in a payment period with modules that are independently completed and graded prior to the end of that payment period, there could be a situation in which a student successfully completes a module and earns the qualifying hours prior to the end of the payment period. In that case, a school could calculate the cost of attendance for the remaining modules in the payment period and award and disburse Title IV funds for those remaining credits, if appropriate. Six credit hours are defined as any one of the following, as applicable:~~

- Six semester hours.
- Six trimester hours.
- Six quarter hours.
- 225 clock hours.

~~Testing out of a class does not equate to the completion of the six credit hours otherwise required for ATB purposes. [§668.32(e)(5)]~~

To determine a student's eligibility to receive Title IV aid, a school may accept a passing score on an approved ATB test that has been properly administered by an individual who has been certified by the test publisher or the state. If an ATB test is given at a facility other than an assessment center, the independent test administrator may not have any current or prior financial or ownership interest in the school, may not be a current or former employee of or consultant to the school, may not be a current or former member of the board of directors for the school, and may not be a current or former student of the school. [§668.142]

If a school is aware that a student has a disqualifying status that would not permit the student to be employed in the occupation for which the school's program prepares students, the student is not eligible to receive Title IV aid.¹ A student should not be considered to have an ability to benefit if, at the time of loan certification, the student would not meet the requirements for employment in the student's state of residency in the occupation for which the student is training. The disqualifying factor may be a physical or

¹ Policy 1267 (Batch 186), approved April 19, 2012

mental condition, age, criminal record, or any other reason accepted by the Department. The school will not be held responsible for improper certification if it could not reasonably be expected to be aware of the student's disqualifying condition. For information about false certification loan discharge based on ability-to-benefit provisions, see [Subsection 13.8.D.](#) [[§682.402\(e\)\(13\)](#)]

5.11.A Testing ATB Students with Special Needs

~~If no test can be approved for individuals with disabilities, the Department considers any modified test or testing procedure, or instrument that has been developed for the purpose of evaluating the ability of individuals with disabilities to benefit from postsecondary education, to be an approved test for purposes of assessing those individuals' ability to benefit. The test must measure both basic verbal and quantitative skills at the secondary school level. The Department considers the passing scores for these testing procedures to be those recommended by the test publisher or state, as applicable.~~ [[§668.149](#)]

The Department will ensure, as part of its approval process, that a test for an individual for whom English is not his or her native language and who is enrolled in a program that is taught in his or her native language will be linguistically correct and culturally sensitive regardless of the language in which the test is written.

 [[§668.148](#)]

5.11.B School Liability in ATB Testing

~~Regulations stipulate the instances in which a school will be assessed a liability based on administration of the ability-to-benefit provisions. These instances are limited to:~~

- ~~Funds disbursed to students whose ability to benefit from the course was determined in a test that was provided by a test administrator that was not independent of the school at the time the test was given.~~ [[§668.154\(a\)](#)]
- ~~Funds disbursed to students for whom the ATB testing process was compromised by the school in any way.~~ [[§668.154\(b\)](#)]

- ~~Funds disbursed to students for whom the school is unable to document that the students received passing scores on an approved test.~~ [[§668.154\(e\)](#)]¹

5.12 Student Enrollment Requirements

Each **eligible student** who is seeking a Stafford loan—or on whose behalf a PLUS loan is being sought—must meet the following enrollment requirements:

- The student must not be **enrolled** in either an elementary or secondary school. [[§668.32\(b\)](#)]
- The student must be **enrolled** or accepted for enrollment as a **regular student** in one of the following:
 - An eligible degree or certificate program on at least a half-time basis at a **participating school** approved by the Department and the **guarantor** (except as noted below), or the student's coursework is partially or totally offered through distance education subject to the limitations described in [Section 5.13](#). [[§668.38](#); [§682.201\(a\)](#)]
 - A study-abroad program that is approved for credit by the participating school at which the student is enrolled, whether or not the study-abroad program is a required part of the student's degree program (see [Subsection 5.14.B](#)). [[§668.39](#)]

A student who has previously obtained a bachelor's or **professional degree** is eligible for loan assistance, provided he or she meets all applicable eligibility criteria.

There are two exceptions to the **FFELP** eligibility requirement that a student be enrolled or accepted for enrollment as a regular student in a degree or certificate program:

- *Preparatory Coursework*
A student who is not enrolled in a degree or certificate program is eligible for Stafford or PLUS loans for a period of up to one year if the student is taking preparatory courses necessary for his or her enrollment

¹ Policy 1267 (Batch 186), approved April 19, 2012

6.6 Determining the Expected Family Contribution (EFC)

Another factor that a school uses in the determination of the amount and type of loan funds a borrower is eligible to receive is the [expected family contribution \(EFC\)](#). The EFC is the amount a student and his or her family are expected to pay for education expenses and it is determined by the financial information provided by the student and [parent\(s\)](#) on the [Free Application for Federal Student Aid \(FAFSA\)](#). [[§668.2\(b\)](#), [definition of *expected family contribution*](#)]

The data provided on the [FAFSA](#) is processed using a federally prescribed [need analysis](#) formula to derive the EFC. The calculation is performed by the Central Processing System (CPS) contractor selected by the [Department](#). The EFC figure is sent to the school on a need analysis output document and is used by the school to determine the student's eligibility for a Stafford loan.

When calculating eligibility for a subsidized Stafford loan, a school may offset all or any portion of the student's EFC with any [TEACH grant](#) amount, PLUS loan amount, unsubsidized Stafford loan amount, or other education loan amount obtained for the [loan period](#).

[[HEA §442\(c\)](#); [§682.200\(b\)\(2\)\(i\)](#); [§682.301\(c\)](#); [§685.102\(b\)\(2\)\(i\)](#)]

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

6.6.A Performing Verification Requirements

A school may require a student financial aid applicant to document the data used in determining a student's expected family contribution (EFC). A school must is required to obtain and use such specific documentation to verify the EFC if the student aid applicant is selected by the Central Processing System (CPS) according to criteria established by the Department, or if the school has reason to believe that any information provided on the Free Application for Federal Student Aid (FAFSA) is incorrect. Beginning with the 2012-2013 award year, the Department will provide annually in the *Federal Register* a list of the data elements subject to verification and updates regarding acceptable documentation. The school also may establish its own verification policies to require certain students to complete the verification process. The school may choose to originate but may not disburse a new subsidized Stafford loan, or disburse Perkins, Supplemental Education

Opportunity Grant, or additional Federal Work-Study funds if the student fails to submit the federally required verification documentation in a timely manner. [[§668.54\(a\)\(3\) and \(5\)](#); [§668.56](#); [§668.58\(a\)\(2\)\(iii\)](#)]

A school must develop and apply an adequate system to identify and resolve discrepancies in the information provided by the aid applicant. The school must reconcile all conflicting information before disbursing any funds, whether or not the student's application was selected for [verification](#). It is the school's responsibility to ensure compliance with federal requirements and verification procedures. For more information on verification, schools should refer to federal regulations and the [Department's](#) most recent [FSA Handbook, Application and Verification Guide](#).

[[§668, Subpart E](#); [11-12 FSA Handbook, Application and Verification Guide, Chapter 5](#), pp. [AVG-104 to AVG-105](#)]

Verification Exemptions

A school may choose to originate but may not disburse subsidized Title IV loan funds until the student completes the verification process. However, unless the school has reason to believe that the information provided on the FAFSA is incorrect, verification is not required if the student has no need—even if the student is selected for verification. Parent PLUS borrowers are not subject to verification, nor are Grad PLUS loan borrowers who are eligible to receive no subsidized Title IV funds, although PLUS loan eligibility may be affected by changes to the student's EFC that result from the verification process. So a graduate student who is eligible only for unsubsidized Stafford loan funds and a Grad PLUS loan need not provide the documentation required under verification rules unless the school's own policies require it. But if the student is eligible for any subsidized campus-based funds, the school still must complete the verification process.

[[§668.58\(a\)\(2\)\(iii\)](#)]

Exemptions¹

[Foreign schools](#) are exempt from verification requirements with respect to a Stafford or PLUS loan applicant's financial information. Other schools also may be exempt from certain verification requirements if they are participating in the Department's Quality Assurance Program (see [Section 4.7](#)).

¹ Policy 1268 (Batch 186), approved April 19, 2012

In addition, the school is not required to complete verification for an aid applicant if any of the following applies:

- The student withdraws prior to being selected for verification and all Title IV funds were disbursed prior to the withdrawal date.
- The student dies.
- The student does not receive Title IV aid based on reasons other than a failure to complete verification.
- The student receives only unsubsidized student aid.
- The aid applicant is a transfer student who completed verification at the previous school, applies for aid at the new school based on the same FAFSA, and the current school obtains a letter from the previous school providing each of the following:
 - = A statement that it has verified the student's information.
 - = The transaction number of the applicable valid ISIR.

[HEA §487(a)(3); §668.51(c); §668.54(b)]

If CPS selects for verification a student who completed the verification process already, the school need not re-verify any data previously verified and that remains unchanged, but must complete the verification process again for any data not previously confirmed or that was confirmed in the past but changed in the interim.

[§668.54(a)]

Certification and Verification

If an applicant is selected for verification and the school believes that the information provided on the FAFSA is correct, it may certify a loan, but may not release loan proceeds before the verification process is complete. If verification is not completed within 45 days from the date the school receives the loan proceeds, the school must return the proceeds to the lender promptly, but no later than 10 business days after the last day of the 45-day period. [§668.58(c); §668.167(b)(2) and (3)]

If, during the 10-business day return period, the verification process is completed, the school may deliver the proceeds rather than return them to the lender, provided the delivery is made on or before the last day of the return period. For more information on delivery requirements, see

Section 8.7.

[§668.167(b)(3); Department of Education Policy Bulletin dated June 2, 1997]

Verification Not Completed before Withdrawal

If a student is selected for verification but withdraws before providing all required verification documentation, the school must comply with the return of Title IV funds requirements outlined in Subsection 9.5.D.

Change to EFC

If the EFC used to originate Title IV loans 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 must ensure that it is responsible for eliminating any overaward of loan funds that resultsing from corrections identified during necessitated by the verification process (see Section 8.6).

[§668.59(c)(1)]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.

If the Central Processing System has selected the student for verification, the school must complete that verification process and obtain a new Institutional Student Information Record, if applicable, prior to exercising professional judgment (PJ). If the school's own policies impose the verification requirement, then the school may also establish in its policies whether its verification must precede any PJ.

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; Preamble to the Federal Register published October 29, 2010, p. 66903; DCL GEN-92-21; 11-12 FSA Handbook, Application and Verification Guide, Chapter 5, pp. AVG-103 to AVG-104]²

¹ Policy 1268 (Batch 186), approved April 19, 2012

² Policy 1269 (Batch 186), approved April 19, 2012

- The school certified the loan on or before the date of the student’s withdrawal.
- The borrower signed the [Master Promissory Note \(MPN\)](#) prior to the date the school completes the [return of Title IV funds](#) calculation. [DCL GEN-05-16]

If a school is completing the return of Title IV funds calculation on a [payment period](#) basis, FFELP funds scheduled for [disbursement](#) in a subsequent payment period may not be included as aid that could have been disbursed. [DCL GEN-04-03]

A school may be prohibited under [late delivery](#) provisions from making a [post-withdrawal disbursement](#) of FFELP funds even if the funds are included as aid that could have been disbursed in the return of Title IV funds calculation. Before making a post-withdrawal disbursement of FFELP funds, the school must determine that the borrower is eligible for a late delivery under the provisions in [Subsection 8.7.E](#). (See also [Subsection 7.7.G](#) for the [late disbursement](#) provisions applicable to lenders. [§668.164(g); DCL GEN-00-24; DCL GEN-04-03; 10-11 FSA Handbook, Volume 5, Chapter 2, p. 5-93]

Inadvertent Overpayments

An inadvertent overpayment exists when a school delivers Title IV funds to a student who is no longer in attendance. For purposes of completing a return of Title IV funds calculation, an inadvertent overpayment must be included as aid that could have been disbursed. The student must qualify for a late disbursement to be eligible to retain funds that were delivered as an inadvertent overpayment. If the student is ineligible for all or a portion of the inadvertent overpayment, the school must return the ineligible amount to the lender within 45 days of the date of the school’s determination that the student withdrew. [HEA §484B(b)(1); DCL GEN-06-05; DCL GEN-04-03; 10-11 FSA Handbook, Volume 5, Chapter 2, pp. 5-68 to 5-69]

Aid Types to Be Included in the Return Calculations

When calculating the return of Title IV funds, the school must include the following Title IV funds, as applicable:

- [Federal Perkins loan](#).
- Direct loan.
- FFELP loan.

- [Federal Pell grant](#).
- ~~Academic Competitiveness grant.~~
- ~~National SMART grant.~~¹
- [TEACH grant](#).
- [Federal Supplemental Educational Opportunity Grant \(FSEOG\)](#), not including the nonfederal share of an FSEOG award if the school meets its matching share by the individual recipient method or the aggregate method. [§668.22(a)(2)]

Aid Types to Be Excluded from the Return Calculations

When calculating the return of Title IV funds, the school must exclude amounts from the following Title IV programs, as applicable:

- [Federal Work-Study](#).
- Leveraging Educational Assistance Partnership (LEAP).
- Special Leveraging Educational Assistance Partnership (SLEAP).
- Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP).
- Student Support Services (SSS).
- The nonfederal share of an FSEOG award if the school meets its matching share by the individual recipient method or the aggregate method.

[HEA §484B(a)(3)(C)(i); §668.22(a); DCL GEN-06-05]

Percentage of Title IV Aid Earned

The percentage of Title IV loan and grant aid earned by the student is equal to the percentage of the [payment period](#) or [period of enrollment](#) that the student completed as of the date of the student’s withdrawal. (See the explanation of this calculation under the subheading “Determining the Percentage of the Payment Period/Period of Enrollment Completed” earlier in this subsection.)

¹ Policy 1270 (Batch 186), approved April 19, 2012

- The [loan period](#).
- The student's [withdrawal date](#), graduation date, or [last date of attendance](#) as at least a [half-time student](#).
- The most recent address that the school has on file for the student.
- The [disbursement](#) number, if applicable.
- The reason for the return of funds (such as [withdrawal](#), [overaward](#), [leave of absence](#)).
- Whether or not subsequent disbursements should be canceled or rescheduled.

Applying Returned Funds

~~The Higher Education Act and federal regulations specify the order in which unearned funds A school must be return unearned Title IV funds returned~~ to the Title IV programs. The school must ensure that returned funds are applied to eliminate outstanding balances on loans and grants for the [payment period](#), or [period of enrollment](#), in the following order:

- FFELP unsubsidized Stafford loans.
- FFELP subsidized Stafford loans.
- Direct unsubsidized Stafford loans.
- Direct subsidized Stafford loans.
- [Federal Perkins loans](#).
- FFELP [parent](#) or [Grad PLUS loans](#).
- Direct parent or Grad PLUS loans.
- [Federal Pell grants](#).
- ~~Academic Competitiveness grants.~~
- ~~National SMART grants.~~¹
- [Federal Supplemental Educational Opportunity Grants \(SEOGs\)](#).

- [TEACH grants](#).

The school may calculate and make refunds for non–Title IV federal, state, private, or institutional student assistance programs according to the applicable policies. [[§668.22\(i\)](#); [DCL GEN-98-28](#)]

When returning a loan disbursement to the lender, the school should return the net amount of the disbursement that was received from the lender (the gross disbursement amount minus the [guarantee](#) and [origination fees](#)). The lender will adjust the guarantee and origination fees.

9.5.C Responsibilities for Unpaid Refunds

The [guarantor](#) will notify the lender and the school if it receives an unpaid [refund](#) allegation. The notice will include all pertinent facts available to the guarantor regarding the allegation. For lender responsibilities applicable to unpaid refund requests received for both open and closed schools, see [Subsection 13.8.H](#).

Within 60 days of receiving the allegation notice from the guarantor, the school must do one of the following:

- Make the required refund to the lender.
- Provide documentation to the guarantor to substantiate that the refund was already paid to the lender.
- Provide documentation to the guarantor to substantiate that the refund was not required.

If the school does not comply with one of the preceding requirements, relief will be provided to the borrower if the guarantor determines that the relief is appropriate. If the guarantor provides relief to the borrower, the guarantor will report to the Department the school's failure to pay the refund.

[[§682.402\(l\)\(5\)\(viii\) and \(ix\)](#); [§685.216\(a\)\(2\)\(ii\)](#)]

¹ Policy 1270 (Batch 186), approved April 19, 2012

11.8 Military Service Deferment

A military service deferment is available to a borrower while the borrower is serving on active duty during a war or other military operation, or a national emergency, or while the borrower is performing qualifying National Guard duty during a war or other military operation, or a national emergency.

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

Payments made by or on behalf of a borrower during a period for which the borrower qualified for a military service deferment are not refunded.

[§682.210(t)(5)]

11.8.A Eligibility Criteria—Military Service

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

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

Definitions Applicable to Military Service Deferment

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

- *Active duty* means serving in full-time duty in the active military service of the U.S., not including training or attendance at a service school.
- *Military operation* means a contingency operation in which a member of the Armed Forces is, or may become, involved in military actions, operations, or hostilities against an enemy of the U.S. or against an opposing military force; or results in the call or order to, or retention on, active duty of members of the uniformed services under 10 U.S.C. 688, 12301(a),

12302, 12304, 12305, or 12406, 10 U.S.C. Chapter 15, or any other provision of law during a war or during a national emergency declared by the president or Congress.

- *National emergency* means a national emergency by reason of certain terrorist attacks declared by the president on September 14, 2001, or subsequent national emergencies declared by the president by reason of terrorist attacks.
- *Qualifying National Guard duty* means training or other duty, other than inactive, performed by a member of the U.S. Army National Guard or the Air National Guard on full-time National Guard duty as called to service authorized by the president or the Secretary of Defense. The training or other duty must be performed for more than 30 consecutive days in connection with a war or other military operation, or a national emergency as declared by the president and supported by federal funds.
- *Serving in active duty* means service by an individual who is a Reserve of an Armed Force ordered to active duty under section 10 U.S.C. 12301(a), 12301(g), 12302, 12304, or 12306, or any retired member of an Armed Force ordered to active duty under 10 U.S.C. 688, for service in connection with a war or other military operation or national emergency, regardless of the location at which the active duty service is performed. This also includes any other member of an Armed Force on active duty in connection with such emergency or subsequent actions of conditions who has been assigned to a duty station at a location other than where the member is normally assigned.

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

A borrower is not eligible for a **refund** of any loan payments made prior to the time the deferment is granted.
[HEA §428(b)(1)(M); DCL GEN-06-02]

¹ Policy 1275 (Batch 187), approved April 19, 2012

11.21.L Loan Sale or Transfer

The lender may grant the borrower a forbearance for a period of [delinquency](#) existing at the time the loan is sold or transferred, if the borrower or [endorser](#) is less than 60 days delinquent on the loan at the time of the [loan sale](#) or [transfer](#).

[§682.211(f)(9)]

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

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

[§682.211(f)(12); [Disaster Letter 99-28](#); [DCL GEN-10-16](#)]¹

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

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

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

11.21.O Repayment Alignment

Aligning Repayment of a Stafford and SLS Loan

A [borrower](#) with one or more Stafford loans that have not entered repayment and one or more SLS loans is eligible to have the [repayment period](#) start dates on these loans aligned. A borrower's request for aligned repayment may be made verbally or in writing. A separate request is unnecessary when the borrower has signed the Stafford loan [Master Promissory Note](#), which authorizes the lender to align repayment of the borrower's Stafford and SLS loans.

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

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

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

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

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

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

¹ Policy 1271 (Batch 186), approved April 19, 2012

A

Ability to Benefit (ATB): Basis on which a student without a high school diploma, its recognized equivalent, or a General Education Development (GED) Certificate may qualify for Title IV aid. A student who has passed an approved test or has satisfactorily completed at least six credit hours or equivalent coursework applicable toward a degree or certificate offered by the school may qualify for Title IV aid. ATB is a condition of student eligibility and the student must meet this condition by one of these two methods prior to the school's certification or award of any Title IV aid. The Department maintains a list of approved tests for measuring a student's ability to benefit from the educational program the student seeks. See Section 5.11.¹

Academic Competitiveness Grant (ACG): A federal need and merit based grant that is intended to encourage a student to complete a rigorous secondary school program of study. For more information about this program, see the FSA Handbook.²

Academic Period: A measured period of enrollment (e.g., a semester, trimester, quarter, or clock hours).

Academic Year: For the purposes of determining a borrower's Title IV aid eligibility, a period during which an undergraduate, full-time student is expected to complete either of the following:

- At least 30 weeks of instructional time and 24 semester or trimester hours, or 36 quarter hours in an educational program that measures program length in credit hours.
- At least 26 weeks of instructional time and 900 clock hours in an educational program that measures program length in clock hours.

Upon written request from a school, the Department may reduce the minimum number of weeks in an academic year to between 26 and 29 weeks of instructional time for a credit-hour program that leads to an associate degree or a bachelor's degree.

For a graduate or professional program, an academic year is a period of at least 30 weeks of instructional time. There is no statutory minimum number of hours that a student must complete within the academic year for a graduate or professional program.

Accredited School: Any school that meets standards established by a nationally recognized accrediting agency, and for which that agency has provided documented acknowledgment of the school's compliance. (See also [Preaccredited School](#).)

Accrediting Agency: An agency that sets educational standards for schools, evaluates schools, and certifies that schools have met these standards. A "nationally recognized accrediting agency" is one that the U.S. Department of Education has recognized to accredit or preaccredit a particular category of school or educational program according to [34 CFR Parts §602 and §603](#). The agency grants accreditation status to schools.

The Department publishes a list of nationally recognized accrediting agencies that the Department has determined to be reliable authorities as to the quality of education or training offered. If the Department determines that there is no nationally recognized accrediting agency qualified to accredit schools in a particular category, the Secretary of Education will appoint an advisory committee, composed of persons specially qualified to evaluate training provided by schools in such category, to prescribe the standards a school must meet in order to participate in the Title IV programs and to determine whether an individual school meets those standards.

Act, the: The Higher Education Act of 1965, as amended. [Title IV, Part B of the Act](#) addresses FFELP loans.

Actual Interest Rate: The annual interest rate a lender charges on a loan, which may be equal to or less than the "applicable"—or statutory—interest rate on that loan.

Additional Unsubsidized Stafford Loan: The amount of a student's eligibility for an unsubsidized Stafford loan that is in addition to the student's base Stafford loan eligibility. See [Subsection 6.11.A](#) and [Figure 6-4](#) for more information.

Administrative Forbearance: A temporary suspension of, a reduction of, or an extension of time for making principal and/or interest payments on a Stafford, SLS, PLUS, or Consolidation loan that is granted by the holder or lender, upon notice to the borrower or endorser, and that does not require a written request from the borrower or an agreement signed by the borrower before the forbearance is granted. See [Section 11.21](#).

Administrative Wage Garnishment: Process by which a guarantor, under federal law, may intercept a portion of the wages of a borrower with a defaulted FFELP loan.

¹ Policy 1267 (Batch 186), approved April 19, 2012

² Policy 1270 (Batch 186), approved April 19, 2012

term.

[§668.22(1)(6); *Federal Register* dated October 29, 2010, pp. 66897 and 66935]

MPN: See [Master Promissory Note \(MPN\)](#)

Multiple Disbursements: Disbursement at predesignated times of a Federal Stafford or PLUS loan—usually in two or more installments of approximately equal increments. See [Subsection 7.7.B](#).

N

National and Community Service Trust Act: The federal legislation that created a national and community service program, including AmeriCorps. The program is administered by the Corporation for National Service.

National Council of Higher Education Loan Programs

(NCHELP): A nationwide network of guarantors, secondary markets, lenders, loan servicers, collectors, and other organizations involved in the administration of the Federal Family Education Loan Program. NCHELP represents its members on public policy and regulatory issues with the legislative and executive branches of the federal government.

National Credit Bureau: A credit reporting agency with a service area encompassing more than a single region of the country.

National of the United States: A citizen of the United States or, as defined in the Immigration and Nationality Act, a noncitizen who owes permanent allegiance to the United States.

National Science and Mathematics Access to Retain Talent Grant (National SMART Grant): A federal need- and merit-based grant that is intended to encourage a student to major in one of the physical, life, or computer sciences; engineering; technology; mathematics; or a critical foreign language. For more information about this program, see the [FSA Handbook](#).¹

National Student Loan Data System (NSLDS):

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

Nationwide Consumer Reporting Agency: An agency that regularly engages in the practice of assembling or evaluating, and maintaining, for purposes of furnishing consumer reports to third parties bearing on a consumer's creditworthiness, credit standing, or credit capacity, each of

the following regarding consumers residing nationwide: public record information, and credit account information from persons who furnish that information regularly and in the ordinary course of business.

[Section 603(p) of the Fair Credit Reporting Act [15 U.S.C. 1681a(p)]]

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

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

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

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

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

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

O

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

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

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

¹ Policy 1270 (Batch 186), approved April 19, 2012

See [Subsection H.4.D](#) for additional waivers pertaining to a student or borrower who is affected by a hurricane or other disaster.

H.4.D Disaster Waivers

In [DCL GEN-04-04](#) posted on February 24, 2004, the Department issued general guidance for helping Title IV participants affected by a disaster. This guidance supplements the [FSA Handbook](#) and [Disaster Letter 99-28](#), published August, 5, 1999, which provided separate guidance on the treatment of borrowers who have been affected by a disaster.

The [Pell Grant Hurricane and Disaster Relief Act \(P.L. 109-66\)](#) and the [Student Grant Hurricane and Disaster Relief Act \(P.L. 109-67\)](#) authorized the Department to provide a waiver of a student's [Title IV](#) grant overpayment if the student withdrew from a school because of a major disaster. On November 9, 2005, the Department issued [DCL GEN-05-17](#), to implement the Title IV grant overpayment waiver.

On June 24, 2008, the Department issued [GEN-08-10](#) to remind Title IV participants that the waivers first published in [DCL GEN-04-04](#) and [DCL GEN-05-17](#) remain in effect.

On August 23, 2010, the Department issued [DCL GEN-10-16](#) to provide updated guidance for helping Title IV participants affected by Federal disaster. The guidance provided in [DCL GEN-10-16](#) superseded the guidance in [DCL GEN-04-04](#) and [DCL GEN-05-17](#).

Unless stated otherwise, this regulatory relief applies to all Title IV recipients and their families who, at the time of a disaster, were residing in, employed in, or attending a school located in a federally-declared disaster area. This relief also applies to schools, lenders, servicers, and guaranty agencies that are located in such areas. Federally-declared disaster designations are available on the [Federal Emergency Management Agency's \(FEMA\) Website](#). Only disasters designated for "Individual Assistance" are eligible for this regulatory relief.

A school or lender that deviates from otherwise required actions on the basis of these waivers must document that fact and indicate what alternative procedures were followed.

Schools should consult ~~DCL GEN-04-04~~ [DCL GEN-10-16](#) for additional information about waivers that are specific to the Federal [Pell Grant](#), [Campus-Based](#), and [Federal Direct Loan Programs](#).¹

¹ Policy 1271 (Batch 186), approved April 19, 2012

Need Analysis

A [financial aid administrator \(FAA\)](#) will not count special financial relief aid (for example, grants or low-interest loans) that a victim of a disaster received from the federal government or from a state as [estimated financial assistance \(EFA\)](#) or income for the purpose of calculating a student's [expected family contribution \(EFC\)](#).

Professional Judgment

An FAA may exercise [professional judgment](#) to make adjustments to the [cost of attendance \(COA\)](#) or to the values of the items used in calculating the EFC to reflect a student's special circumstances (see [Subsections 6.5.D](#) and [6.6.B](#)). The Department encourages an FAA to use professional judgment in order to reflect more accurately the financial need of students and families who are affected by a disaster. The FAA still must make adjustments on a case-by-case basis and clearly document the student's file with the reason(s) for any adjustment.

Verification

A school is not required to complete [verification](#) during the [award year](#) for Title IV federal student aid applicants selected for verification whose records were lost or destroyed because of a disaster. A school must document when it does not perform verification for this reason.

Recordkeeping Requirements for Schools

A school that is affected by a disaster is required to attempt to reconstruct Title IV federal student aid records that are lost because of the disaster. (See [Section 4.5](#) and the [08-09 FSA Handbook, Volume 2, Chapter 9](#) for more information about required records that a school must maintain.) However, a school will not be held responsible for records and documentation that, because of disaster damage, cannot be reconstructed. The school must document that the records were lost due to a disaster.

Disbursement of FFELP Loan Proceeds

A lender is not required to disburse FFELP loan proceeds to a school according to the school's original [disbursement](#) schedule if the lender has been informed that the school has delayed or will delay opening for a scheduled term, or has ceased operations for an undetermined period of time because the school was affected by a disaster. Such a school should request a revised [disbursement date\(s\)](#), and the lender should await a revised disbursement schedule from the affected school. A loan holder may revise information on the [loan period](#) and graduation date on a loan record related to the revised disbursement schedule as the

information becomes available from the school. In this case, neither the school nor the lender should require a borrower to reapply for a loan.

Credit Balances

If a Title IV credit balance exists for any reason when a student withdraws, including as a result of the school's policy for refunding institutional charges, that credit balance must first be applied to any Title IV grant overpayment that exists as a result of the student's withdrawal. However, if a school grants a waiver of any Title IV grant overpayment that exists as a result of the student's withdrawal, the school must not apply any Title IV credit balance toward the grant overpayment. See "Grant Overpayment Waiver" below.

Satisfactory Academic Progress

If a student fails to meet a school's [satisfactory academic progress](#) standards due to a disaster, the school ~~should~~ may suspend the satisfactory academic progress standards for that student in accordance with its policies for satisfactory academic progress appeals due to mitigating circumstances. (For more information, see the [08-09 FSA Handbook, Volume 2, Chapter 10, pp. 2-127 and 2-130.](#)) The school must document in the student's file that a disaster constituted the mitigating circumstances that caused the student's failure to maintain satisfactory academic progress.

Enrollment Reporting

If, as a direct result of a disaster, a school is unable to complete and return its Enrollment Reporting Submittal File to the [National Student Loan Data System \(NSLDS\)](#) according to the school's established schedule, the school must contact the NSLDS Customer Service Center (see [Section D.6](#)) to modify its reporting schedule. A school that uses a servicer to report enrollment information to the NSLDS should contact its servicer to determine whether the school's [enrollment reporting](#) data submission schedule should be adjusted. If a school receives a warning letter from NSLDS regarding missed reporting deadlines, it should contact NSLDS Customer Service to ensure that reporting schedule modifications have been made.

In-School Period

A Stafford loan borrower who was in an [in-school period](#) on the date the borrower's attendance at a school was interrupted due to a disaster should be continued in an in-school status until such time as the borrower withdraws or re-enrolls in the next regular enrollment period, whichever

is earlier. This period of disaster-related nonattendance should not result in a borrower entering or using any of his or her [grace period](#). This guidance does not affect the way a school should report a borrower's enrollment status on its Enrollment Reporting Submittal File (see [Section 9.2](#)).

Leaves of Absence

A school is not required to collect a written request for an approved [leave of absence](#) from a student who was directly affected by a disaster, nor does the request have to be made before the leave of absence starts. A school's documentation of its decision to grant the leave of absence must include the reason for the leave of absence and the reason for waiving the required written request made prior to the leave of absence. For more information about the requirements for an approved leave of absence, see [Section 9.3](#).

Institutional Charges and Refunds

A school is strongly encouraged to provide a full [refund](#) of tuition, fees, and other institutional charges, or to provide a credit in a comparable amount against future charges for a student who withdraws from school as a direct result of a disaster. The Department urges a school to consider providing easy and flexible re-enrollment options to such a student. However, before a school makes a refund of institutional charges, it must perform the required [return of Title IV funds](#) calculation based upon the originally assessed institutional charges (see [Subsection 9.5.A](#)). After determining the amount that the school must return to the Title IV programs, any reduction of institutional charges should take into account the funds that the school is required to return. The Department does not expect that a school would both return funds to the Title IV programs and also provide a refund of those same funds to the student.

The school should not include the number of days on which classes were not offered as a result of the disaster in either the numerator or denominator of the return of Title IV funds calculation for students whose [withdrawal date](#) is after such an [unscheduled break](#).¹

Grant Overpayment Waiver

A withdrawn student is not required to repay a Title IV grant overpayment if the circumstances of the student's withdrawal meet all of the following conditions:

¹ Policy 1271 (Batch 186), approved April 19, 2012

- The student was residing in, employed in, or attending a school that is located in a federally-declared disaster area.
 - The student withdrew because of the impact of the disaster on the student or the school.
 - The student's withdrawal occurred within the [academic year](#) during which the federal disaster designation occurred or during the next succeeding academic year, beginning with any academic year that occurs, in whole or in part, with the 2005-06 [award year](#).
- A school that waives a student's grant overpayment under these conditions is not required to notify the student or the NSLDS of the overpayment, or refer any portion of the overpayment to the Department. In addition, a school must not apply any Title IV credit balance toward the grant overpayment.
- In addition to documenting the application of this waiver in the student's file, a school must also document the amount of any overpayment that has been waived.

Deferment – In-School

A loan [holder](#) must treat a loan that was in an in-school [deferment](#) status on the date disaster conditions interrupted normal operations at a school as if the loan continues in an in-school deferment until such time as the borrower withdraws or re-enrolls at the next regular enrollment period, whichever is earlier. The borrower, a member of the borrower's family, or another reliable source should notify the loan holder(s) of the borrower's status. This guidance does not affect the way a school should report a borrower's enrollment status on its Enrollment Reporting Submittal File (see [Section 9.2](#)).

Administrative Forbearance

A loan holder may grant an [administrative forbearance](#) for up to 3 months to a borrower who has been adversely affected by a disaster. The loan holder must provide notice to the borrower allowing the borrower an opportunity to decline the forbearance. See [Subsection 11.21.M](#).¹

Other Regulatory Requirements

A school that is affected by a disaster should contact the appropriate School Participation Team (see [Section D.1](#)) to address case-by-case concerns about the following regulatory requirements:

¹ Policy 1271 (Batch 186), approved April 19, 2012

- Credit balances.
- Notices and authorizations.
- Borrower request for loan cancellation.
- Time frames for delivery or return of FFELP funds.
- Institutional eligibility.
- Financial responsibility.
- Administrative capability.
- [Late disbursements](#).
- [Return of Title IV funds](#) deadlines and time frames, including the time frame for allowing a student, or parent borrower, to respond to the offer of a [post-withdrawal disbursement](#).

H.4.E Waiver of Borrower-by-Borrower LLR Designation

Through June 30, 2009, if a school requests and is granted a [lender of last resort \(LLR\)](#) designation by the Department, eligible student borrowers attending the school and eligible parent borrowers may obtain loans from the LLR. The LLR must make loans to eligible student borrowers attending the school and to eligible parent borrowers even if they are otherwise unable to obtain Stafford or PLUS loans from other eligible lenders for the same [period of enrollment](#). [[HEA §428\(j\)\(3\)](#)]

A school that wishes to apply for the LLR designation must meet criteria established by the Department, including that the school, at a minimum:

- Demonstrates that it has made at least three attempts to identify participating lenders, beyond those lenders that had previously provided FFELP loans to students and parents of students attending the school, that will make FFELP loans.
- Documents its determination that 80% or more of the students and parents of students at its school are unable to obtain FFELP loans.
- Provides other documentation and information specified by the Department. [[HEA §428\(j\)\(4\)](#); [DCL GEN-08-08](#)]