

Summary of Changes Approved October 2006 through January 2007

This summary lists changes made since the 2006 Annual Update of the *Common Manual* was printed.

Change bars denote the latest policy changes, which were approved January 18, 2007.

Changes made before the 2006 Annual Update was printed are shown in appendix H of the manual.

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 4: School Participation			
<p>4.1.A Establishing Eligibility</p> <p>4.1.C Maintaining Eligibility</p>	<p>Clarifies that, in order to establish or maintain eligibility, schools must submit requests for approval to participate in the Title IV programs and report changes to its current participation agreement to the Department electronically, using the Application for Approval to Participate in Federal Student Financial Aid Programs (E-App).</p>	<p>Applications for recertification, reinstatement, or changes in ownership submitted by the school on or after the publication date of the 1998-1999 <i>Federal Student Aid Handbook</i>. Applications for reporting changes to a current approval submitted by the school on or after the publication date of the 1999-2000 <i>Federal Student Aid Handbook</i>. Applications for initial certification submitted by the school on or after the publication date of the 2000-2001 <i>Federal Student Aid Handbook</i>.</p>	<p>903/134</p>
<p>4.2.B Financial Aid Administrator Training</p>	<p>This policy adds information about the FSA administration training requirement for schools. To participate in any Title IV program, a school is required to send at least two representatives to the Department of Education's Fundamentals of Title IV Administration Training workshop. Also, if a school changes ownership, structure, or governance, the school representatives must attend the training.</p>	<p>Retroactive to the implementation of the <i>Common Manual</i>.</p>	<p>919/137</p>
<p>4.3.A General School Financial Responsibility Requirements</p>	<p>Revised policy includes information about the Department's requirement that schools use the eZ-Audit, for the submission of financial statements and compliance audits, and copies of the A -133 reports.</p>	<p>Audited financial statements and compliance audits submitted by a school on or after June 16, 2003.</p>	<p>920/137</p>
Chapter 6: School Certification			
<p>Figure 6-4 Stafford Undergraduate Annual and Aggregate Loan Limits</p>	<p>Revised policy clarifies the content of Figure 6-4 by changing the title to "Stafford Undergraduate Annual and Aggregate Loan Limits," and corrects the numerator of the loan proration formula for a program of study that is less than one academic year in length, to read "number of weeks enrolled in program."</p>	<p>Retroactive to the implementation of the <i>Common Manual</i>.</p>	<p>916/136</p>

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6.11.G Effects of a Consolidation Loan on New Stafford Loan Eligibility	The unallocated amount of a Consolidation loan is no longer included in the NSLDS calculation of a student borrower's aggregate outstanding principal balances, and the FAA is no longer required to investigate whether an unallocated amount might impact a student's eligibility for additional Stafford loans. However, if the FAA has conflicting information indicating that the unallocated amount would cause the student to exceed the aggregate limit, the conflict must be resolved and the information derived from that resolution must be used in determining the student's remaining Stafford eligibility.	January 2006.	908/135
Chapter 7: Loan Origination			
7.7 Disbursing the Loan	Revised policy requires a lender that disburses loan proceeds through an escrow agent to make funds available to the escrow agent no earlier than 10 days prior to the date of the scheduled disbursement.	Loan proceeds paid by a lender to an escrow agent on or after July 1, 2006.	913/136
Chapter 9: School Reporting Responsibilities and the Return of Title IV Funds			
9.2 Student Enrollment Status Reporting 9.2.B Reporting Student Enrollment Status Changes to the Lender or Guarantor Ad Hoc Reporting 9.2.C Information Sharing with the Department, a Lender, or a Guarantor	Revised policy states that in addition to submitting regular reports to the NSLDS, a school may be required to report a change in the student's enrollment status that affects the grace period, repayment responsibility, or deferment privileges of a borrower through an ad hoc report. An ad hoc report must be submitted within 30 days unless the school expects to submit a Submittal File within the next 60 days. Revised policy also provides ad hoc reporting methods a school may use. In addition, subsection 9.2.B has been renamed "Ad Hoc Reporting" and a new subsection 9.2.C "Information Sharing with the Department, a Lender, or a Guarantor" has been added.	Enrollment status changes reported by the school on or after March 1, 1997.	909/135
Chapter 10: Loan Servicing			
10.11.E Applying Funds Returned by the School	Clarifies that, if a lender deducted the federal default fee (or guarantee fee), or origination fee from the borrower's loan proceeds, the lender must reduce the fee proportionate to the amount of returned loan funds that a lender receives from a school.	Federal Stafford and PLUS loans guaranteed on or after July 1, 2006.	906/134

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 11: Deferment and Forbearance			
11.2 ACTION Program Deferment	Revised policy states that deferment is <i>available to</i> a borrower who is experiencing conditions that qualify the borrower for the deferment.	Retroactive to the implementation of the <i>Common Manual</i> .	917/136
11.3 Armed Forces Deferment			
11.4 Economic Hardship Deferment			
11.6 In-School Deferment and Summer Bridge			
11.7 Internship/Residency Deferment			
11.8 Military Deferment			
11.9 National Oceanic and Atmospheric Administration Corps Deferment			
11.10 Parental Leave Deferment			
11.11 Peace Corps Deferment			
11.12 Public Health Service Deferment			
11.14 Tax-Exempt Organization Volunteer Deferment			
11.15 Teacher Shortage Area or Targeted Teacher Deferment			
11.18 Working Mother Deferment			
Chapter 13: Claim Filing, Discharge, and Forgiveness			
13.1.A Claim Filing Requirements	Revised policy adds a statement that bankruptcy claims filed by exceptional performers are subject to a review of the lender's compliance with standard bankruptcy policies and requirements. The lender's failure to comply with those requirements may result in the guarantor's return of the bankruptcy claim to the lender, or, if the claim has been purchased, the lender's repurchase of the loan(s).	Bankruptcy notifications received by the lender on or after July 1, 2007, unless implemented earlier by the guarantor.	914/136
13.2 Claim Returns	Revised policy adds that a guarantor may not return a claim due to errors in repayment conversion, due diligence, or timely filing for a lender or lender servicer designated as an exceptional performer. However, if the lender is unable to provide a complete claim or if the loan is otherwise ineligible for claim payment (such as ineligibility for claim payment due to a previous, unresolved loss of loan guarantee) the claim file must be returned despite the lender's or servicer's exceptional performer designation.	Claims filed by exceptional performer lenders and lender servicers on or after March 2004.	912/136
13.3 Claim Purchase or Discharge Payment	Revised policy creates consistency between two pieces of text and inserts text to acknowledge the various ways in which a borrower may be determined eligible for false certification loan discharge.	Retroactive to the implementation of the <i>Common Manual</i> .	915/136
13.5 Claim Repurchase	Revised policy adds a statement that bankruptcy claims filed by exceptional performers are subject to a review of the lender's compliance with standard bankruptcy policies and requirements. The lender's failure to comply with those requirements may result in the guarantor's return of the bankruptcy claim to the lender, or, if the claim has been purchased, the lender's repurchase of the loan(s).	Bankruptcy notifications received by the lender on or after July 1, 2007, unless implemented earlier by the guarantor.	914/136

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
13.8.B Closed School	This policy states that if the student transfers any amount of academic credits or credit hours to another school in order to pursue the same program of study as the one in which the student was enrolled at the closed school, the student or borrower, in the case of a PLUS Loan, is not eligible for closed school loan discharge.	Retroactive to the implementation of the <i>Common Manual</i> .	921/137
13.8.D False Certification by the School	Revised policy creates consistency between two pieces of text and inserts text to acknowledge the various ways in which a borrower may be determined eligible for false certification loan discharge.	Retroactive to the implementation of the <i>Common Manual</i> .	915/136
13.8.G Unpaid Refund	Revised policy states that a borrower must complete, certify, and submit to his or her lender or guarantor an unpaid refund loan discharge application <i>which includes</i> a sworn statement of several declarations.	Retroactive to the approval of the common Loan Discharge Application: Unpaid Refund.	910/135
Chapter 15: Federal Consolidation Loans			
15.2 Borrower Eligibility and Underlying Loan Holder Requirements	Revised policy removes text in section 15.2 regarding Consolidation loan interest rates for applications received by the lender between November 13, 1997, and September 30, 1998, inclusive, as it is no longer relevant to current Consolidation loan interest rate policy.	Upon approval by the Governing Board on January 18, 2007.	923/137
15.2 Borrower Eligibility and Underlying Loan Holder Requirements 15.3.C Reviewing the Loan Verification Certificate	Revised policy allows a borrower to seek consolidation with any consolidation lender, even if the borrower's loans are held by one holder.	Federal Consolidation loan applications received by the lender on or after June 15, 2006.	904/134
Chapter 16: Cohort Default Rates and Appeals			
16.1 Overview of Cohort Default Rates and Terminology	Adds information regarding the electronic process that the Department uses to notify schools of draft and official cohort default rates.	Domestic school's receipt of draft and of official cohort default rate notifications on or after June 1, 2005.	905/134
Appendix B: PLUS/SLS Refinancing			
B.2 Option 2: Refinancing to Secure a Variable Interest Rate	Clarifies that neither the guarantor nor the lender may charge a borrower a federal default fee (formerly guarantee fee) for refinancing loans to secure a variable interest rate.	Federal Stafford and PLUS loans guaranteed on or after July 1, 2006.	906/134
B.2 Option 2: Refinancing to Secure a Variable Interest Rate B.3 Option 3: Refinancing by Obtaining a New Loan	Adds the statutory limitations that define which loans may be refinanced for the purpose of changing a fixed-rate PLUS or SLS Loan to a variable-rate loan.	PLUS or SLS loans first disbursed prior to July 1, 1987.	907/134
Appendix G: Glossary			
Default	Revised policy removes the reference to 270 "consecutive" days, and defines "default" in the glossary as the failure of a borrower (or endorser or comaker, if any) to make installment payments when due, provided that this failure persists for the most recent period of 270 days for a loan repayable in monthly installments.	Retroactive to the implementation of the <i>Common Manual</i> .	918/136

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Appendix H: Glossary			
H.4 Statutory and Regulatory Waivers	Policy in appendix H.4, Statutory and Regulatory Waivers, item #20, is revised by updating the requirements to reflect that a borrower must make nine payments received by the holder within 20 days of the due date during 10 consecutive months.	Loan rehabilitation waivers granted on or after July 1, 2006. A guarantor has the option of considering a borrower to have met the new rehabilitation standard if at least one of the borrower's payments under the rehabilitation agreement is made on or after July 1, 2006.	922/137

To effectively manage the school's programs, an FAA must be supported by an adequate number of qualified staff members. The number of staff members required depends on the number of students to be counseled, the number of [applications](#) to be evaluated and processed, the amount of [funds](#) to be administered, and the type of financial aid delivery system used by the school. A school's financial aid office must be staffed adequately to assist students in applying for aid and to answer questions during standard business hours. The functions of authorizing payments and disbursing or delivering funds must be separated so that no office has responsibility for both functions with respect to any student receiving [Title IV](#) aid. The two functions must be carried out by at least two organizationally independent individuals who are not members of the same family. Adequate staffing at one school may be considered inadequate at another. A guarantor will evaluate the adequacy of a school's staffing and the availability of its personnel during any [program review](#) it conducts. [\[§668.16\(b\) and \(c\)\]](#)

4.2.B Financial Aid Administrator Training

When a school begins participation in any Title IV program, the school is required to send at least two representatives, including both its president or chief executive officer (CEO) and financial aid administrator (FAA), to the Department's Fundamentals of Title IV Administration Training workshop. Also, if a school changes ownership, structure, or governance, its representatives must attend the training (see [subsection 4.1.C](#)). The training must be completed up to 12 months prior to but no later than 12 months after the school executes its [Program Participation Agreement \(PPA\)](#) or experiences a change in ownership, structure, or governance.

The CEO may designate another school executive-level officer to attend the training in lieu of the CEO. However, the attending FAA must be the person designated by the school to be responsible for administering the Title IV programs at the school. If the school uses a consultant to administer the Title IV programs, the consultant must attend the training as the school's FAA. However, the Department strongly recommends that a financial aid employee from the school attend the training along with the consultant.

The school may request from the Department a waiver of the training requirement for the FAA and/or the CEO. The Department may grant or deny the waiver for the required

individual, require another official to take the training, or require alternative training.
[\[§668.13\(a\)\(2\) and \(3\)\]](#)

~~A school's financial aid administrator (FAA) and staff must be adequately trained.~~ Each school is strongly encouraged to develop a financial aid policy and procedures manual that outlines the forms and procedures used in administering Title IV programs. A publication provided by the Department—the *Federal Student Aid Handbook*—can assist in the training of an FAA or financial aid staff and can serve as a reference guide for the school. The Department makes this and other publications available to schools participating in Title IV programs. For more information on available publications and how to order them, see [subsection 2.3.B](#).¹

An FAA may obtain additional information or assistance from any of the following sources:

- A training conference provided by the Department or a guarantor.
- The school's state, regional, or national associations of financial aid professionals.
- The appropriate U.S. Department of Education regional office (see [appendix D](#) for contact information).
- Guarantor newsletters.
- Guarantor customer assistance units (see [section 1.5](#) for contact information).
- The financial aid publications listed in [section 2.3](#) of this manual.

¹ Policy 919 (Batch 137), approved January 18, 2007

4.3 Financial Responsibility Standards

Federal regulations require that a school meet all of the following financial responsibility criteria:

- The school must provide all services described in its official publications and statements.
- The school must properly administer the [Title IV](#) programs in which it participates.
- The school must meet all of its financial obligations. [[§668.171\(a\)](#)]

4.3.A General School Financial Responsibility Requirements

Financial Statements and Audit Requirements

Each year, a school is required to submit to the [Department](#)—for the school’s most recently completed fiscal year—a financial statement prepared on an accrual basis according to generally accepted accounting principles and audited by an independent auditor or a government auditor. The financial statement must be prepared in accordance with generally accepted auditing standards and, if applicable, other guidance contained in the Office of Management and Budget [Circular A-133](#) or in the [Office of the Inspector General’s audit guides](#). The audited financial statement and the compliance audit report may be separate reports prepared by different auditors, provided that both are conducted on a fiscal-year basis and are submitted together. The Department also may request other documentation that it believes is necessary to make a determination of financial responsibility. As a part of its financial statement, the school must include a detailed description of related entities (as defined in the Statement of Financial Accounting Standards) and should list parties related to the school and details that would enable the Department to readily identify the related entities. The Department also may require the submission of additional financial statements that define the school’s financial relationships to related entities that have the ability to significantly influence or control the school. A proprietary school must disclose in a footnote to its financial statement the percentage of its revenues derived from Title IV programs during the covered fiscal year. [[§668.23\(a\)\(4\)](#); [§668.23\(d\)\(1\)](#), [\(2\)](#), and [\(4\)](#)]

A school’s financial statement must be submitted annually within 6 months of the end of its fiscal year. The Department may request more frequent filings or, with good cause, may extend the filing deadline. [[§668.23\(a\)\(4\)](#)]

In addition, each year a school must submit to the Department a compliance audit of its administration of Title IV programs, conducted on a fiscal-year basis by an independent auditor. The compliance audit must be submitted to the Department not more than 6 months after the end of the school’s fiscal year. The compliance audit must cover all Title IV transactions in that fiscal year and all transactions that occurred since the period covered by its last compliance audit. It must be conducted in accordance with generally accepted standards for compliance audits and procedures for audits contained in the Department’s [audit guide](#). The Department may also require the school to provide copies of its compliance audit report to guarantors, eligible FFELP [lenders](#), state agencies, the Secretary of Veterans’ Affairs, or nationally recognized [accrediting agencies](#). [[§668.23\(b\)](#)]

A school participating in a Title IV program is required to submit audited financial statements and compliance audits to the Department electronically through eZ-Audit. A non-profit or public school must submit copies of the A-133 reports in writing to the Federal Audit Clearinghouse, in addition to submitting the A-133 reports to the Department through eZ-Audit. [[2006-2007 Federal Student Aid Handbook, Volume 2, Chapter 12, pp. 2-214 to 2-215](#)]¹

Schools that have a compliance or financial audit performed must allow the Department or its authorized representative access to records, audit work papers, and other documents necessary to review the audit, including the right to obtain copies of those records, work papers, and documents. The school must also require the auditor to permit the Department or its authorized representative access to its records and papers regarding the school’s audit. In addition, the school must permit the Department or its authorized representative access to any records or documentation that would assist in the review of a [third-party servicer’s](#) compliance or financial statement audit. [[§668.23\(e\)](#)]

A [foreign school](#) must also submit an audited financial statement of the most recently completed fiscal year. If the school received less than \$500,000 (U.S.) in [Title IV](#) program funds during that fiscal year, its audited financial statement for that year may be prepared under the auditing

¹ Policy 920 (Batch 137), approved January 18, 2007

of the bankruptcy petition for which the borrower was delinquent. For more information on claim repurchase, see [section 13.5](#).

[§682.402(j)(2)]

13.8.B Closed School

If a **borrower** (or a student for whom a parent obtained a PLUS loan) is unable to complete his or her program of study due to the closing of a **school**, the borrower may qualify to have his or her applicable loans discharged. A borrower is eligible for loan **discharge** of all or part of his or her Consolidation loan for the amount of the closed school loan discharge that would have been applicable to the borrower's underlying loan(s). A borrower is not eligible for loan discharge if the student's program of study was terminated by the school, but the school did not close at that time. An entire school or location must close for a borrower to be eligible for loan discharge.

In most cases, to qualify for a closed school loan discharge, a borrower must complete, certify, and submit to his or her lender or guarantor the Loan Discharge Application: School Closure form approved by the Department. The borrower may be eligible to have a loan discharged if he or she meets all the following criteria:

- The borrower (or student for whom a **parent** obtained a PLUS loan) received any part of the proceeds of a **FFELP** loan on or after January 1, 1986, to attend a school that later closed.
- The borrower (or student) did not complete the program of study at the school for which the loan was obtained because the school closed while the student was **enrolled** or on an approved **leave of absence**, or the student withdrew within 90 days of the **school's** closing.
- The **borrower** (or student) did not complete—and is not currently in the process of completing—the same or a similar program of study through a teach-out at another school, by transferring to another school all or a portion of the academic credits or clock hours earned at the closed school to another school, or by benefitting by any other means from the training provided by the closed school.¹

Additionally, lenders must note the following regarding loans eligible for closed school loan discharge:

- Loan **discharge** is not restricted to loans made for attendance at an **eligible school** that closed. If an ineligible school or branch certified **FFELP** loan **applications** under an eligible school identification number, and the ineligible school or branch subsequently closed, those loans also may qualify for discharge.
- A legally enforceable loan that has lost reinsurance as a result of a **due diligence** violation is eligible for discharge and **claim** payment if the **borrower** meets all discharge requirements. In processing such claims, a **guarantor** will not assess penalties for the due diligence violations.

If a loan **discharge** is approved, the discharge cancels the obligation of the borrower to repay the outstanding principal, accrued interest, **collection costs**, and late fees on all eligible loans made for the student's enrollment in the program of study being pursued when the school closed. It also qualifies the borrower for reimbursement of any amount paid voluntarily or through forced collection on the amount discharged.

[HEA 437(c)]

The guarantor or the Department may initiate the discharge process if either determines that the borrower is eligible for discharge based on information in its possession. If, however, the borrower initiates the process by requesting a discharge based on a school closure, the borrower must complete, certify, and submit to the lender or guarantor the Loan Discharge Application: School Closure form. Through submission of this loan discharge application, the borrower:

- Agrees to provide, as requested, other reasonably available true and correct **documentation** that demonstrates the borrower's eligibility for discharge.
- Agrees to cooperate with the Department or its designee in any enforcement action or attempt to recover discharged loan amounts, and to transfer and relinquish to the Department any right to a **refund** on a discharged loan.
- States whether the student has made a claim with respect to the school's closing with any third party, such as the holder of a performance bond or tuition recovery program. If so, the borrower must disclose in

¹ Policy 921 (Batch 137), approved January 18, 2007

- Health Professions Student Loans (HPSL), including Loans for Disadvantaged Students (LDS).¹
- Nursing Student Loans (NSL).²
- Health Education Assistance Loans (HEAL).²
[§682.100(a)(4)]

Consolidating Defaulted Title IV Loans

A defaulted Title IV loan is eligible for consolidation if the borrower, at the time of [application](#) for the Consolidation loan, meets one of the following conditions:

- The borrower has made [satisfactory repayment arrangements](#) with the holder of the defaulted loan.
- The borrower has agreed to repay the Consolidation loan under an [income-sensitive repayment schedule](#).

Some guarantors restrict the methods by which a borrower may become eligible to consolidate a defaulted loan. These requirements are noted in [appendix C](#).

It is the obligation of the consolidating lender to determine whether the borrower has chosen an income-sensitive repayment schedule or has made the required monthly payments to the holder of the defaulted loan.

Satisfactory repayment arrangements for Consolidation loan eligibility purposes are defined as three consecutive, on-time (received within 15 days of the due date), voluntary, full monthly payments. These payments must be reasonable and affordable with respect to the borrower's financial situation and must be received by the holder of the defaulted loan during the three months immediately preceding the receipt of a consolidating lender's verification certificate. [Prepayment](#) of future installments will not be counted in determining whether the borrower has made three consecutive payments. Income-sensitive repayment schedule eligibility and terms are outlined in [subsection 10.8.C](#).

[§682.200(b); §682.201(c)(1)(i)(A)(3); §682.209(a)(7)]

Adding Loans after Consolidation

A borrower may add to any outstanding Consolidation loan any eligible loans received before or after the date of the consolidation, provided the borrower makes a request within 180 days of the date the Consolidation loan is made. A borrower who wishes to add eligible loans to a Consolidation loan must complete and return the *Request to*

Add Loans form to the lender so that it is received by the lender within 180 days of the date the original Consolidation loan was made. After the 180-day period, the borrower may not include additional loans in the outstanding Consolidation loan.

A borrower who wants to add loans to a Consolidation loan that has been disbursed should provide information regarding those loans to the [lender](#). If the borrower requests that a loan be added within the 180-day add-on period, the consolidating lender is permitted an additional 30 days beyond the 180-day period to complete the [disbursement](#) of the additional loan [funds](#).

[§682.201(d)(1)]

Lenders and borrowers should note that the [interest](#) rate and repayment terms on a Consolidation loan may be affected by adding loans. The lender must disclose new repayment terms to the borrower, if the terms of the borrower's Consolidation loan change due to the addition of loans within the 180-day add-on period. ~~However, a Consolidation loan made from an application received by the lender between November 13, 1997, and September 30, 1998, inclusive, retains a variable interest rate, not to exceed 8.25%, regardless of any new loans added after the original Consolidation loan is made.~~ For portions of the Consolidation loan attributable to HEAL loans, the variable interest rate is based on the average of the 91-day Treasury bill rate plus 3%, with no cap.²

[HEA 428C(c)(1)(D)]

Some [guarantors](#) require lenders to report the adding of loans to Consolidation loans within specific time frames. These requirements are noted in [appendix C](#).

15.3 The Application Process

Neither the guarantor nor the lender may charge the borrower a [federal default fee](#) (or [guarantee fee](#)) or [origination fee](#) with the borrower's [application](#) for a Federal Consolidation loan. Federal regulations permit guarantors to charge lenders an administrative fee to cover the costs of increased or extended liability for Consolidation loans. This fee may not exceed \$50 and may not be passed on to the borrower.

[§682.401(b)(12); §682.505(a)]

- ▲ Lenders may contact individual guarantors for further information on applicable fees. See [section 1.5](#) for contact information.

¹ See [subsection 15.1.A](#) for information on nondiscrimination and permissible practices.

² Policy 923 (Batch 137), approved January 18, 2007

modification. In addition, the Department waives the requirement that a borrower request the deferment. A loan holder may grant deferment to an affected individual based on a request from a family member or other reliable source. Further, the Department waives documentation requirements to allow a loan holder to grant an affected individual a military deferment for a 1-year period without documentation. In order to grant a military deferment beyond the initial 1-year period, the loan holder must obtain supporting documentation from the borrower, a member of the borrower's family, or another reliable source.

19. *Forbearance* (see [subsection 11.22.B](#)): A loan holder must require a borrower who requests [mandatory administrative forbearance](#) because of military mobilization to provide documentation showing that the borrower is subject to a military mobilization.

The Department waives this requirement to allow a borrower to receive forbearance at the request of the borrower, a member of the borrower's family, or another reliable source, for a one-year period, including a 3-month transition period that immediately follows, without providing the loan holder with documentation. In order to grant the borrower forbearance beyond this initial, fifteen-month period, the loan holder must obtain documentation supporting the borrower's military mobilization.

20. *Rehabilitation of Defaulted Loans* (see [section 13.7](#))

To be eligible for [rehabilitation](#), a defaulted borrower must make [satisfactory repayment arrangements](#), i.e., ~~twelve-nine consecutive on-time (received within 20 days of the due date)~~, full, monthly payments to the appropriate holder of each defaulted loan during a period of 10 consecutive months. These payments must be made ~~on time (within 15 days of the payment due date)~~, voluntarily (directly by the borrower, regardless of whether there is a judgment against the borrower), and must be reasonable and affordable.

The requirement that the borrower make ~~consecutive~~ payments as described in the preceding paragraph in order to rehabilitate a defaulted loan is waived. Guarantors should not treat any payment missed during the time that a borrower is an affected individual as an interruption in the requisite ~~twelve consecutive~~ nine on-time, monthly, on-time payments during a period of 10 consecutive months. When the borrower is no longer considered to be an affected individual, or in a 3-month transition period that immediately follows,

the required sequence of qualifying payments may resume at the point they were discontinued as a result of the borrower's status.¹

21. *Loan Forgiveness* (see [subsection 13.9.B](#))

Borrowers may qualify for loan forgiveness if they are employed full-time in specified occupations (e.g., as per the Teacher Loan Forgiveness Program). Generally, to qualify for loan forgiveness, borrowers must perform uninterrupted, otherwise qualifying service for a specified length of time or for consecutive periods of time.

The requirement that periods of service be uninterrupted and/or consecutive is waived, if the reason for the interruption is related to the borrower's status as an affected individual. The period during which the borrower is an affected individual, including a 3-month transition period that immediately follows, will not be considered an interruption in the required service for the borrower to receive loan forgiveness.

22. *Consolidating Defaulted Loans* (see [section 15.2](#))

A defaulted Title IV loan is eligible for consolidation if, at the time of application for the Consolidation loan, the borrower has agreed to repay the Consolidation loan under an income-sensitive repayment schedule, or the borrower has made satisfactory repayment arrangements. Satisfactory repayment arrangements for Consolidation loan eligibility purposes are defined as three, consecutive, on-time (received within 15 days of the due date), voluntary, full monthly payments. These payments must be reasonable and affordable with respect to the borrower's financial situation and must be received by the holder of the defaulted loan during the 3 months immediately preceding the receipt of a consolidating lender's verification certificate.

For an affected individual who establishes eligibility to consolidate a defaulted loan by making satisfactory repayment arrangements, the requirement for consecutive monthly payments is waived. Guarantors should not treat any payment missed during the time that a borrower is an affected individual as an interruption in the requisite three consecutive, monthly, on-time payments. When the borrower is no longer considered to be an affected individual, or in a 3-month transition period that immediately follows, the required sequence of qualifying payments may resume at the point they were discontinued as a result of the borrower's status.

¹ Policy 922 (Batch 137), approved January 18, 2007