

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
1105	Annual Audit Waiver for Foreign Schools	<p><u>4.8</u> <u>Independent Audits</u></p> <p>Incorporates the provision of the Higher Education Opportunity Act (HEOA) that allows the Secretary the ability to provide a waiver of the annual audit requirement for foreign schools that received less than \$500,000 in Title IV loans in the award year preceding the audit year.</p>	Federal	Annual audits required of foreign schools on or after August 14, 2008.
1106	Transfer Students	<p><u>6.1.B</u> <u>Academic Year Categories</u></p> <p><u>6.2</u> <u>Determining the Loan Period</u></p> <p>Incorporate regulatory guidance and information from Volume 3 of the 08-09 FSA Handbook concerning the treatment of students who transfer between schools, between programs at the same school, and students who complete one program and begin another program at the same school during an academic year. In addition, these changes clarify minimum Stafford loan periods and grade level increases for such students.</p> <p>Establishes a centralized source in Subsection 6.11.A, for details about and examples of determining remaining Stafford annual loan limits for a student who transfers during an academic year. Previous Manual text that addressed a mid-year transfer student's remaining Stafford loan eligibility was relocated from Subsection 6.1.B., Section 6.2, and from existing bullets under the subheading <i>Undergraduate Students</i> in Subsection 6.11.A.</p>	Federal	<p>Loans certified on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007, for determining the minimum loan period for a student who transfers between schools and enrolls in a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W.</p> <p>For increases in the additional, unsubsidized Stafford annual loan limit, Stafford loans first disbursed on or after July 1, 2008.</p> <p>Publication date of Volume 3 of the FSA Handbook for determining remaining Stafford loan eligibility for students who transfer to:</p> <ul style="list-style-type: none"> • Credit-hour programs with nonstandard terms that are substantially equal and at least nine weeks of instructional time in length (SE9W).

				<ul style="list-style-type: none"> • Clock-hour programs, non-term-based credit-hour programs, credit-hour programs with nonstandard terms that are not SE9W, and programs with a combination of standard and nonstandard terms that are not qualified to use a Scheduled Academic Year (SAY).
1107	Dependency Overrides	<p><u>6.8</u> <u>Determining the Student's Dependency Status</u></p> <p>Incorporates statutory change made by the College Cost Reduction and Access Act (CCRAA) of 2007 that allows an FAA to make a dependency override for a student based on the documented dependency override for that same student made by another FAA at a prior school. The documented dependency override of the prior FAA must be within the same award year. If a school uses the documented dependency override of another school, it must retain the SAR/ISIR that was used as the basis for continuing the dependency override.</p>	Federal	Dependency overrides made by the school on or after July 1, 2009.
1108	Required Disclosures by Lenders Before Disbursement	<p><u>7.6.A</u> <u>General Initial Disclosure Requirements</u></p> <p>Incorporates provisions of the HEOA regarding initial lender disclosure requirements.</p>	Federal	August 14, 2008.
1109	Lender Disclosure - Before Repayment	<p><u>10.7</u> <u>Disclosing Repayment Terms</u></p> <p>Incorporates provisions of the HEOA regarding additional information a lender is required to disclose at or prior to the start of the student borrower's repayment period.</p>	Federal	Loans first disbursed on or after August 14, 2008.
1110	Required Lender Disclosures During Delinquency	<p><u>12.1</u> <u>Collection Philosophies, Goals, and Minimum Standards</u></p> <p>Incorporates provisions of the HEOA regarding information a lender is required to disclose when a borrower is 60 days delinquent.</p>	Federal	Loans that become delinquent on or after July 1, 2009.

1111	Rehabilitation of Defaulted FFELP Loans	<p><u>13.7</u> <u>Rehabilitation of Defaulted FFELP Loans</u></p> <p>Incorporates the provision of the HEOA which states a loan may only be rehabilitated once, and that a borrower may continue to rehabilitate other defaulted loans that have not previously been rehabilitated.</p>	Federal	Loans rehabilitated on or after August 14, 2008.
1112	Consumer Credit Reporting After FFELP Loan Rehabilitation	<p><u>13.7</u> <u>Rehabilitation of Defaulted FFELP Loans</u></p> <p><u>Appendix G</u></p> <p>Incorporates the provision of the HEOA which states that upon successful rehabilitation of a loan, the guarantor or any other holder that reported the loan as a default, must request that the consumer reporting agency to which the default was reported remove the default record from the borrower's credit history.</p> <p>Adds a definition of Consumer Reporting Agency to Appendix G.</p>	Federal	Loan rehabilitation sales to eligible lenders that take place on or after August 14, 2008.
1113	Teacher Loan Forgiveness	<p><u>13.9.B</u> <u>Teacher Loan Forgiveness Program</u></p> <p>Incorporates the provisions of the HEOA which state that an otherwise eligible borrower may qualify for forgiveness if the borrower has provided qualifying teaching services at one or more locations that are operated by an educational service agency, but are not a school, and that have been determined by the Secretary, in consultation with the state, to be eligible locations for this purpose. The chief administrator of an educational service agency may certify a borrower's eligibility for teacher loan forgiveness for borrowers who perform their qualifying teaching service as employees of such an agency. This change also adds the definition of an educational service agency.</p> <p>Adds that a borrower who receives teacher loan forgiveness benefits under the FFELP or Direct Loan Programs may not receive, for the same teaching service, benefits under the Public Service Loan Forgiveness Program or the Loan Forgiveness for Service in Areas of National Need.</p>	Federal	Teacher Loan Forgiveness Applications and Teacher Loan Forgiveness Forbearance request forms received by the lender on or after August 14, 2008.
1114	Lender Disclosure - Consolidation Loans	<p><u>15.3.A</u> <u>Providing Consolidation Loan Information</u></p> <p>Incorporates the provisions of the HEOA regarding information a lender is required to disclose to a prospective Consolidation</p>	Federal	Consolidation loan applications provided to potential borrowers on or after August 14, 2008.

		loan borrower, in simple and understandable terms, at the time the lender provides an application.		
1115	Cohort Default Rate - Extended Calculation Period	<p><u>16.1</u> <u>Overview of Cohort Default Rates and Terminology</u></p> <p><u>16.2</u> <u>Calculation of School Cohort Default Rate</u></p> <p><u>Figure 16-1</u> <u>Cohort Default Rate Formulas</u></p> <p><u>Figure 16-2</u> <u>Summary: Challenges, Adjustments, and Appeals</u></p> <p>Incorporates the provisions of the HEOA regarding cohort default rate (CDR) calculations beginning with fiscal year 2009 and thereafter.</p> <p>Adds a second definition for CDR to include student borrowers who enter repayment during a specific fiscal year on certain FFELP or FDLP loans and who subsequently default before the end of the <i>second</i> fiscal year following the fiscal year in which the borrowers entered repayment.</p> <p>Amends current text to align policy related to the numerator used in the CDR calculation, including revisions to Figure 16-1. Adds a new Figure 16-2, "Cohort Default Rate Formulas Beginning with Fiscal Year 2009," to reflect the change in calculation beginning with fiscal year 2009 and thereafter. The current Figure 16-2, "Summary: Challenges, Adjustments, and Appeals," has been re-numbered as Figure 16-3.</p>	Federal	Cohort default rate calculations beginning with fiscal year 2009 and thereafter.
1116	School Cohort Default Rate Appeals	<p><u>16.3</u> <u>Challenging Draft Cohort Default Rates</u></p> <p>Aligns the Manual text with policy contained in the <i>Cohort Default Rate Guide</i> which specifies that any cohort default rate (CDR) challenge must be submitted by the school within 45 days of the time frame begin date. The time frame begin date for domestic schools is the sixth business day after the Department officially releases the draft cohort default rates. For foreign schools, the time frame begin date is the day after the official cohort default rate notification is received.</p>	Federal	Cohort default rate challenges submitted by the school on or after the publication date of the August 2006 <i>Cohort Default Rate Guide</i> .

1117	Teach-Out Plan for Schools Placed Under Limitation, Suspension, Termination, or Emergency Action	<p><u>18.1</u> <u>Actions to Limit, Suspend, or Terminate Participation</u></p> <p>Incorporates the provisions of the HEOA which states that a school placed on limitation, suspension, termination, or emergency action is required to prepare a teach-out plan and provide it to its accrediting agency or association. A “teach-out plan” is a written plan that provides for equitable treatment of students if a school ceases to operate before all students have completed their program of study. The teach-out plan must be prepared in accordance with HEA §496(c)(3) (see Title I-General Provisions, Accreditation, Operating Procedures) and any applicable Title IV regulations or accrediting agency standards.</p>	Federal	Limitation, suspension, termination, or emergency actions placed on a school on or after August 14, 2008.
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COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: April 21, 2009

	DRAFT	Comments Due	
	FINAL	Consider at GB Meeting	
X	APPROVED	With No Changes	Apr 16

SUBJECT: Annual Audit Waiver for Foreign Schools

AFFECTED SECTIONS: 4.8 Independent Audits

POLICY INFORMATION: 1105/Batch 158

EFFECTIVE DATE/TRIGGER EVENT: Annual audits required of foreign schools on or after August 14, 2008.

BASIS:

HEA §487(c), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.

CURRENT POLICY:

Current policy does not include the Department's ability to waive the annual audit requirement for a foreign school that received less than \$500,000 in Title IV loans in the award year preceding the audit period.

REVISED POLICY:

Revised policy includes the Department's ability to waive the annual audit requirement for a foreign school that received less than \$500,000 in Title IV loans in the award year preceding the audit period.

REASON FOR CHANGE:

The change is necessary to incorporate provisions of the HEOA.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 4.8, page 28, column 1, by adding a new paragraph 3, as follows;

Waiver of Annual Audit Submission

The Department may waive the annual audit submission requirement for a foreign school that received less than \$500,000 in Title IV loans in the award year preceding the audit period. The Department will notify the school if a decision is made to exercise this waiver authority. [HEA §487(c)(1)(A)(i); DCL GEN-08-12/FP-08-10]

In addition, aAt the request of a school, the Department may waive the annual audit submission requirement if the school meets all of the following criteria:

- Is not a foreign school.
[§668.27(c)(1)]
- Disbursed less than \$200,000 in Title IV program funds during each of the two completed award years preceding the school's waiver request.
[§668.27(c)(2)]
- Agrees to keep records relating to each award year in the unaudited period for 2 years after the end of the record retention period specified in Section 4.5 for that award year.
[§668.27(c)(3)]
- ...
- ...

- ...
- ...
- ...
- ...

**PROPOSED LANGUAGE - COMMON BULLETIN:
Annual Audit Waiver for Foreign Schools**

The *Common Manual* has been revised to incorporate provisions of the Higher Education Opportunity Act (HEOA), P.L. 110-315, that permit the Department of Education to waive the annual audit submission requirement for a foreign school that received less than \$500,000 in Title IV loans in the award year preceding the audit period.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:

A foreign school that received less than \$500,000 in Title IV loans in the award year preceding the audit period may qualify for a waiver of the annual audit submission and, upon request, may need to provide evidence of the waiver.

Lender/Service:

None.

Guarantor:

None.

U.S. Department of Education:

The Department may waive the annual audit submission requirement for a foreign school that received less than \$500,000 in Title IV loans in the award year preceding the audit period.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

August 14, 2008

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

April 9, 2009

PROPOSAL DISTRIBUTED TO:

CM Policy Committee
CM Guarantor Designee
Interested Industry Groups and Others
CM Governing Board Representatives

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, HESC, MGA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, USA Funds, and VSAC.

Responses to Comments

Many commenters supported this proposal as written. Other commenters recommended wordsmithing

changes that were incorporated without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

COMMENT:

One commenter recommended updating the trigger event to clarify that this policy is applicable to annual audits, not other activities such as program reviews.

Response:

The Committee agrees.

Change:

The Effective Date/Trigger Event has been revised as follows:

Annual ~~A~~ audits required of foreign schools on or after August 14, 2008.

COMMENT:

One commenter recommended substituting the term "audit year" with the term "audit period" throughout the proposal in order to align the language with the statutory language.

Response:

The Committee agrees.

Change:

The Current Policy has been revised as follows:

Current policy does not provide for the Secretary's waiver of the annual audit requirement for foreign schools that received less than \$500,000 in Title IV loans in the award year preceding the audit ~~year~~ period.

The Revised Policy has been revised as follows:

Revised policy includes the ability of the Secretary to provide a waiver of the annual audit requirement for foreign schools that received less than \$500,000 in Title IV loans in the award year preceding the audit ~~year~~ period.

Paragraph 3, sentence 1 has been revised as follows:

The Department may waive the annual audit submission requirement for a foreign school that received less than \$500,000 in Title IV loans in the award year preceding the audit ~~year~~ period.

The Proposed Language - Common Bulletin, sentence 1 has been revised as follows:

The *Common Manual* has been revised to incorporate provisions of the Higher Education Opportunity Act (HEOA), P.L. 110-315 that permit the Department of Education to waive the annual audit submission requirement for a foreign school that received less than \$500,000 in Title IV loans in the award year before the audit ~~year~~ period.

bmf/edited - rrl

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: April 21, 2009

	DRAFT	Comments Due	
	FINAL	Consider at GB Meeting	
X	APPROVED	With No Changes	Apr 16

SUBJECT: Transfer Students: Loan Periods, Grade Levels, and Stafford Annual Loan Limits

AFFECTED SECTIONS: 6.1.B Academic Year Categories
6.2 Determining the Loan Period
6.11.A Stafford Annual Loan Limits

POLICY INFORMATION: 1106/Batch 158

EFFECTIVE DATE/TRIGGER EVENT: Loans certified on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007, for determining the minimum loan period for a student who transfers between schools and enrolls in a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W.

For increases in the additional unsubsidized Stafford annual loan limit, Stafford loans first disbursed on or after July 1, 2008.

Publication date of Volume 3 of the 08-09 FSA Handbook for determining remaining Stafford loan eligibility for students who transfer to:

- Credit-hour programs with nonstandard terms that are substantially equal and at least nine weeks of instructional time in length (SE9W).
- Clock-hour programs, non-term-based credit-hour programs, credit-hour programs with nonstandard terms that are not SE9W, and programs with a combination of standard and nonstandard terms that are not qualified to use a Scheduled Academic Year (SAY).

BASIS:

Ensuring Continued Access to Student Loans Act (ECASLA) of 2008, P.L. 110-227; §668.4(g)(1)(ii); §668.4(g)(3); §682.603(f)(1); §682.603(g); preamble to the *Federal Register* dated August 8, 2007, pp. 44632 and 44633; *Federal Register* dated November 1, 2007, pp. 62020, 62021, 62026, and 62031; 08-09 FSA Handbook, Volume 3, pp. 3-86 to 3-89.

CURRENT POLICY:

Current policy provides an example of determining remaining Stafford loan eligibility for a student who transfers between schools to a clock-hour, non-term-based credit-hour, or nonstandard term-based credit-hour program, and who may receive the balance of his or her annual loan limit for the remainder of the academic year at the prior school. However, this example does not clarify that 1) this guidance applies to a credit-hour program with nonstandard terms only if the terms are not SE9W; 2) the new school may certify a loan for the student for the remainder of the academic year at the prior school *only* if the school accepts credit hours or clock hours earned at a prior school toward completion of the program at the new school; 3) the regulation from which this example is derived permits a school to certify a loan for the *shorter* of the remainder of the prior school's academic year or the remaining portion of the program (i.e., a final period of study).

For the purpose of determining remaining Stafford loan eligibility for a student who transfers during an academic year, current policy contains the following inaccuracies or inadequacies:

- Erroneously indicates that the treatment of all students who transfer between programs during an academic year is the same as the treatment of students who transfer between schools during an academic year.

- Does not permit credit-hour programs with nonstandard terms that are SE9W to use the same rules as standard term-based programs, and fails to clarify that credit-hour programs with nonstandard terms that are not SE9W must use the same rules as a clock-hour program or a non-term-based credit-hour program.
- Fails to acknowledge in examples the increased additional unsubsidized Stafford annual loan limits that became effective July 1, 2008.
- Addresses in Section 6.2 (minimum loan periods) remaining Stafford loan eligibility for a student who completes one program and begins another at the same school. However, that guidance is not present in current Manual text (Subsection 6.1.B) that provides other details about determining remaining Stafford loan eligibility for transfer students.
- Does not clarify that the following minimum loan periods apply only to a clock-hour program, a non-term credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W:
 - The shorter of the remaining portion of the program or the remaining portion of the prior school's academic year if a student transfers from one school to another and an academic year overlap exists.
 - The remainder of the current academic year for a student who completes one program and begins another program within an academic year at the same school.
- Does not clarify how a student's remaining Stafford loan eligibility may be affected if the student transfers between schools or between programs and enrolls in the remaining portion of a clock-hour program, non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W.
- Does not provide an intuitive location for detailed discussion about determining remaining Stafford loan eligibility, i.e., how the maximum Stafford annual loan limit is impacted, when a student transfers between schools or programs.

REVISED POLICY:

Revised policy establishes a centralized source in Subsection 6.11.A, *Stafford Annual Loan Limits*, under a new subheading, *Transfer Students*, for details about determining the remaining Stafford annual loan limit for a student who transfers during an academic year. Revised policy relocates text on this topic from Subsection 6.1.B., Section 6.2, and from existing bullets under the subheading "Undergraduate Students" in Subsection 6.11.A.

Revised policy includes the following clarifications and new guidance concerning students who transfer during an academic year:

- The minimum periods for which a school may certify a loan for a student who is enrolled in a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W.
- In the case of a student who transfers between schools and enrolls in a clock-hour program, a non-term-based credit-hour program, a credit-hour program with nonstandard terms that are *not* SE9W, or a program with a combination of standard and nonstandard terms that does not qualify to use an SAY, the new school may certify a loan for the remainder of the final academic year in the prior school's program *only* if the new school accepts credits or clock hours from another school toward completion of the student's program at the new school.
- The additional unsubsidized Stafford annual loan limit increases that became effective July 1, 2008, in the examples of determining remaining Stafford loan eligibility.
- That, for the purpose of determining remaining Stafford loan eligibility, a student who transfers to a credit-hour program with nonstandard terms that are SE9W is treated the same as a student who transfers to a standard term-based program.
- That, for the purpose of determining remaining Stafford loan eligibility, a student who transfers to a credit-hour program with nonstandard terms that are *not* SE9W or a program with a combination of standard and nonstandard terms that does not qualify to use an SAY is treated the same as a student who transfers to a

clock-hour program or non-term-based credit-hour program.

- That a student who transfers between programs is treated the same as a student who transfers between schools if the new program in which the student enrolls is a credit-hour program with standard terms or nonstandard terms that are SE9W.
- That a school, at its option, may keep the student in the same payment period and loan period if the student transfers to a clock-hour program, a non-term-based credit-hour program, a credit-hour program with nonstandard terms that are *not* SE9W, or a program with a combination of standard and nonstandard terms that does not qualify to use an SAY, provided certain criteria are met. Otherwise, a school must place a student in a new payment period and loan period that begins on the student's start date in the new program and ends on the date that the school expects the student to complete the number of credit or clock hours and weeks of instructional time in the new program's academic year.
- That a school must prorate the Stafford annual loan limit for an undergraduate student who transfers in either of the following situations:
 - Between programs at the same school and enrolls for the remaining portion (i.e., the final period of study) of a clock-hour program, a non-term-based credit-hour program, a credit-hour program with nonstandard terms that are not SE9W, or a program with a combination of standard and nonstandard terms that does not qualify to use an SAY.
 - Between schools and enrolls for the final period of study in a clock-hour program, a non-term-based credit-hour program, a credit-hour program with nonstandard terms that are not SE9W, or a program with a combination of standard and nonstandard terms that does not qualify to use an SAY if the remaining portion is shorter than the remainder of the academic year in the prior school's program.

In both cases, the student's remaining Stafford loan eligibility amount is the *lesser* of the following:

- The student's remaining Stafford loan eligibility (i.e., the Stafford annual loan limit for the student's grade level in the new program minus the Stafford loan amount the student received for the prior program's academic year).
- The prorated Stafford annual loan limit for the student's grade level in the new program.

REASON FOR CHANGE:

These changes are required to comply with Departmental guidance and clarification provided in the Department's Spring 2008 Workshops and published in Volume 3 of the 08-09 FSA Handbook.

PROPOSED LANGUAGE - COMMON MANUAL:

Note: The new acronym "SE9W" was previously introduced in Proposal 1092 in Batch 157, including a new glossary definition that explains what is, and what is not, a credit-hour program with nonstandard terms that are SE9W.

Revise Subsection 6.1.B, page 3, column 2, paragraph 2, as follows:

Transfer Students

If a student borrows Stafford loan funds to attend one school and then transfers to a new school or transfers to a new program at the same school, ~~the new~~ a school is not permitted to certify a Stafford loan until it determines whether the student's new academic year will overlap with the final academic year at the prior school or with the prior program at the same school. As a result, a student's Stafford annual loan limit for the initial period of enrollment at the new school or in the new program at the same school may be limited. For detailed information about determining whether an academic year overlap exists for a transfer student and determining such a student's remaining Stafford loan eligibility, see Subsection 6.11.A. This requires the new school to determine the student's academic year at the prior school. The new school may use either of the following methods to make this determination: [08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-86]

- Obtain documentation from the prior school about its academic year.
- Make assumptions about the prior school's academic year based on information obtained from the National Student Loan Data System (NSLDS). Schools that use this method must determine that the academic year at the prior school ended on the later of the following:
 - 30 weeks after the first day of the most recent loan period listed.
 - The end date of the loan period for all loans made in the academic year.

If the final academic year of the program at the prior school does not overlap with the initial academic year of the program of the new school, the new school may certify a loan not to exceed the amount of the student's current annual loan limit.

[Dear Guaranty Agency Director Letter March 16, 1994]

If the final academic year of the prior school does overlap with the initial academic year of the new school, the new school must not certify a Stafford loan for more than the student's current annual loan limit *minus* the loan amount the student received at the prior school for the prior school's final academic year. If the student's grade level decreases as a result of the transfer, the new school must not certify a Stafford loan for more than the annual loan limit applicable to the student's current (i.e., decreased) grade level minus the outstanding loan amount the student received at the prior school during the prior school's final academic year. The exception to this rule is a transfer from a graduate program to an undergraduate program within an academic year. In this case, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher (graduate/professional) annual loan limit. [07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88]

Example: Transfer to a Standard Term-Based Credit-Hour Program

A student received a base Stafford loan in the amount of \$2,000 as a grade level 3 student at School A for the loan period August 21, 2006, to December 20, 2006. The student then enrolled in School B, where he was classified as grade level 1 in a standard term-based credit-hour program. School B wishes to certify a loan from his start date, January 5, 2007, through the end of that term, May 11, 2007.

School B opts to use the "assumption" method of determining the academic year at School A. The most recent loan period at School A began August 21, 2006; the end date of the minimum 30-week academic year, based on that date, would be March 18, 2007. When compared to the end date of School A's loan period, the later of these two dates is March 18, 2007; therefore, the assumed end date of School A's final academic year is March 18, 2007.

Because School B's academic year begins prior to the assumed end date of the final academic year at School A, School B may certify a base Stafford loan of no more than \$625 (the student's base Stafford annual loan limit as a grade level 1 student at School B, \$2,625, minus the \$2,000 received at School A).

For a subsequent term that begins after the end of School A's final academic year, but within School B's initial academic year, School B may certify a base Stafford loan of no more than \$2,000 (the student's base Stafford annual loan limit as a grade level 1 student at School B, \$2,625, minus the \$625 already received at School B for its initial academic year).

Example: Transfer to a Clock-Hour, Non-Term-Based Credit-Hour, or Nonstandard Term-Based Credit-Hour Program

A student received a base Stafford loan in the amount of \$2,000 as a grade level 3 student at School A for the loan period August 21, 2008, to December 20, 2008. The student then enrolled in School B, where he was classified as grade level 1 in a clock-hour, non-term-based credit-hour, or nonstandard term-based credit-hour program. School B wishes to certify a loan

from his start date, January 5, 2009, through the end of the academic year at school A.

School B contacts School A and determines that the final academic year at School A ends May 11, 2009. Because School B's initial academic year begins prior to the ending date of the final academic year at School A, School B may certify a base Stafford loan of no more than \$625 (the student's base Stafford annual loan limit as a grade level 1 student at School B, \$2,625, minus the \$2,000 received at School A) until the completion of the academic year at School A, May 11, 2009. After that date, the student enters a new academic year for annual loan limit purposes, and School B may certify loans for the next full academic year or for the remainder of the program, if less than a full academic year.

The same principles apply when a student transfers from one program of study to another program of study within the same school.

[Dear Guaranty Agency Director Letter March 16, 1994; 06-07 FSA Handbook, volume 3, chapter 4, pp. 3-75 to 3-77]

Revise Section 6.2, page 8, column 1, paragraph 1, as follows:

The minimum loan period that a school may certify is:

- ~~A single academic term (e.g., a semester or quarter) for:~~
- ~~= A program that measures academic progress in credit hours and uses a semester, trimester, or quarter system~~
- ~~= A program that has terms that are substantially equal in length and for which no term in the loan period is less than nine weeks in length.~~
[§682.603(f)(1)(i)(A)]

In a program that measures academic progress in credit hours and uses standard terms, i.e., a semester, trimester, or quarter system, or in a credit-hour program that uses nonstandard terms that are substantially equal in length and at least nine weeks of instructional time in length (SE9W), the minimum period for which a school may certify a loan is a single academic term (e.g., a semester, quarter, or nonstandard term that is SE9W).

[§682.603(f)(1)(i)(A); 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-77]

In a clock-hour program, a non-term-based credit-hour program, a credit-hour program with nonstandard terms that are not SE9W (i.e., the terms are not substantially equal, or each term is not at least nine weeks of instructional time in length), or a program with a combination of standard or nonstandard terms that does not qualify to use an SAY, the minimum period for which a school may certify a loan is:

- The lesser of the length of the student's program at the school, the school's academic year, or the student's ~~remaining period of enrollment for the program~~ final period of study at the school; for:
 - ~~= A program that measures academic progress in clock hours or in credit hours, but that does not use a semester, trimester, or quarter system.~~
 - ~~= A program that does not have terms that are substantially equal in length with no term less than nine weeks in length.~~
[§682.603(f)(1)(ii)(B); 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-78]
- The ~~shorter~~ lesser of the ~~remaining portion of the program~~ student's final period of study or the remaining portion of the original prior school's final academic year if all of the following criteria are met:
 - ~~-~~ A student transfers to a new school from another a prior school (not a student who transfers between programs at the same school).
 - ~~-~~ The new school accepts credit or clock hours from another school (the prior

school or a different school) toward completion of the program at the new school; and.

- ~~The~~ prior school certified ~~or originated~~ a loan for an academic year that overlaps the academic year at the new school.

In this case, the new school may certify a loan for no more than the remaining balance of the ~~student's~~ Stafford annual loan limit for the student's grade level at the new school (see Section 6.4). See Subsection 6.11.A for more information about determining remaining Stafford loan eligibility for a student who transfers between schools during an academic year, and Figure 6-4 for more information about Stafford annual loan limits applicable to a student's grade level.

~~[\$682.603(g)(f)(1)(ii); 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-78]~~

- The remainder of the current academic year for a student who completes one program and begins another program within an academic year at the same school. The school may certify an additional loan for an amount that does not exceed the remaining balance of the ~~student's~~ Stafford annual loan limit at the loan level associated with for the student's grade level in the new program (see Section 6.4 Subsection 6.11.A) if each of the following criteria are met:
 - The student's last loan to complete that program was for a period of less than an academic year.
 - The student then begins a new program at the same school within the same academic year.

~~[\$682.603(g)(f)(1)(iii); 08-09 FSA handbook, Volume 3, Chapter 5, p. 3-78]~~

The exception to this rule is the completion of a graduate program and beginning of an undergraduate program within an academic year. . .

Revise Subsection 6.11.A, page 23, column 2, paragraph 5, as follows:

Undergraduate Students

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...

In determining the appropriate Stafford annual loan limit for an undergraduate student, including a transfer student or a student who has completed a program of study at the same school or a different school, schools ~~and lenders~~ must adhere to the following additional parameters:

- ...
- ...
- ...
- ...
- ...
- In a credit-hour standard term-based program with standard terms or nonstandard terms that are substantially equal in length and at least nine weeks of instructional time in length (SE9W), a student who experiences a grade level change within the academic year becomes eligible for the Stafford annual loan limits that are applicable

to the new grade level, minus any loan funds already received for that academic year. In a clock-hour program, a nonstandard term-based or non-term-based credit-hour program, or clock-hour a credit-hour program with nonstandard terms that are *not* SE9W (i.e., the terms are not substantially equal, or each term is not at least nine weeks of instructional time in length), or a program with a combination of standard and nonstandard terms that does not qualify to use an SAY, the school may not certify the higher loan limit associated with the next grade level until the student successfully completes (i.e., passes) both the minimum number of weeks and the minimum number of credit or clock hours and completes the weeks of instructional time in the program's defined academic year.

[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-96]

- ~~A student who transfers from one program of study another at the same school or a different school within an academic year is eligible for Stafford loan funds not to exceed the annual loan limits applicable to the student's grade level in the student's new program of study (even if that student is at a lower grade level in the new program or has previously obtained an undergraduate degree in a different program); as determined by the school, minus any outstanding loan funds received in the prior program for the current academic year.~~

~~Exception: When a student transfers from a graduate program to an undergraduate program within an academic year, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher (graduate/professional) annual loan limit. See Section 6.1 for detailed information about defining an academic year and calculating Stafford annual loan limits for a student who transfers.~~

~~[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88]~~

- ~~A student who transfers to a standard term-based credit-hour program at the same school or a different school within an academic year and receives the remaining annual loan limit from the initial academic year for attendance in the new program is eligible to receive an additional Stafford loan in a subsequent term(s) that begins within the initial academic year of the new program, but after the end of the academic year in the prior program. In this case, the student is eligible to receive the annual loan limit applicable to the student's grade level minus the outstanding loan amount the student has already received in that academic year in the new program. See Section 6.1 for detailed information about defining an academic year and calculating Stafford annual loan amounts for a student who transfers. See Section 6.10 for information about determining a student's grade level.~~

~~[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88]~~

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Graduate and Professional Students

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Transfer Students

If a student borrows Stafford loan funds to attend one school and then transfers to a new school, the new school is not permitted to certify a Stafford loan until it determines whether the

student's new academic year will overlap with the final academic year in the program at the prior school. This requires the new school to determine the student's academic year in the prior school's program using either of the following methods:

- Obtain documentation from the prior school about the academic year for the program in which the student was enrolled.
- Make assumptions about the program's academic year at the prior school based on information obtained from the National Student Loan Data System (NSLDS). Schools that use this method must determine that the academic year for the program at the prior school ended on the *later* of the following:
 - 30 weeks after the first day of the most recent loan period listed.
 - The end date of the loan period for all loans made in the academic year.

If the final academic year in the prior school's program does not overlap with the initial academic year in the new school's program, the new school may certify a Stafford loan for no more than the Stafford annual loan limit applicable to the student's grade level in the new program. If the final academic year in the prior school's program *does* overlap with the initial academic year in the new school's program, the new school may certify a Stafford loan for no more than the Stafford annual loan limit for the student's grade level in the new program *minus* the Stafford loan amount the student received for the final academic year in the program at the prior school.

[Dear Guaranty Agency Director Letter March 16, 1994; 08-09 FSA Handbook, Volume 3, Chapter 5, pp. 3-86 to 3-89]

These same general principles apply to a student who transfers from one program of study to another program of study within the same school. See below for specific information about determining remaining Stafford loan eligibility for a student who transfers during an academic year from one program to another at the same school, based on the type of program into which the student transfers.

Grade Level Changes upon Transfer

If the student's grade level decreases as a result of a transfer between schools or between programs at the same school and an academic year overlap exists, the new school must not certify a Stafford loan for more than the Stafford annual loan limit for the student's decreased grade level at the new school *minus* the outstanding loan amount the student received during the final academic year at the prior school or in the prior program at the same school. The exception to this rule is a transfer from a graduate program to an undergraduate program within an academic year. In this case, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher (graduate/professional) annual loan limit.
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-93]

Transfer to a Credit-Hour Program with Standard Terms or Nonstandard Terms That Are SE9W

Transfer between Schools

Example: A dependent undergraduate student received a subsidized Stafford loan in the amount of \$2,000 as a grade level 3 student at School A for the loan period August 21, 2009, to December 20, 2009. The student then enrolls in School B, where he was classified as grade level 1 in a credit-hour program with standard terms or nonstandard terms that are SE9W. School B wishes to certify a loan from his start date, January 5, 2010.

School B opts to use the "assumption" method of determining the academic year for the program at School A. The most recent loan period at School A began August 21, 2009; the

end date of the minimum 30-week academic year, based on that date, would be March 18, 2010. When compared to the end date of School A's loan period, the later of these two dates is March 18, 2010; therefore, the assumed end date of the final academic year in School A's program is March 18, 2010.

Because the academic year in School B's program begins prior to the assumed end date of the final academic year in School A's program, the maximum Stafford loan amount that the student may receive is the dependent student's grade level 1 Stafford annual loan limit at School B (\$5,500, of which no more than \$3,500 may consist of subsidized Stafford loan funds), minus the Stafford loan amount the student received for the final academic year of the program at School A (\$2,000 in subsidized Stafford loan funds). School B may initially certify a combined subsidized and unsubsidized Stafford loan amount that does not exceed \$3,500, of which no more than \$1,500 may consist of subsidized Stafford loan funds. The initial loan period at School B begins on the student's start date, January 5, 2010, and ends no later than the end date of the initial academic year at School B.

For a subsequent term(s) that begins after the end of the final academic year in School A's program, but within the initial academic year of School B's program, School B may certify a subsequent Stafford loan that does not exceed the dependent student's grade level 1 Stafford annual loan limit at School B (\$5,500, of which no more than \$3,500 may consist of subsidized Stafford loan funds), minus the amount the student already received at School B for the initial academic year. If the student advances to a subsequent grade level for the subsequent term(s) that begins after the end of the final academic year in School A's program but within the initial academic year of School B's program, School B may certify a combined subsidized and unsubsidized Stafford loan amount that does not exceed the higher Stafford annual loan limit for the student's grade level (e.g., \$6,500 for grade level 2), minus the amount the student already received at School B for the initial academic year.

[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-86]

Transfer between Programs At the Same School

The same principles illustrated in the example above apply to a student who transfers from one program to another program at the same school when the program into which the student transfers is a credit-hour program with standard terms or nonstandard terms that are SE9W. [08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-86]

Transfer to a Clock-Hour Program, a Non-Term-Based Credit-Hour Program, or a Credit-Hour Program with Nonstandard Terms That Are Not SE9W

Note: The following also applies to a student who transfers into a credit-hour program with a combination of standard terms and nonstandard terms that does not qualify to use an SAY.

Transfer between Schools

Example: A dependent undergraduate student received a subsidized Stafford loan in the amount of \$2,000 as a grade level 3 student at School A for the loan period August 21, 2009, to December 20, 2009. The student then enrolls in School B, where he is classified as a dependent, grade level 1 student in a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are *not* SE9W (i.e., the terms are not substantially equal in length, or each term is not at least nine weeks of instructional time in length). School B wishes to certify a loan from his start date, January 5, 2010. School B opts to contact School A and determines that the final academic year in School A's program ends May 11, 2010. The student's initial Stafford loan eligibility at School B is dependent upon whether School B accepts credit or clock hours earned at a prior school toward completion of the program in which the student enrolls at School B.

School B Accepts Credit or Clock Hours

School B accepts credit or clock hours earned at another school (School A or a different school) toward completion of the program at School B in which the student enrolls. Because the initial academic year in School B's program begins prior to the end date of the final

academic year in School A's program, and because School B accepts credit or clock hours from another school in transfer toward requirements of School B's program, the initial loan period at School B is the lesser of the following:

- The remainder of the final academic year in School A's program.
- The final period of study in School B's program.

[§682.603(f)(1)(ii)]

If the remainder of the final academic year in School A's program is shorter than the final period of study in School B's program, the initial loan period at School B begins on the student's start date at School B, January 5, 2010, and ends on the end date of the final academic year in School A's program, May 11, 2010. For this initial loan, the student may receive no more than the dependent student's grade level 1 Stafford annual loan limit at School B (\$5,500, of which no more than \$3,500 may consist of subsidized Stafford loan funds), minus the Stafford loan amount the student received for the final academic year in School A's program (\$2,000 in subsidized Stafford loan funds). School B may initially certify a combined subsidized and unsubsidized Stafford loan amount that does not exceed \$3,500, of which no more than \$1,500 may consist of subsidized Stafford loan funds. After the final academic year in School A's program ends on May 11, 2010, the student enters a new academic year for Stafford annual loan limit purposes, and School B may certify a Stafford loan(s) for the next full academic year or for the student's final period of study, if less than a full academic year.

If the final period of study in School B's program is shorter than the remainder of the final academic year in School A's program, the initial loan period at School B begins on the student's start date at School B, January 5, 2010, and ends on the date School B expects the student to complete the number of credit or clock hours and weeks of instructional time in the final period of study in School B's program. Because this student is enrolled in an undergraduate program, the student's Stafford annual loan limit at School B must be prorated based on the number of hours that School B expects the student to complete during the final period of study in School B's program at the time School B certifies the loan (see Subsection 6.1.F). School B may certify a Stafford loan amount that does not exceed the lesser of the following:

- The grade level 1 Stafford annual loan limit, minus the Stafford loan amount the student received for the final academic year in School A's program.
- The prorated grade level 1 Stafford annual loan limit.

[08-09 FSA Handbook, Volume 3, Chapter 5, pp. 3-87 and 3-89]

School B Does Not Accept Credit or Clock Hours

School B does not accept credit or clock hours earned at another school (School A or a different school) toward completion of the program at School B in which the student enrolls. Because the initial academic year in School B's program begins prior to the end date of the final academic year in School A's program, and because School B does not accept credit or clock hours in transfer toward the requirements of School B's program, the initial loan period at School B is the academic year for the program in which the student enrolls at School B. The initial loan period at School B begins on the student's start date at School B, January 5, 2010, and ends on the date that School B expects the student to complete the credit or clock hours and weeks of instructional time in the academic year definition for the student's program. For this initial loan, the student may receive no more than the dependent student's grade level 1 Stafford annual loan limit at School B (\$5,500, of which no more than \$3,500 may consist of subsidized Stafford loan funds), minus the Stafford loan amount the student received for the final academic year in School A's program (\$2,000 in subsidized Stafford loan funds). School B may initially certify a combined subsidized and unsubsidized Stafford loan amount that does not exceed \$3,500, of which no more than \$1,500 may consist of subsidized Stafford loan funds. After the student successfully completes the credit or clock hours and completes the weeks of instructional time in the initial academic year for the program at School B, the student

enters a new academic year for annual loan limit purposes. School B may then certify a subsequent loan(s) for the next full academic year or for the student's final period of study in the program, if less than a full academic year.

[08-09 FSA Handbook, Volume 3, Chapter 5, pp. 3-87 and 3-89]

Transfer between Programs at the Same School

A school may, but is not required to, consider a student who transfers from one program to a clock-hour program, a non-term-based credit-hour program, a credit-hour program with nonstandard terms that are *not* SE9W, or a credit-hour program with a combination of standard and nonstandard terms that does not qualify to use an SAY to be in the same payment period and loan period if all of the following criteria are met:

- The student is continuously enrolled at the school.
- The coursework in the payment period from which the student is transferring is substantially similar to the coursework the student will take when he or she first transfers into the new program.
- The payment period in the program from which the student is transferring is substantially equal in weeks of instructional time and in credit or clock hours to the payment period into which the student will transfer. The payment periods are substantially equal in weeks of instructional time if neither payment period is more than two weeks of instructional time longer than the other payment period.
- There is little or no change in the institutional charges the school assesses to the student for the payment period.
- The credit or clock hours from the payment period from which the student is transferring are accepted toward the new program.

[\$668.4(g)(3); 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-87]

A school may be required to adjust the original loan period end date or a second or subsequent disbursement date(s) if, as a result of the program transfer, the school expects the student to successfully complete the credit or clock hours and complete the weeks of instructional time in the payment period or academic year on a different date. See Subsections 6.1.B and 6.4.B.

[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-88]

In all other cases, a school must place a student in a new payment period and a new loan period when, during an academic year, the student transfers from one program to a clock-hour program, a non-term-based credit-hour program, a credit-hour program with nonstandard terms that are not SE9W, or a credit-hour program with standard and nonstandard terms that does not qualify to use an SAY. The school may be required to establish a withdrawal date (see Section 9.4) and perform a return of Title IV funds calculation based on the student's withdrawal from the prior program during a payment period or, as applicable, period of enrollment. (See Subsection 9.4.B for more information about calculating a return of Title IV funds on a payment period or period of enrollment basis). The school must also cancel any undelivered disbursement(s) from the original loan for which the student is ineligible. The new loan period for the new program begins on the student's start date in the new program and ends on the date that the school expects the student to complete the credit or clock hours and weeks of instructional time in the new program's academic year. The school may certify an initial Stafford loan for the new program that does not exceed the Stafford annual loan limit for the student's grade level in the new program minus the loan amount the student received during the prior program's final academic year.

[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-88]

If a student transfers to a new program at the same school to complete a final period of study of less than one academic year, the new loan period for the new program begins on the student's start date in the new program and ends on the date that the school expects the student to complete the credit or clock hours and weeks of instructional time in the program's

final period of study. In this situation, if the new program is an undergraduate program, the student's Stafford annual loan limit must be prorated based on the number of hours that the school expects the student to complete during the final period of study in the new program (see Subsection 6.1.F). If an overlap exists with the prior program's academic year, the school may certify a Stafford loan amount that does not exceed the lesser of the following:

- The Stafford annual loan limit for the student's grade level in the new program, minus the Stafford loan amount the student received for the prior program's final academic year.
- The prorated Stafford annual loan limit for the student's grade level in the new program (see Subsection 6.11.F).

[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-88]

Completing a Program and Beginning Another Program at the Same School during an Academic Year

A school may certify a loan for the remainder of an academic year for a student who completes a program and begins a new program at the same school if the following criteria are met:

- The student's last loan to complete the prior program was for a period of less than an academic year.
- The student then begins a new program at the same school within the same academic year.

[§682.603(f)(1)(iii); 08-09 FSA Handbook, Volume 3, Chapter 55, p. 3-88]

The new loan for the new program begins on the date that the student starts the new program and ends on the date that the school expects the student to complete the number of credit or clock hours and weeks of instructional time in the prior program's academic year. For this initial loan in the new program, the school may certify a Stafford loan amount that does not exceed the Stafford annual loan limit for the student's grade level in the new program, minus the loan amount the student received during the prior program's final academic year.

PROPOSED LANGUAGE - COMMON BULLETIN:

Transfer Students: Loan Periods, Grade Levels, and Stafford Annual Loan Limits

The *Common Manual* has been revised to incorporate regulatory guidance and information from Volume 3 of the 08-09 FSA Handbook concerning the treatment of students who transfer between schools, students who transfer between programs at the same school, and students who complete one program and begin another program at the same school during an academic year. In addition, these changes clarify minimum Stafford loan periods and grade level increases for such students.

The Manual is also revised to establish a centralized source in Subsection 6.11.A, *Stafford Annual Loan Limits*, under a new subheading, *Transfer Students*, for details about and examples of determining remaining Stafford annual loan limits for a student who transfers during an academic year. Previous Manual text that addressed a mid-year transfer student's remaining Stafford loan eligibility was relocated from Subsection 6.1.B., Section 6.2, and from existing bullets under the subheading *Undergraduate Students* in Subsection 6.11.A.

Minimum Loan Periods for Certain Programs

In a clock-hour program, a non-term-based credit-hour program, a credit-hour program with nonstandard terms that are *not* SE9W (i.e., the terms are not substantially equal, or each term is not at least nine weeks of instructional time in length), or a program with a combination of standard and nonstandard terms that does not qualify to use a Scheduled Academic Year (SAY), the minimum period for which a school may certify a loan is:

- The lesser of the length of the student's program at the school, the school's academic year, or the student's final period of study at the school.

- The lesser of the student's final period of study or the remaining portion of the prior school's final academic year if all of the following criteria are met:
 - A student transfers to a new school from a prior school (not a student who transfers between programs at the same school).
 - The new school accepts credit or clock hours from another school (the prior school or a different school) toward completion of the program at the new school.
 - The prior school certified a loan for an academic year that overlaps the academic year at the new school.

In this case, the new school may certify a loan for no more than the remaining balance of the Stafford annual loan limit for the student's grade level in the new program. See below for more information about determining remaining Stafford loan eligibility for a student who transfers between schools during an academic year. See Figure 6-4 for more information about Stafford annual loan limits applicable to a student's grade level.

- The remainder of the current academic year for a student who completes one program and begins another program within an academic year at the same school. The school may certify an additional loan for an amount that does not exceed the remaining balance of the Stafford annual loan limit for the student's grade level in the new program (see Subsection 6.11.A) if each of the following criteria are met:
 - The student's last loan to complete that program was for a period of less than an academic year.
 - The student then begins a new program at the same school within the same academic year.

Transfer Students

If a student borrows Stafford loan funds to attend one school and then transfers to a new school, the new school is not permitted to certify a Stafford loan until it determines whether the student's new academic year will overlap with the final academic year in the program at the prior school. This requires the new school to determine the student's academic year in the prior school's program using either of the following methods:

- Obtain documentation from the prior school about the academic year for the program in which the student was enrolled.
- Make assumptions about the program's academic year at the prior school based on information obtained from the National Student Loan Data System (NSLDS). Schools that use this method must determine that the academic year for the program at the prior school ended on the *later* of the following:
 - 30 weeks after the first day of the most recent loan period listed.
 - The end date of the loan period for all loans made in the academic year.

If the final academic year in the prior school's program does not overlap with the initial academic year in the new school's program, the new school may certify a Stafford loan for no more than the Stafford annual loan limit for the student's grade level in the new program. If the final academic year in the prior school's program *does* overlap with the initial academic year in the new school's program, the new school may certify a Stafford loan for no more than the Stafford annual loan limit for the student's grade level in the new program *minus* the loan amount the student received for the final academic year in the program at the prior school.

These same general principles apply to a student who transfers from one program of study to another program of study within the same school. See below for additional information about determining the Stafford annual loan limit and loan period for a student who transfers from one program to another at the same school, based on the type of program into which the student transfers.

Transfer Students and Grade Level Increases

In a credit-hour program with standard terms or nonstandard terms that are substantially equal in length and at least nine weeks of instructional time in length (SE9W), a student who experiences a grade level change within

the academic year becomes eligible for the Stafford annual loan limits that are applicable to the new grade level, minus any loan funds already received for that academic year. In a clock-hour program, a non-term-based credit-hour program, a credit-hour program with nonstandard terms that are *not* SE9W (i.e., the terms are not substantially equal, or each term is not at least nine weeks of instructional time in length), or a program with a combination of standard and nonstandard terms that does not qualify to use an SAY, the school may not certify the higher loan limit associated with the next grade level until the student successfully completes (i.e., passes) the number of credit or clock hours and completes the weeks of instructional time in the program's defined academic year.

Transfer to a Credit-Hour Program with Standard Terms or Nonstandard Terms That Are SE9W

Transfer Between Schools

Example: A dependent undergraduate student received a subsidized Stafford loan in the amount of \$2,000 as a grade level 3 student at School A for the loan period August 21, 2009, to December 20, 2009. The student then enrolls in School B, where he was classified as grade level 1 in a credit-hour program with standard terms or nonstandard terms that are SE9W. School B wishes to certify a loan from his start date, January 5, 2010.

School B opts to use the "assumption" method of determining the academic year for the program at School A. The most recent loan period at School A began August 21, 2009; the end date of the minimum 30-week academic year, based on that date, would be March 18, 2010. When compared to the end date of School A's loan period, the later of these two dates is March 18, 2010; therefore, the assumed end date of the final academic year in School A's program is March 18, 2010.

Because the academic year in School B's program begins prior to the assumed end date of the final academic year in School A's program, the maximum Stafford loan amount that the dependent student may receive is the grade level 1 Stafford annual loan limit at School B (\$5,500, of which no more than \$3,500 may consist of subsidized Stafford loan funds), minus the Stafford loan amount the student received for the final academic year of the program at School A (\$2,000 in subsidized Stafford loan funds). School B may initially certify a combined, subsidized and unsubsidized Stafford loan amount that does not exceed \$3,500, of which no more than \$1,500 may consist of subsidized Stafford loan funds. The initial loan period at School B begins on the student's start date, January 5, 2010, and ends no later than the end date of the initial academic year at School B.

For a subsequent term(s) that begins after the end of the final academic year in School A's program, but within the initial academic year of School B's program, School B may certify a subsequent Stafford loan that does not exceed the dependent student's grade level 1 Stafford annual loan limit at School B (\$5,500, of which no more than \$3,500 may consist of subsidized Stafford loan funds), minus the amount the student already received at School B for the initial academic year. If the student advances to a subsequent grade level for the subsequent term(s) that begins after the end of the final academic year in School A's program but within the initial academic year of School B's program, School B may certify a combined, subsidized and unsubsidized Stafford loan amount that does not exceed the higher Stafford annual loan limit for the student's grade level at School B (e.g., \$6,500 for a grade level 2, dependent student), minus the amount the student already received for the initial academic year at School B.

Transfer between Programs at the Same School

The same principles illustrated in the example above apply to a student who transfers from one program to another program at the same school when the program into which the student transfers is a credit-hour program with standard terms or nonstandard terms that are SE9W.

Transfer to a Clock-Hour Program, a Non-Term-Based Credit-Hour Program, or a Credit-Hour Program with Nonstandard Terms That Are Not SE9W

Note: The following also applies to a student who transfers into a credit-hour program with a combination of standard terms and nonstandard terms that does not qualify to use an SAY.

Transfer between Schools

Example: A dependent undergraduate student received a subsidized Stafford loan in the amount of \$2,000 as

a grade level 3 student at School A for the loan period August 21, 2009, to December 20, 2009. The student then enrolls in School B, where he is classified as a dependent, grade level 1 student in a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are *not* SE9W (i.e., the terms are not substantially equal in length, or each term is not at least nine weeks of instructional time in length). School B wishes to certify a loan from his start date, January 5, 2010. School B opts to contact School A and determines that the final academic year in School A's program ends May 11, 2010. The student's initial Stafford loan eligibility at School B is dependent upon whether School B accepts credit or clock hours earned at a prior school toward completion of the program in which the student enrolls at School B.

School B Accepts Credit or Clock Hours

School B accepts credit or clock hours earned at another school (School A or a different school) toward completion of the program at School B in which the student enrolls. Because the initial academic year in School B's program begins prior to the end date of the final academic year in School A's program, *and* because School B accepts credit or clock hours in transfer toward requirements of School B's program, the initial loan period at School B is the *lesser* of the following:

- The remainder of the final academic year in School A's program.
- The student's final period of study in School B's program.

If the remainder of the final academic year in School A's program is shorter than the remainder of the student's final period of study in School B's program, the initial loan period at School B begins on the student's start date at School B, January 5, 2010, and ends on the end date of the final academic year in School A's program, May 11, 2010. For this initial loan, the student may receive no more than the grade level 1 Stafford annual loan limit at School B (\$5,500, of which no more than \$3,500 may consist of subsidized Stafford loan funds), minus the Stafford loan amount the student received for the final academic year in School A's program (\$2,000 in subsidized Stafford loan funds). School B may initially certify a combined subsidized and unsubsidized Stafford loan amount that does not exceed \$3,500, of which no more than \$1,500 may consist of subsidized Stafford loan funds. After the final academic year in School A's program ends on May 11, 2010, the student enters a new academic year for Stafford annual loan limit purposes, and School B may certify a Stafford loan(s) for the next full academic year or for the student's final period of study, if less than a full academic year.

If the student's final period of study in School B's program is shorter than the remainder of the final academic year in School A's program, the initial loan period at School B begins on the student's start date at School B, January 5, 2010, and ends on the date School B expects the student to complete the number of credit or clock hours and weeks of instructional time in the final period of study in School B's program. Because this student is enrolled in an undergraduate program, the student's Stafford annual loan limit at School B must be prorated based on the number of hours that School B expects the student to complete during the final period of study in School B's program at the time School B certifies the loan (see Subsection 6.1.F). School B may certify a Stafford loan amount that does not exceed the *lesser* of the following:

- The grade level 1 Stafford annual loan limit, minus the Stafford loan amount the student received for the final academic year in School A's program.
- The prorated grade level 1 Stafford annual loan limit.

School B Does Not Accept Credit or Clock Hours

School B does not accept credit or clock hours earned at another school (School A or a different school) toward completion of the program at School B in which the student enrolls. Because the initial academic year in School B's program begins prior to the end date of the final academic year in School A's program, *and* because School B does *not* accept credit or clock hours in transfer toward the requirements of School B's program, the initial loan period at School B is the academic year for the program in which the student enrolls at School B. The initial loan period at School B begins on the student's start date at School B, January 5, 2010, and ends on the date that School B expects the student to complete the credit or clock hours and weeks of instructional time in the academic year definition for the student's program. For this initial loan, the student may receive no more than the grade level 1 Stafford annual loan limit at School B (\$5,500, of which no more than \$3,500 may consist of subsidized Stafford loan funds), minus the Stafford loan amount the student received for the final academic year in School A's program (\$2,000 in subsidized Stafford loan funds). School B may initially certify a combined, subsidized and unsubsidized Stafford loan amount that does not exceed \$3,500, of which no more

than \$1,500 may consist of subsidized Stafford loan funds. After the student successfully completes the credit or clock hours and completes the weeks of instructional time in the initial academic year for the program at School B, the student enters a new academic year for annual loan limit purposes. School B may then certify a subsequent loan(s) for the next full academic year or for the student's final period of study, if less than a full academic year.

Transfer between Programs at the Same School

A school may, but is not required to, consider a student who transfers from one program to a clock-hour program, a non-term-based credit-hour program, a credit-hour program with nonstandard terms that are *not* SE9W, or a credit-hour program with a combination of standard and nonstandard terms that does not qualify to use an SAY to be in the same payment period and loan period if all of the following criteria are met:

- The student is continuously enrolled at the school.
- The coursework in the payment period from which the student is transferring is substantially similar to the coursework the student will take when he or she first transfers into the new program.
- The payment period in the program from which the student is transferring is substantially equal in weeks of instructional time and in credit or clock hours to the payment period into which the student will transfer. The payment periods are substantially equal in weeks of instructional time if neither payment period is more than two weeks of instructional time longer than the other payment period.
- There is little or no change in the institutional charges the school assesses to the student for the payment period.
- The credit or clock hours from the payment period from which the student is transferring are accepted toward the new program.

A school may be required to adjust the original loan period end date or a second or subsequent disbursement date(s) if, as a result of the program transfer, the school expects the student to successfully complete the credit or clock hours and complete the weeks of instructional time in the payment period or academic year on a different date. See Subsections 6.1.B and 6.4.B.

In all other cases, a school must place a student in a new payment period and a new loan period when, during an academic year, the student transfers from one program to a clock-hour program, a non-term-based credit-hour program, a credit-hour program with nonstandard terms that are not SE9W, or a credit-hour program with a combination of standard and nonstandard terms that does not qualify to use an SAY. The school may be required to establish a withdrawal date (see Section 9.4) and perform a return of Title IV funds calculation based on the student's withdrawal from the prior program during a payment period or, as applicable, period of enrollment. (See Subsection 9.4.B for more information about calculating a return of Title IV funds on a payment period or period of enrollment basis). The school must also cancel any undelivered disbursement(s) from the original loan for which the student is ineligible. The new loan period for the new program begins on the student's start date in the new program and ends on the date that the school expects the student to complete the credit or clock hours and weeks of instructional time in the program's academic year. The school may certify an initial Stafford loan for the new program that does not exceed the Stafford annual loan limit for the student's grade level in the new program minus the loan amount the student received during the prior program's final academic year.

If a student transfers to a new program at the same school to complete a final period of study of less than one academic year, the new loan period for the new program begins on the student's start date in the new program and ends on the date that the school expects the student to complete the credit or clock hours and weeks of instructional time in the program's final period of study. In this situation, if the new program is an undergraduate program, the student's Stafford annual loan limit must be prorated based on the number of hours that the school expects the student to complete during the final period of study in the new program (see Subsection 6.1.F). If an overlap exists with the prior program's academic year, the school may certify a Stafford loan amount that does not exceed the *lesser* of the following:

- The Stafford annual loan limit for the student's grade level in the new program, minus the Stafford loan amount the student received for the prior program's final academic year.

- The prorated Stafford annual loan limit for the student's grade level in the new program (see Subsection 6.11.F).

Completing a Program and Beginning Another Program at the Same School during an Academic Year

A school may certify a loan for the remainder of an academic year for a student who completes a program and begins a new program at the same school if the following criteria are met:

- The student's last loan to complete the prior program was for a period of less than an academic year.
- The student then begins a new program at the same school within the same academic year.

The new loan for the new program begins on the date that the student starts the new program and ends on the date that the school expects the student to complete the number of credit or clock hours and weeks of instructional time in the prior program's academic year. For this initial loan in the new program, the school may certify a Stafford loan amount that does not exceed the Stafford annual loan limit for the student's grade level in the new program, minus the loan amount the student received during the prior program's final academic year.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower who transfers credits or clock hours to a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W will become eligible for new Stafford annual loan limits when the calendar time associated with his or her prior academic year has elapsed. However, a borrower who transfers to a clock-hour program, a non-term-based credit-hour program, or credit-hour program with nonstandard terms that are not SE9W, without the transfer of credits or clock hours, is limited to the balance of his or her annual loan limit for the initial academic year in the new program of study. Generally, a borrower who transfers during an academic year into a credit-hour program with nonstandard terms that are SE9W will have greater access to Stafford loan funds for the remainder of the academic year in the new program than his or her counterpart who transfers mid-year into a credit-hour program with nonstandard terms that are not SE9W.

School:

A school that receives transfer students into a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W must separate, for purposes of determining the applicable Stafford annual loan limit, students who transfer credits or clock hours into the new program of study and students for whom credits or clock hours are not transferred. A school may be required to revise its internal procedures to ensure that a student who transfers into a credit-hour program with nonstandard terms that are SE9W is treated the same as a student who transfers into a standard term-based program for the purpose of determining remaining Stafford loan eligibility. A school may also be required to ensure that its internal procedures reflect the impact of loan proration on determining remaining Stafford loan eligibility for an undergraduate student in such a program who transfers between schools or between programs during an academic year and enrolls for the remaining portion of a new program.

Lender/Service:

None.

Guarantor:

A guarantor may need to revise program review procedures.

U.S. Department of Education:

The Department may need to revise program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

AES

DATE SUBMITTED TO CM POLICY COMMITTEE:

July 31, 2008

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

April 9, 2009

PROPOSAL DISTRIBUTED TO:

CM Policy Committee
CM Guarantor Designee
Interested Industry Groups and Others
CM Governing Board Representatives

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, HESC, MGA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, USA Funds, and VSAC.

Responses to Comments

Many commenters supported this proposal as written. Other commenters recommended punctuation or wordsmithing changes that were incorporated without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

COMMENT:

Policy Proposal 1095 in Batch 157 also generally addressed academic year considerations, the differences in applying Stafford annual loan limits, and other Stafford loan-related issues for students who enroll in various types of programs. As the result of a comment received on Policy Proposal 1095, the Committee observes that it inadvertently omitted reference to one type of non-traditional program in Section 6.2 and Subsection 6.11.A. That program is one that uses a combination of standard and nonstandard terms and does not qualify to use an SAY.

Response:

The Committee has inserted appropriate references to such a program in the text of this policy proposal.

Change:

The Committee made multiple changes to the Proposed Language, as exemplified by the following change in Subsection 6.11.A, under the subheading *Undergraduate Students*, paragraph 4, bullet 6:

_____ In a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W (i.e., the terms are not substantially equal, or each term is not at least nine weeks of instructional time in length), or a credit-hour program with a combination of standard terms and nonstandard terms that does not qualify to use an SAY, the minimum period for which a school may certify a loan is:

- The lesser of the length of the student's program at the school, the school's academic year, or the student's remaining period of enrollment for the program of study at the school- [§682.603(f)(1)(ii)(B); 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-78]
- . . .

In addition, a new "Note" has been added, as follows, in Subsection 6.11.A, under the new subheading *Transfer to a Clock-Hour Program, a Non-Term-Based Credit-Hour Program, or a Credit-Hour Program With Nonstandard Terms That Are Not SE9W*:

Note: The following also applies to a student who transfers into a credit-hour program with a combination of standard terms and nonstandard terms that does not qualify to use an SAY.

COMMENT:

In Subsection 6.11.A, the first paragraph under the new subheading *Grade Level Changes upon Transfer*, one commenter requested that the policy proposal's text further clarify that the instruction provided in that paragraph applies not only to a student who transfers to a new school, but also to a student who transfers between programs at the same school.

Response:

The Committee agrees.

Change:

The first paragraph under the new subheading *Grade Level Changes upon Transfer* has been modified as follows:

If the student's grade level decreases as a result of a transfer between schools or between programs at the same school and an academic year overlap exists, the new school or the same school, as applicable, must not certify a Stafford loan for more than the Stafford annual loan limit for the student's decreased grade level at the new school *minus* the outstanding loan amount the student received during the final academic year at the prior school or in the prior program at the same school.

COMMENT:

One commenter recommended the following modification in Subsection 6.11.A, under the new heading *Transfer Students*, paragraph 1, bullet 2:

If a student borrows Stafford loan funds to attend one school and then transfers to a new school, the new school is not permitted to certify a Stafford loan until it determines whether the student's new academic year will overlap with the final academic year in the program at the prior school. This requires the new school to determine the student's academic year in the prior school's program using either of the following methods:

- . . .
- ~~Make assumptions about~~ May consider the program's academic year at the prior school based on information obtained from the National Student Loan Data System (NSLDS). . .

The commenter indicated that the rationale for the recommended modification is to improve wording.

Response:

The Committee declines to make the commenter's requested change. A school that chooses not to contact a transfer student's prior school to determine the applicable academic year at that school is indeed permitted to make an assumption about the ending date of the academic year at the prior school based on the later of 30 weeks after the beginning date of the loan period at the prior school, or the prior school's loan period ending date. This method for determining the academic year at a prior school is referred to again in examples that follow as the "assumption" method. The Committee believes that this terminology is accurate and should be retained.

Change:

None.

COMMENT:

One commenter indicated support for the proposed policy and opined that the descriptions for determining the loan period were excellent.

Response:

The Committee thanks the commenter for supporting this policy proposal and for validating the usefulness and accuracy of its text.

Change:

None.

COMMENT:

One commenter requested that the third paragraph of the Effective Date/Triggering Event clarify the edition of the FSA Handbook to which it applies.

Response:

The Committee agrees.

Change:

The third paragraph of the Effective Date/Triggering Event has been modified to refer to the 08-09 publication of the FSA Handbook.

COMMENT:

One commenter requested a cross-reference in Subsection 6.3.F to Subsection 6.11.A for additional information to clarify circumstances in which a student withdraws from and re-starts a clock-hour program, a non-term credit-hour program, a credit-hour program with nonstandard terms that are not SE9W, or a program with a combination of standard and nonstandard terms that does not qualify to use an SAY.

Response:

The Committee agrees that a cross-reference from Subsection 6.3.F to Subsection 6.11.A would be useful. However, the Committee also questions whether Subsection 6.3.F requires an update to align with new information provided in 6.11.A. The Committee therefore declines to make the commenter’s requested change at this time and will defer this issue for further research and consideration.

Change:

None.

COMMENT:

One commenter requested the following modification to the proposed language in Subsection 6.11.A, *Transfer to a Clock-Hour Program, a Non-Term-Based Credit-Hour Program, or a Credit-Hour Program with Nonstandard Terms That Are Not SE9W*, under the subheading *Transfer Between Programs At the Same School*. The commenter requested that the Committee modify the third and fourth paragraphs to improve clarity, as follows:

In all other cases, a school must place a student in a new payment period and a new loan period when, during an academic year, the student transfers from one program to a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W. The school may be required to establish a withdrawal date (see Section 9.4) and perform a return of Title IV funds calculation based on the student’s withdrawal from the prior program during a payment period or, as applicable, period of enrollment. (See Subsection 9.4.B for more information about calculating a return of Title IV funds on a payment period or period of enrollment basis). The school must also cancel any undelivered disbursement(s) from the original loan for which the student is ineligible. The new loan period for the new program begins on the student’s start date in the new program and ends on the date that the school expects the student to complete the credit or clock hours and weeks of instructional time in the new program’s academic year. The school may certify an initial Stafford loan for the new program that does not exceed the Stafford annual loan limit for the student’s grade level in the new program minus the loan amount the student received during the prior program’s final academic year.

If a student transfers to a new program at the same school and the ~~to complete a~~ final period of study in the new program is less than one academic year, the new loan period for the new program begins on the student’s start date in the new program and ends on the date that the school expects the student to complete the credit or clock hours and weeks of instructional time in the program’s final period of study. In this situation, if the new program is an ~~If the student transfers to an~~ undergraduate program ~~to complete the remaining portion of the program~~, the student’s Stafford annual loan limit must be prorated based on the number of hours that the school expects the student to complete during the final period of study in the new program (see Subsection 6.1.F). If an overlap exists with the prior program’s academic year, the school may certify a Stafford loan amount that does not exceed the *lesser* of the following:

- . . .

Response:

The Committee agrees that the commenter’s requested changes provide additional clarity and eliminate redundancy.

Change:

The commenter's requested changes have been incorporated into the proposed policy's text with some wordsmithing modifications.

COMMENT:

One commenter requested that the cross-references be removed from the Common Bulletin, under Minimum Loan Periods for Certain Programs, paragraph 1, bullet 2, subparagraph 2. The commenter indicated that the cross-references seemed out of place for Common Bulletin language.

Response:

The Committee agrees.

Change:

Cross-references have been removed in the aforementioned subparagraph of the Common Bulletin, as follows:

In this case, the new school may certify a loan for no more than the remaining balance of the Stafford annual loan limit for the student's grade level in the new program. ~~See below for more information about determining remaining Stafford loan eligibility for a student who transfers between schools during an academic year. See Figure 6-4 for more information about Stafford annual loan limits applicable to a student's grade level.~~

jcs/edited-aes

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: April 21, 2009

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With No Changes	Apr 16

SUBJECT: Dependency Overrides

AFFECTED SECTIONS: 6.8 Determining the Student's Dependency Status

POLICY INFORMATION: 1107/Batch 158

EFFECTIVE DATE/TRIGGER EVENT: Dependency overrides made by the school on or after July 1, 2009.

BASIS:

HEA §480(d)(2); *Summary of Changes for the Application Processing System 2009-2010*, p. 6.

CURRENT POLICY:

Current policy does not allow a financial aid administrator (FAA) to make a dependency override for a student based on the documented dependency override for that same student made by another FAA at a prior school.

REVISED POLICY:

Revised policy allows an FAA to make a dependency override for a student based on the dependency override for that same student made by another FAA at a prior school. The dependency override of the other FAA must be within the same award year. Also, if an FAA uses the dependency override of another FAA to make a dependency override, he or she must retain the Student Aid Report (SAR)/Institutional Student Information Record (ISIR) that was used as the basis for the original dependency override.

REASON FOR CHANGE:

This change is made to incorporate provisions of the College Cost Reduction and Access Act (CCRAA) of 2007, P.L. 110-084.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 6.8, page 20, column 1, paragraph 3, as follows:

Dependency Overrides

...

A determination of unusual circumstances must be made each award year. Further, a change to a student's dependency status by an FAA at one school is not binding on another school. ~~Each school is required to make an individual determination of the student's dependency status and each school must retain documentation to support its decision.~~ However, an FAA may, at his or her discretion, use the dependency override of an FAA at a prior school, as documented on a Student Aid Report (SAR)/Institutional Student Information Record (ISIR), for the same student and the same award year without gathering supporting documentation. For subsequent award years, the FAA must make his/her own dependency override determination. The FAA who makes the initial dependency override must prepare a written statement regarding the dependency determination, including the identification of the specific unusual circumstances upon which the FAA is basing the determination. The school that makes the initial dependency override during any award year must maintain this ~~documentation statement~~ and the supporting documentation used to make the determination. A school that uses the dependency override of another school must retain the SAR/ISIR that was used as the basis for continuing the dependency override. See Section 4.5 for SAR/ISIR recordkeeping requirements.

[HEA §480(d)(2)]

PROPOSED LANGUAGE - COMMON BULLETIN:

Dependency Overrides

The *Common Manual* is being revised to incorporate a statutory change made through the College Cost Reduction and Access Act (CCRAA) of 2007 that allows a financial aid administrator (FAA) to make a dependency override for a student based on the dependency override for that same student made by another FAA at a prior school without gathering supporting documentation. The dependency override of the prior FAA must be within the same award year. For subsequent award years, the FAA must make his/her own dependency override determination. As is currently the case when making a dependency override, the FAA who makes the dependency override must prepare a written statement regarding the dependency determination, including the identification of the specific unusual circumstances upon which the determination is based, and must maintain the statement and supporting documentation used. The school that uses the dependency override of another school must retain the SAR/ISIR that was used as the basis for continuing the dependency override.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:*Borrower:*

A borrower who was granted a dependency override by one FAA and who transfers to another school may be able to continue the override at the new school if the FAA at the new school is willing to recognize and use the initial documented override.

School:

A school may continue a dependency override documented by a prior school for the same student during the same award year.

Lender/Service:

None.

Guarantor:

A guarantor may need to review its program review procedures.

U.S. Department of Education:

The Department may need to review its program review procedures.

To be completed by the Policy Committee**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

October 12, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

April 9, 2009

PROPOSAL DISTRIBUTED TO:

CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others
Governing Board Representatives

Comments Received from:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, HESC, MGA, NASFAA, NCHelp, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, USA Funds, and VSAC.

Responses to Comments

Many commenters supported this proposal as written. Other commenters recommended punctuation or wordsmithing changes that were considered without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

COMMENT:

Two commenters suggested removing the word “documented” before “dependency” in the proposed language when referring to the decision of a subsequent school to continue the dependency override decision of a prior school. One of these commenters noted that use of the word “documented” could imply that the subsequent FAA has to confirm that the prior FAA properly documented the dependency override.

Response:

The Committee agrees.

Change:

The word “documented” has been removed from the proposed language and Common Bulletin language.

COMMENT:

One commenter suggested that the proposed language be expanded to point out that for any subsequent year, the school must make its own dependency override determination. The commenter also suggested that the Committee may want to point out that the school has complete discretion over which dependency overrides it accepts from another school and that the decision can be made on a school-by-school basis, a student-by-student basis, etc.

Response:

The Committee agrees with the commenter’s first suggestion to clarify that for any subsequent year, the FAA must make his or her own dependency override determination. The Committee, however, does not concur with the inclusion of a statement that dependency override decisions may be made on a school-by-school or student-by-student basis. From the Committee’s perspective, the phrase, “at his or her discretion,” provides the FAA with the authority to decide on the implementation of the policy.

Change:

The following sentence has been added to the proposed language and Common Bulletin language:

For subsequent award years, the FAA must make his/her own dependency override determination.

nm/edited-rrl

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: April 21, 2009

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With No Changes	Apr 16

SUBJECT: Required Lender Disclosures before Disbursement

AFFECTED SECTIONS: 7.6.A General Initial Disclosure Requirements

POLICY INFORMATION: 1108/Batch 158

EFFECTIVE DATE/TRIGGER EVENT: August 14, 2008.

BASIS:

HEA §433(a), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.

CURRENT POLICY:

Current policy provides the initial lender disclosure requirements based on federal regulations and on statute prior to the enactment of the HEOA.

REVISED POLICY:

Revised policy adds the following required initial disclosures by lenders:

- A statement prominently and clearly displayed and in bold print that the borrower is receiving a loan that must be repaid.
- For a borrower of an unsubsidized Stafford loan or Grad PLUS loan, an explanation that the student borrower has the option to pay the interest that accrues while the borrower is enrolled in school at least half time and an explanation of the frequency of interest capitalization should the borrower not pay the interest that accrues during the in-school period.
- For a borrower of a parent PLUS loan, an explanation that the borrower has the option to defer payment while the student is enrolled in school at least half time and an explanation of the frequency of interest capitalization should the borrower not pay the interest that accrues during the in-school deferment period.
- For a borrower of a parent PLUS loan, an explanation that the borrower may be eligible for a deferment while He or she is enrolled in school at least half-time.
- A description of the types of repayment plans that are available for the loan.
- A statement summarizing the circumstances under which a borrower may obtain a forbearance.
- A description of the options available for and requirements of loan forgiveness.

Revised policy updates the text to clarify the following with regard to initial lender disclosures:

- The information on the up-front fees, including the federal origination fee and federal default fee, requires an explanation of whether the charges will be collected by the lender before or at the time of each disbursement, deducted from the loan proceeds, paid separately by the borrower, or paid by the lender.
- The statement on the cumulative outstanding balance requires inclusion of the loan "being disbursed" as opposed to the loan for which the borrower is applying.
- The explanation of costs to the borrower refers to charges during repayment, e.g. late fees, as opposed to charges during the "making" of the loan and to charges in the collection of the loan.

Revised policy deletes the statutory requirement for a lender to provide an explanation of how accepting the loan may affect the student's eligibility for other financial aid. The HEOA has moved this requirement to school responsibility in conjunction with entrance loan counseling.

REASON FOR CHANGE:

This change is necessary to comply with the provisions of the HEOA.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 7.6.A, page 10, column 1, paragraph 2, as follows:

7.6.A

General Initial Disclosure Requirements

At or before the first disbursement of a Stafford or PLUS loan, the lender must provide the borrower (at no cost to the borrower) with the following initial disclosure information in a written or electronic format:

- A statement prominently and clearly displayed and in bold print that the borrower is receiving a loan that must be repaid.
- The lender's name and the address to which correspondence with the lender and payments should be sent.
- A telephone number accessible at no cost from within the U.S., and, at the lender's option, an electronic address at which the borrower can obtain additional loan information.
- The principal balance.
- The amount of any charges, including the federal origination fee and federal default fee ~~(formerly guarantee fee)~~ and an explanation of whether those charges will be collected by the lender before or at the time of each disbursement of the loan, if applicable, and an explanation of whether those charges are being deducted from the loan proceeds, or paid separately by the borrower, or paid by the lender.
- The actual interest rate.
- A statement of the cumulative outstanding balance of loans the borrower owes to the lender, including the loan ~~applied for being disbursed~~, and an estimate of—or information that will allow the borrower to estimate—the projected monthly payment amount based on the cumulative outstanding balance.
- A separate statement, ~~written in plain English in simple and understandable terms~~, that summarizes the borrower's rights and responsibilities with respect to the loan and the consequences of defaulting on the loan. The lender must provide the borrower with either the Borrower's Rights and Responsibilities statement or, in the case of each subsequent loan made using the multi-year feature of the Master Promissory Note, the Plain Language Disclosure, in order to meet the required disclosure of the following information:
 - The annual and aggregate maximum loan amounts that may be borrowed (loan limits).
 - A statement that information on the loan, including the date of disbursement and amount of the loan, will be reported to ~~a national credit bureau~~ all consumer reporting agencies.
 - For a borrower of an unsubsidized Stafford loan or Grad PLUS loan, an explanation that the borrower has the option to pay the interest that accrues

while the borrower is enrolled in school at least half time and an explanation of the frequency of interest capitalization should the borrower not pay the interest that accrues during the in-school period.

- For a borrower of a parent PLUS loan, an explanation that the borrower has the option to defer payment while the student is enrolled in school at least half time and an explanation of the frequency of interest capitalization should the borrower not pay the interest that accrues during the in-school deferment period.
- For a borrower of a parent PLUS loan, an explanation that the borrower may be eligible for a deferment while he or she is enrolled in school at least half time.
- An explanation of when repayment of the loan is required and when the borrower is required to pay interest that accrues on the loan.
- A description of the types of repayment plans that are available for the loan (see Section 10.8 for repayment plans).
- The minimum and maximum number of years for repayment and the minimum annual payment amount.
- A statement that the lender may sell or transfer the loan to another party, in which case the address and identity of the party to which correspondence and payment should be sent may change.
- An explanation of any options the borrower may have for consolidating or refinancing the loan.
- A statement that the borrower has the right to prepay all or part of the loan at any time, without penalty.
- A statement ~~describing~~ summarizing the circumstances under which the borrower may defer repayment of the principal or accruing interest.
- A statement summarizing the circumstances under which a borrower may obtain a forbearance.
- A description of the options available for and requirements of loan forgiveness.
- A statement of the availability of the Department of Defense program for repayment of a loan on the basis of military service.
- A statement on the definition and consequences of default, including litigation, national credit bureau reporting to all consumer reporting agencies, liability for substantial collection costs, state offsets or federal Treasury offsets, wage garnishments, and ineligibility for additional federal student aid and assistance under most federal benefit programs.
- ~~An explanation of how accepting the loan may affect the student's eligibility for other financial aid.~~
- An explanation of any costs the borrower may incur in the making during repayment or collecting in the collection of the loan, including fees that the borrower may be charged, such as late payment fees and collection costs.
- A statement that the loan proceeds will be transmitted to the school for delivery to the borrower.

If the loan amount, interest rate, or fee amount changes, the lender must provide the corrected information to the borrower. A guarantor may assist the lender with making corrected disclosures by providing a corrected guarantee disclosure to the lender to forward to the borrower.

[HEA §433(a); §682.205(a) through (c) and (e) through (gh)]

PROPOSED LANGUAGE - COMMON BULLETIN:

Required Lender Disclosures before Disbursement

The *Common Manual* has been revised by adding the following required initial disclosures by lenders:

- A statement prominently and clearly displayed and in bold print that the borrower is receiving a loan that must be repaid.
- For a borrower of an unsubsidized Stafford loan or Grad PLUS loan, an explanation that the borrower has the option to pay the interest that accrues while the borrower is enrolled in school at least half time and an explanation of the frequency of interest capitalization should the borrower not pay the interest that accrues during the in-school period.
- For a borrower of a parent PLUS loan, an explanation that the borrower has the option to defer payment while the student is enrolled in school at least half time and an explanation of the frequency of interest capitalization should the borrower not pay the interest that accrues during the in-school deferment period.
- For a borrower of a parent PLUS loan, an explanation that the borrower may be eligible for a deferment while enrolled in school at least half time.
- A description of the types of repayment plans that are available for the loan.
- A statement summarizing the circumstances under which a borrower may obtain a forbearance.
- A description of the options available for and requirements of loan forgiveness.

The text in the Manual has been updated to clarify the following with regard to initial lender disclosures:

- The information on the up-front fees, including the federal origination fee and federal default fee, requires an explanation of whether the charges will be collected by the lender before or at the time of each disbursement, deducted from the loan proceeds, paid separately by the borrower, or paid by the lender.
- The statement on the cumulative outstanding balance requires inclusion of the loan being disbursed as opposed to the loan for which the borrower is applying.
- The explanation of costs to the borrower refers to charges during repayment, e.g. late fees, as opposed to charges during the "making" of the loan and to charges in the collection of the loan.

The statutory requirement for a lender to provide an explanation of how accepting the loan may affect the student's eligibility for other financial aid was deleted from the required initial disclosures. The HEOA has moved this requirement to school responsibility in conjunction with entrance loan counseling.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower will be receiving additional information in the initial lender disclosure with regard to repayment plans, forbearance, and loan forgiveness. An unsubsidized loan borrower will be receiving additional information with regard to interest accrual and payment or capitalization. A parent PLUS loan borrower will receive information on in-school deferments.

School:

None.

Lender/Service:

A lender may need to revise its initial disclosures to comply with the HEOA provisions.

Guarantor:

A guarantor may be required to revise program review criteria.

U.S. Department of Education:

The Department may be required to revise program review criteria.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

September 16, 2008

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

April 9, 2009

PROPOSAL DISTRIBUTED TO:

CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others
CM Governing Board Representatives

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, HESC, MGA, NASFAA, NCHelp, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, USA Funds and VSAC.

Responses to Comments

All of the commenters supported this proposal as written. Other commenters recommended wordsmithing, grammatical, or other non-substantive changes that were considered without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

COMMENT:

One commenter recommended a change to the Effective Date/Trigger Event as follows:

EFFECTIVE DATE/TRIGGER EVENT: August 14, 2008.

For disclosure requirements not yet incorporated into existing Common Forms: To be effective based upon lender implementation of approved Common Forms.

The rationale for the recommended change is the impossibility for lenders to disclose some of the required information by August 14, 2008 and much of this information is included in the Addenda and Plain Language Disclosures which have not been released by the Department.

Response:

The Committee understands that implementation of the required disclosures may be facilitated through the usage of approved Common Forms that incorporate the revised disclosure requirements. However, the effective date for the revised initial disclosures by lenders is August 14, 2008 based on the Higher Education Opportunity Act (HEOA) and the Department's interpretation of the HEOA in DCL GEN-08-12/FP-08-10. Both the HEA and the DCL state that the lender may provide these initial disclosures on a separate written form provided to the borrower.

Change:

None.

COMMENT:

One commenter recommended the addition of the following as the first bullet in Subsection 7.6.A:

- A statement that the borrower must repay the loan.

Another commenter requested that the following be added to Subsection 7.6.A:

- A statement prominently and clearly displayed and in bold print that the borrower is receiving a loan that must be repaid.

Both commenters noted that HEA §433(a)(1) is the basis for the requested change. One commenter noted that this requirement is also found in 34 CFR 682.205(a)(1).

Response:

The Committee agrees and thanks the commenters for their suggested change.

Change:

The following has been inserted as the first bullet in Subsection 7.6.A:

- A statement prominently and clearly displayed and in bold print that the borrower is receiving a loan that must be repaid.

There has been a corresponding change to the text in Revised Policy and the Common Bulletin.

COMMENT:

Two commenters offered revisions to the existing seventh bullet in Subsection 7.6.A. One of the two commenters suggested the following text to reflect the verbiage in the HEOA:

- A separate statement, ~~written in plain English~~ in simple and understandable terms, that summarizes the borrower's rights and responsibilities with respect to the loan and the consequences of defaulting on the loan. The lender must provide the borrower with either the Borrower's Rights and Responsibilities statement or, in the case of each subsequent loan made using the multi-year feature of the Master Promissory Note, the Plain Language Disclosure, in order to meet the required disclosure of the following information:

The second commenter noted that the lender, in accordance with the existing text in the subject bullet, must use the Borrower's Rights and Responsibilities statement or the Plain Language Disclosure to provide the sub-bulleted disclosure items. The commenter states that the lender also has other options to provide this information to its borrowers. In accordance with 34 CFR 682.205(a)(3), the disclosure requirements are "met" by using one of these documents but the text does not appear to limit the lender to the Borrower's Rights and Responsibilities statement and the Plain Language Disclosure.

Response:

The Committee agrees that the lender is required by HEA §433(c) to provide the borrower with a separate statement, summarizing the borrower's rights and responsibilities and the consequences of defaulting on the loan, using simple and understandable terms.

Federal regulations in 34 CFR 682.205(g) require a lender to provide the plain language disclosure text to a borrower of a subsequent loan under the Master Promissory Note. Federal regulations in 34 CFR 682.205(b) require a lender to provide a separate written statement, using simple and understandable terms, at or prior to the first disbursement that summarizes the rights and responsibilities of the borrower with respect to the loan. This statement must also warn the borrower about the consequences of defaulting. The requirement of 34 CFR 682.205(b) is satisfied through the Borrower's Rights and Responsibilities statement.

Based on the above, usage of the Plain Language Disclosure and the Borrower's Rights and Responsibilities is addressed in federal regulations. Since negotiated rulemaking will include the topic of lender disclosures, the Committee will defer consideration of the second comment pending a review of final rules.

Change:

The text in the existing seventh bullet in Subsection 7.6.A has been revised as follows:

- A separate statement, ~~written in plain English~~ in simple and understandable terms, that summarizes the borrower's rights and responsibilities with respect to the loan and the consequences of defaulting on the loan. The lender must provide the borrower with either the Borrower's Rights and Responsibilities statement or, in the case of each subsequent loan made using the multi-year feature of the Master Promissory Note, the Plain Language Disclosure, in order to meet the required disclosure of the following information:

COMMENT:

One commenter requested the addition of the phrase "definition of default" to the proposed fourteenth sub-bullet. This request is based on HEA §433(a)(18) and 34 CFR 682.205(a)(2)(xv).

Response:

The Committee concurs with this request.

Change:

The text in the proposed fourteenth subbullet has been revised as follows:

- A statement on the definition and consequences of default, including litigation, reporting to all consumer reporting agencies, liability for substantial collection costs, state offsets or federal Treasury offsets, wage garnishments, and ineligibility for additional federal student aid and assistance under most federal benefit programs.

COMMENT:

One commenter requested the following revisions to the sub-bullets within Subsection 7.6.A:

- For a borrower of an unsubsidized Stafford loan or Grad PLUS loan, an explanation that the borrower has the option to pay interest that accrues while enrolled in school at least half-time and an explanation of the frequency of interest capitalization if in the event the borrower does not pay the interest, ~~an explanation of the frequency of interest capitalization.~~
- For a borrower of a parent PLUS loan, an explanation that the parent has the option to defer payment while the student is enrolled in school at least half-time and an explanation of the frequency of capitalization if in the event the parent borrower does not pay the interest, ~~an explanation of the frequency of capitalization.~~

The commenter's rationale for the requested revisions is to eliminate the implication that lender disclosure of information about frequency of capitalization is contingent upon the lender's awareness that the borrower does not intend to pay the interest. The commenter believes that the lender's awareness is neither practicable nor likely.

Response:

The Committee did not intend nor anticipate an interpretation of the proposed language to imply that lender disclosure of information about the frequency of capitalization is contingent upon the lender's awareness that the borrower does not intend to pay the interest. However, the Committee is concerned that the requested revisions may have, among other readers, the same unintended interpretation, i.e. that the information on the frequency of interest capitalization is contingent upon the lender's awareness that the borrower does not intend to pay the interest.

Change:

The text in the sub-bullets has been revised as follows:

- For a borrower of an unsubsidized Stafford loan or Grad PLUS loan, an explanation that the borrower has the option to pay interest that accrues while enrolled in school at least half-time and an explanation of the frequency of interest capitalization should if the borrower ~~does not~~ pay the interest that accrues during the in-school period, ~~an explanation of the frequency of interest capitalization.~~

- For a borrower of a parent PLUS loan, an explanation that the parent has the option to defer payment while the student is enrolled in school at least half-time and an explanation of the frequency of capitalization should if the parent borrower does not pay the interest that accrues during the in-school deferment period,~~an explanation of the frequency of capitalization.~~

There has been a corresponding change to the text in Revised Policy and the Common Bulletin.

COMMENT:

One commenter suggested striking the phrase “(formerly guarantee fee)” from the existing fourth bullet as follows:

- The amount of any charges, including the federal origination fee and federal default fee ~~(formerly guarantee fee)~~

The commenter noted that the reference to the guarantee fee is not applicable to initial disclosures.

Response:

The Committee agrees.

Change:

The bullet has been revised as request.

ce/edited-rl

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: April 21, 2009

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With No Changes	Apr 16

SUBJECT: Lender Disclosure before Repayment

AFFECTED SECTIONS: 10.7 Disclosing Repayment Terms

POLICY INFORMATION: 1109/Batch 158

Effective Date/Trigger Event: Loans first disbursed on or after August 14, 2008.

BASIS:

HEA §433(b) and (d), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.

CURRENT POLICY:

Current policy provides the initial lender disclosure requirements based on federal regulations and on statute prior to the enactment of the HEOA.

REVISED POLICY:

Revised policy requires that each eligible lender provide additional information to be disclosed at or prior to the start of the borrower's repayment period. The Stafford and PLUS disclosure is now required to also include the following:

- The servicer's name and the address to which correspondence and payments should be sent, if applicable.
- The date the deferment period is scheduled to end, if applicable.
- The estimated balance, including the estimated amount of interest to be capitalized, as of the date the deferment period is to end, if applicable.
- Information on any special repayment benefits that the lender offers for the loan(s) including, but not limited to:
 - Eligibility for an interest rate reduction if the borrower repays the loan by automatic payroll or checking account deductions or if the borrower makes a specified number of on-time payments, and any other loan repayment benefits that could reduce the amount of repayment or the length of the repayment period.
 - Any limitations on the special loan repayment benefit, including, but not limited to:
 - (1) Explicit information on the reasons a borrower may lose eligibility for the benefit.
 - (2) For an interest rate reduction benefit, examples of the impact the interest rate reduction has on the length of the borrower's repayment period and the total repayment amount, and upon request of the borrower, the effect the change would have with respect to the borrower's total payoff amount and length of the repayment period.
 - (3) Whether and how the borrower can regain eligibility for a loan repayment benefit if the borrower loses the benefit.
- A description of all repayment plans that are available to the borrower and a statement that the borrower may change from one plan to another during the repayment period.
- The number, amount, and frequency of required payments based on a standard repayment plan or

the plan selected by the borrower. In the disclosure to a PLUS or an unsubsidized Stafford loan borrower, the lender may provide, in lieu of projected monthly payment amounts, sample projections of monthly payment amounts that assume different levels of borrowing and interest accrued during the student's in-school status. If the lender provides sample projections, the disclosure must also include the borrower's cost if the borrower authorizes the lender to capitalize the accrued interest or if the borrower pays the interest as it accrues.

- The amount of interest already paid, if applicable, unless, for PLUS and unsubsidized Stafford loans, the lender has previously provided projected monthly payment amounts to the borrower.
- A description of options to avoid default or bring a loan out of default, including any fees associated with the option.
- Additional resources, of which the lender is aware, where borrowers may receive advice and assistance on loan repayment. Examples of such resources are nonprofit organizations, advocates, and counselors (including the Department's Student Loan Ombudsman).

REASON FOR CHANGE:

This change is made to comply with provisions of the HEOA.

PROPOSED LANGUAGE - COMMON MANUAL:

Note: Additional changes to the Time Frame for Disclosures were made in Proposal 1097 in Batch 157.

Revise Section 10.7, page 13, column 1, paragraph 3, as follows:

Repayment Disclosure Formats

Most guarantors provide repayment and disclosure statements for disclosing repayment terms to borrowers. A lender may use another written or electronic format suitable to its servicing systems and procedures (such as its own repayment disclosure form, coupon book, or billing statement) in lieu of a guarantor form. This format must include, at a minimum, the following elements:

- The lender's or servicer's name and the address to which correspondence and payments should be sent.
- A telephone number accessible at no cost to the borrower from within the U.S., and, at the lender's option, an electronic address from which the borrower can obtain additional loan information.
- The scheduled date the repayment period begins or the deferment period ends on a PLUS loan, if applicable.
- The estimated balance, including the estimated amount of interest to be capitalized, that is owed by the borrower as of the date the repayment period begins or the deferment period ends on a PLUS loan, if applicable. ~~date of the disclosure, whichever is later.~~
- The actual interest rate on the loan.
- Information on any special loan repayment benefit offered for the loan(s), if applicable, including:
 - Eligibility for an interest rate reduction if the borrower repays the loan by automatic payroll or checking account deduction or if the borrower makes a specified number of on-time payments, and any other loan repayment benefits that could reduce the total repayment amount or the length of the repayment period.
 - Any limitations on the special loan repayment benefit, including, but not

limited to:

- (1) Explicit information on the reasons the borrower may lose eligibility for the benefit.
- (2) For an interest rate reduction benefit, examples of the impact the interest rate reduction has on the length of the borrower's repayment period and the total repayment amount, and upon the request of the borrower, the effect the change would have with respect to the borrower's total payoff amount and length of the repayment period.
- (3) Whether and how the borrower can regain eligibility for a loan repayment benefit if the borrower loses the benefit.

- A description of all the repayment plans that are available to the borrower and a statement that the borrower may change from one plan to another during the repayment period. Details regarding the various repayment schedules are outlined in Section 10.8.
- An explanation of any fees that may accrue or be charged to the borrower during the repayment period.
- The borrower's repayment schedule, including the due date of the first installment and the number, amount, and frequency of payments, based either on a standard repayment plan or the repayment plan selected by the borrower. In the disclosure to a PLUS or an unsubsidized Stafford loan borrower, the lender may provide, in lieu of projected monthly payment amounts, sample projections of monthly payment amounts that assume different levels of borrowing and interest accrued during the student's in-school status. If the lender provides sample projections, the disclosure must also include the borrower's cost if the borrower authorizes the lender to capitalize the accrued interest or if the borrower pays the interest as it accrues. [HEA 433 (b) and (d); DCL GEN-08-12/FP-08-10]
- ~~Except in the case of a Federal Consolidation loan;~~ An explanation of any special options the borrower may have for consolidating or refinancing the loan and the availability and terms of these other options.
- The estimated total amount of interest to be paid on the loan, assuming payments are made in accordance with the repayment schedule and the amount of interest already paid by the borrower, if applicable. The lender is not required to provide the interest estimate if it previously provided a PLUS or unsubsidized Stafford loan borrower with the projected monthly payment amounts.
- A statement that the borrower has the right to prepay all or part of the loan at any time, without penalty.
- A description of the options by which the borrower may avoid default or bring his or her loan out of default, including any relevant fees associated with such options.
- Additional resources, including nonprofit organizations, advocates, and counselors of which the lender is aware, where borrowers may receive advice and assistance on loan repayment. These resources include the Department's Student Loan Ombudsman.

PROPOSED LANGUAGE - COMMON BULLETIN:

Lender Disclosure before Repayment

The *Common Manual* has been updated to include revisions to the information that the lender is required to disclose when providing FFELP Stafford and PLUS loan repayment disclosures. In addition to existing repayment disclosure requirements, the lender is now required to disclose:

- The servicer's name and the address to which correspondence and payments should be sent, if applicable.
- The date the deferment period is to end, if applicable.
- The estimated balance, including the estimated amount of interest to be capitalized as of the date the deferment period is to end, if applicable.
- Information on any special repayment benefits that the lender offers for the loan(s) including:
 - Eligibility for an interest rate reduction if the borrower repays the loan by automatic payroll or checking account deduction or if the borrower makes a specified number of on-time payments, and any other loan repayment benefits that could reduce the amount of repayment or the length of the repayment period.
 - Any limitations on the special loan repayment benefit, including, but not limited to:
 - (1) Explicit information on the reasons a borrower may lose eligibility for the benefit.
 - (2) For an interest rate reduction benefit, examples of the impact the interest rate reduction has on the length of the borrower's repayment period and the total repayment amount, and upon request of the borrower, the effect the change would have with respect to the borrower's total payoff amount and length of the repayment period.
 - (3) Whether and how the borrower can regain eligibility for a loan repayment benefit if the borrower loses the benefit.
- A description of all repayment plans that are available to the borrower and a statement that the borrower may change from one plan to another during the repayment period.
- The number, amount, and frequency of required payments based on a standard repayment plan or the plan selected by the borrower. In the disclosure to a PLUS or an unsubsidized Stafford loan borrower, the lender may provide, in lieu of projected monthly payment amounts, sample projections of monthly payment amounts that assume different levels of borrowing and interest accrued during the student's in-school status. If the lender provides sample projections, the disclosure must also include the borrower's cost if the borrower authorizes the lender to capitalize the accrued interest or if the borrower pays the interest as it accrues.
- The amount of interest already paid, if applicable, unless, for PLUS and unsubsidized Stafford loans, the lender has previously provided projected monthly payment amounts to the borrower.
- A description of options to avoid default or bring a loan out of default, including any fees associated with the option.
- Additional resources, of which the lender is aware, where borrowers may receive advice and assistance on loan repayment. Examples of such resources are nonprofit organizations, advocates, and counselors (including the Department's Student Loan Ombudsman).

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower will receive more information about their student Stafford and PLUS loan(s).

School:

None.

Lender/Servicer:

A lender must update Stafford and PLUS disclosure information provided to borrowers at or prior to the start of

the repayment period. A lender may need to change systems to accommodate the expanded requirements.

Guarantor:

A guarantor may need to modify program review parameters.

U.S. Department of Education:

The Department may need to modify program review parameters.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

September 16, 2008

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

April 9, 2009

PROPOSAL DISTRIBUTED TO:

CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others
CM Governing Board Representatives

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, HESC, MGA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, USA Funds, and VSAC.

Responses to Comments

Many commenters supported this proposal as written. Other commenters recommended punctuation or wordsmithing changes that were incorporated without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

COMMENT:

One commenter suggested revising the Effective Date/Trigger Event as follows:

Loans first disbursed on or after August 14, 2008.

Response:

The Committee agrees.

Change:

The text has been revised as suggested.

COMMENT:

One commenter suggested clarifying language in the Revised Policy as follows:

Revised policy will require that each eligible lender provide additional information to be disclosed at or prior to the start of the borrower's repayment period. The Stafford and PLUS disclosure is now required to also include the following:

Two commenters suggested to provide similar clarifying language in the Implications as follows:

Lender/Servicer:

A lender must update Stafford and PLUS disclosure information that is sent to borrowers at or prior to the start of the repayment period. A lender may need to change systems to accommodate the expanded requirements.

Response:

The Committee agrees.

Change:

The text has been revised as suggested.

COMMENT:

One commenter suggested changes to Policy Proposal 1127 in Batch 159 to modify Section 10.7, bullet 9, as follows:

- The borrower's repayment schedule, including the due date of the first installment and the number, amount, and frequency of payments, based either on a standard repayment plan or the repayment plan selected by the borrower. In the disclosure to a PLUS or an unsubsidized Stafford loan borrower, the lender may provide, in lieu of projected monthly payment amounts, sample projections of monthly payment amounts that assume different levels of borrowing and interest accrued during the student's in-school status. If the lender provides sample projections, the disclosure must also include the borrower's cost if the borrower authorizes the lender to capitalize the accrued interest or if the borrower pays the interest as it accrues. [HEA 433 (b) and (d); DCL GEN-08-12/FP-08-10]

Response:

The Committee agrees. However, the Committee believes that the comment is better addressed in this policy proposal. Based on the inclusion of this information in this policy proposal, it eliminates the need to move forward with Policy Proposal 1127.

Change:

The text has been revised as suggested. Corresponding changes have also been made to the Revised Policy and the Bulletin Language.

COMMENT:

Two commenters suggested modifying the 7th bullet in the Revised Policy and Bulletin Language, and 11th bullet in the Proposed Language by clarifying that the requirement to provide the amount of interest already paid, if applicable, does not apply to PLUS and unsubsidized Stafford loans for which the lender has previously provided projected monthly payment amounts to the borrower.

Response:

The Committee agrees.

Change:

The referenced bullets in the Revised Policy and Bulletin Language have been modified as follows:

The amount of interest already paid, if applicable, unless, for PLUS and unsubsidized Stafford loans, the lender has previously provided projected monthly payment amounts to the borrower.

The 11th bullet in the Proposed Policy has been modified as follows:

The estimated total amount of interest to be paid on the loan, assuming payments are made in accordance with the repayment schedule and the amount of interest already paid by the borrower, if applicable. The lender is not required to provide the interest estimate if it previously provided a PLUS or unsubsidized Stafford loan borrower with the projected monthly payment amounts.

COMMENT:

Five commenters suggested clarifying language in Section 10.7, bullet 6. Three of those commenters stated that Section 10.7, bullet 6, subbullet 2, as written, only indicates the requirements for informing the borrower of the conditions for an interest rate reduction incentive. However, HEOA requires that the conditions for any borrower benefits be outlined, not just the conditions for an interest rate reduction benefit.

Response:

The Committee agrees that clarification is needed.

Change:

Section 10.7, bullet 6, has been revised as follows:

- Information on special loan repayment benefits offered for the loan(s), if applicable, including:
 - Eligibility for an interest rate reduction if the borrower repays the loan by automatic payroll or checking account deduction or if the borrower makes a specified number of on-time payments, and any other loan repayment benefits that could reduce the total repayment amount or the length of the repayment period.
 - Any limitations on the special loan repayment benefit(s), including, but not limited to: ; such as
 - (1) Explicit information on the reasons the borrower may lose eligibility for a benefit.
 - (2) For an interest rate reduction benefit, examples of the impact the interest rate reduction has of that change on the length of the borrower's repayment period and the total repayment amount, and upon the request of the borrower, the effect the change would have with respect to the borrower's total payoff amount and length of the repayment period. (if requested by the borrower), and
 - (3) Whether and how the borrower can regain eligibility for a loan repayment the benefit if the borrower loses the benefit.

Corresponding changes have also been made to the Revised Policy and the Bulletin Language.

jhh/edited-as

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: April 21, 2009

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With No Changes	Apr 16

SUBJECT: Required Lender Disclosures during Delinquency

AFFECTED SECTIONS: 12.1 Collection Philosophies, Goals, and Minimum Standards

POLICY INFORMATION: 1110/Batch 158

EFFECTIVE DATE/TRIGGER EVENT: Loans that become delinquent on or after July 1, 2009.

BASIS:
HEA §433(e)(3), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.

CURRENT POLICY:
Current policy does not include a lender disclosure requirement when a borrower is 60 days delinquent.

REVISED POLICY:
Revised policy requires a lender to disclose the following information when a borrower is 60 days delinquent:

- The date on which the loan will default if no payment is made.
- The minimum payment the borrower must make to avoid default.
- A description of borrower options to avoid default, including a description of, and the requirements for obtaining, a deferment or a forbearance; and an explanation of any relevant fees or costs associated with such options.
- Loan discharge options for which the borrower may be eligible.
- Additional resources of which the lender is aware, including nonprofit organizations, advocates, and counselors (including the Department's Student Loan Ombudsman) where the borrower may receive advice and assistance on loan repayment.

REASON FOR CHANGE:
This change is necessary to comply with the provisions of the HEOA.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 12.1, page 1, column 2, paragraph 2, by adding a new subsection as follows:

12.1
Collection Philosophies, Goals, and Minimum Standards

The lender's collection practices must focus on preventing the default of its delinquent and ineligible borrower loans. The lender should develop a systematic and thorough approach to collecting on its loans, using, at a minimum, the due diligence standards prescribed in this chapter. In addition, the lender may use its own consumer loan collection practices. Lenders are strongly encouraged to develop standards that are in the best interest of both borrowers and the FFELP.

12.1.A
Lender Disclosure Requirements

When a borrower is 60 days delinquent, the lender must provide a notice with all of the following information in simple and understandable terms:

- The date on which the loan will default if no payment is made.
- The minimum payment the borrower must make to avoid default.
- A description of borrower options to avoid default, including a description of, and the requirements for obtaining a deferment or a forbearance and an explanation of any relevant fees or costs associated with such options.
- Loan discharge options for which the borrower may be eligible.
- Additional resources of which the lender is aware, including nonprofit organizations, advocates, and counselors (including the Student Loan Ombudsman of the U.S. Department of Education) where the borrower may receive advice and assistance on loan repayment.

[HEA §433(e)(3)]

12.2

Situations Requiring Collection Activities

PROPOSED LANGUAGE - COMMON BULLETIN:

Required Lender Disclosures during Delinquency

The *Common Manual* has been revised by adding the requirement that a lender must provide to a borrower who is 60 days delinquent a notice that is in simple and understandable terms and contains all of the following information:

- The date on which the loan will default if no payment is made.
- The minimum payment the borrower must make to avoid default.
- A description of borrower options to avoid default, including a description of, and the requirements for obtaining a deferment or a forbearance and an explanation of any relevant fees or costs associated with such options.
- Loan discharge options for which the borrower may be eligible.
- Additional resources of which the lender is aware, including nonprofit organizations, advocates, and counselors (including the Department's Student Loan Ombudsman) where the borrower may receive advice and assistance on loan repayment.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A delinquent borrower may receive additional information with regard to default prevention.

School:

A school may have a reduction in defaults as a result of this required disclosure for a delinquent borrower.

Lender/Service:

A lender may need to revise its systems and procedures to comply with the requirement for delinquency disclosures.

Guarantor:

A guarantor may be required to revise program review criteria. If the guarantor provides default prevention or debt counseling materials or resources, the lender may include the guarantor in its list of available resources,

increasing the number of borrower contacts that the guarantor receives and to which the guarantor must respond.

U.S. Department of Education:

The Department may be required to revise program review criteria. As a result of these changes, the Department may have an increase in borrower contacts.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

September 16, 2008

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

April 9, 2009

PROPOSAL DISTRIBUTED TO:

CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others
CM Governing Board Representatives

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, HESC, MGA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, USA Funds and VSAC.

Responses to Comments

All of the commenters supported this proposal as written. Other commenters recommended wordsmithing, grammatical, or other non-substantive changes that were considered without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

ce/edited-rl

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: April 21, 2009

	DRAFT	Comments Due	
	FINAL	Consider at GB Meeting	
X	APPROVED	With No Changes	Apr 16

SUBJECT: Rehabilitation of Defaulted FFELP Loans

AFFECTED SECTIONS: 13.7 Rehabilitation of Defaulted FFELP Loans

POLICY INFORMATION: 1111/Batch 158

EFFECTIVE DATE/TRIGGER EVENT: Loans rehabilitated on or after August 14, 2008.

BASIS:

HEA §428F(a)(5), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.

CURRENT POLICY:

Current policy states that there are no federal restrictions that prohibit a loan from being rehabilitated more than once.

REVISED POLICY:

Revised policy states that a loan may be rehabilitated only once.

REASON FOR CHANGE:

This change is made to comply with the provisions of the HEOA.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 13.7, page 14, column 2, paragraph 1, as follows:

13.7

Rehabilitation of Defaulted FFELP Loans

To be eligible to rehabilitate a defaulted FFELP loan, a borrower must enter into a rehabilitation agreement with the guarantor or a collection agency acting on its behalf. A borrower who receives loan funds for which he or she is ineligible due solely to his or her error may not rehabilitate the ineligible funds or otherwise have his or her Title IV eligibility reinstated until the ineligible funds are repaid in full. A borrower may not include in a rehabilitation agreement a loan on which the borrower has been convicted of, or has pled *nolo contendere* or guilty to, a crime involving fraud in obtaining Title IV funds. ~~There are no federal restrictions that prohibit a loan from being rehabilitated more than once.~~ A loan may be rehabilitated only once. Any loan included in a rehabilitation agreement on or after August 14, 2008, may not be included in a future rehabilitation agreement. A borrower may include in a rehabilitation agreement another defaulted loan that has not previously been rehabilitated on or after August 14, 2008. [HEA §428F(a)(5); §682.405(a)(1); DCL GEN-08-12/FP-08-10 ~~Dear Guaranty Agency Director Letter July 30, 1993~~]

PROPOSED LANGUAGE - COMMON BULLETIN:

Rehabilitation of Defaulted FFELP Loans

The *Common Manual* has been updated to reflect changes to the rehabilitation program that were made in the Higher Education Opportunity Act (HEOA), P.L. 110-315. These changes specify that a loan may be rehabilitated only once. A borrower may include in a rehabilitation agreement another defaulted loan that has not previously been rehabilitated on or after August 14, 2008.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower may not rehabilitate a defaulted loan more than one time.

School:

None.

Lender/Service:

None.

Guarantor:

A guarantor may need to update its procedures to track which loans have been rehabilitated to ensure that a loan is not rehabilitated more than once.

U.S. Department of Education:

The Department may need to update its program review parameters.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

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PROPOSAL DISTRIBUTED TO:

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Interested Industry Groups and Others
CM Governing Board Representatives

COMMENTS RECEIVED FROM:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, HESC, MGA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCCLC, SLMA, SLND, SLSA, TG, USA Funds, and VSAC.

RESPONSES TO COMMENTS

Many commenters supported this proposal as written. Other commenters recommended punctuation or wordsmithing changes that were considered without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

COMMENT:

One commenter recommended revising the last sentence of paragraph 1 as follows:

“A borrower may continue to rehabilitate other defaulted loans that have not previously been rehabilitated or have been rehabilitated prior to August 14, 2008.”

The commenter states that a loan that was rehabilitated prior to August 14, 2008 can be rehabilitated again if the loan defaults. A loan that is rehabilitated after August 14, 2008 can not be rehabilitated again.

Another commenter suggested the following changes to clarify which loans are impacted by the change.

“A loan may only be rehabilitated once. Any loan included in a rehabilitation on or after August 14, 2008, is not eligible to be included in a future rehabilitation. A borrower may continue to rehabilitate other defaulted loans that have not previously been rehabilitated on or after August 14, 2008.”

Response:

The Committee agrees that loans rehabilitated on or after August 14, 2008 are the loans impacted by the changes as identified in the effective date and trigger event, but sees that the proposal language needs clarification.

Change:

The last two sentences have been revised as follows:

A loan may ~~only~~ be rehabilitated only once. Any loan included in a rehabilitation agreement on or after August 14, 2008, may not be included in a future rehabilitation agreement. A borrower may ~~continue to rehabilitate~~ include in a rehabilitation agreement another defaulted loans that ~~have~~ has not previously been rehabilitated on or after August 14, 2008.

sm/edited - chh

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: April 21, 2009

	DRAFT	Comments Due	
	FINAL	Consider at GB Meeting	
X	APPROVED	With No Changes	Apr 16

SUBJECT: Consumer Credit Reporting after FFELP Loan Rehabilitation

AFFECTED SECTIONS: 13.7 Rehabilitation of Defaulted FFELP Loans
Appendix G

POLICY INFORMATION: 1112/Batch 158

EFFECTIVE DATE/TRIGGER EVENT: Loan rehabilitation sales to eligible lenders that take place on or after August 14, 2008.

BASIS:

HEA §428F(a)(1)(A), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.

CURRENT POLICY:

Current policy states that upon successful rehabilitation of a loan, the guarantor will report to national credit bureaus that the default status is to be removed from the borrower's credit history.

REVISED POLICY:

Revised policy states that upon successful rehabilitation of a loan, the guarantor or any other holder that reported the loan as a default must request that the consumer reporting agency to which the default was reported remove the default status from the borrower's credit history. Revised policy also includes in the Glossary a definition of consumer reporting agency.

REASON FOR CHANGE:

This change is made to comply with the provisions of the HEOA.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 13.7, page 15, column 2, paragraph 1, as follows:

Upon purchase of a loan by an eligible lender, the guarantor or any other holder of the loan that previously reported it as in a defaulted status must will report to the national credit bureaus consumer reporting agency to which it reported that the default status that such status is to be removed from the borrower's credit history, and as the loan will be is now considered rehabilitated.

[HEA §428F(a)(1)(A); §682.405(a); §682.405(b)(3); DCL GEN-08-12/FP-08-10]

▲ Contact the guarantor for information about its process for lender notification of a rehabilitated loan. See Section 1.5 for contact information.

Revise Appendix G, page 4, column 2, by adding a new paragraph 6, as follows:

Confirmation (as it relates to the MPN): . . .

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)]

Consummated Loan: . . .

PROPOSED LANGUAGE - COMMON BULLETIN:

Consumer Credit Reporting after FFELP Loan Rehabilitation

The *Common Manual* has been updated to reflect the changes to the rehabilitation program that were made in the Higher Education Opportunity Act (HEOA), P.L. 110-315. These changes specify that upon successful rehabilitation of a loan, the guarantor or any other holder that reported the loan as a default must request the consumer reporting agency to which the default was reported remove the record of the default from the borrower's credit history. The Manual's glossary has also been update to include the definition of Consumer Reporting Agency.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower will have his or her credit history updated by the guarantor that held the defaulted loan or any other holder of the loan that previously reported the default status, after the loan is rehabilitated.

School:

None.

Lender/Service:

A lender may need to update its procedures to ensure that for any loan for which it previously reported a default status, it updates the borrower's credit history when the rehabilitation is complete.

Guarantor:

A guarantor may need to update its procedures to notify any other lender that previously reported a loan as in a default status to update the borrower's credit history when the loan has been rehabilitated.

U.S. Department of Education:

The Department may need to update its program review parameters.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

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Interested Industry Groups and Others
CM Governing Board Representatives

COMMENTS RECEIVED FROM:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, HESC, MGA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, USA Funds, and VSAC.

RESPONSES TO COMMENTS

Many commenters supported this proposal as written. Other commenters recommended punctuation or wordsmithing changes that were considered without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

COMMENT:

One commenter recommended reviewing the structure of the new definition of “consumer reporting agency” in Appendix G. The commenter stated that it could be confusing to the reader as written, and may be improved by dividing the information into two sentences or revising the existing punctuation.

Response:

The Committee believes that the Manual should maintain the definition of “consumer reporting agency” as currently written in Section 603(p) of the Fair Credit Reporting Act [15 U.S.C. 1681a(p)].

Change:

None.

COMMENT:

One commenter does not support the proposal as written. The commenter states that they do not agree that the law requires both the guarantor and any other holder of the loan to remove the status from a borrower’s credit history. The HEOA language which changes the HEA §428F(a)(10(A) specifically uses the word “or” and not “and.” While the commenter understands that the Department in DCL GEN-08-12/FP-08-10 uses the word “and,” the commenter believes that Congressional intent is to have the guarantor remove the default, as this is the entity charged with reporting defaults on borrower’s accounts. The commenter believes the “or any other holder of the loan” is referring to an entity that may have held or is holding the loan on the guarantor’s behalf and fulfilling the default reporting function. By stating the requirement with an “and,” the assumption is made that the requirement applies to lenders who previously held the loan, which is not the case.

Response:

The Committee agrees that the Manual’s language should mirror the statutory language.

Change:

The “and” in the sentence has been stricken and “or” has been added.

“Upon purchase of a loan by an eligible lender, the guarantor or any other holder of the loan that previously reported it as in a defaulted status must report to the national consumer reporting agency to which it reported the default status that such status is to be removed from the borrower’s credit history, as the loan is now considered rehabilitated.”

sm/edited - chh

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: April 21, 2009

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SUBJECT: Teacher Loan Forgiveness

AFFECTED SECTIONS: 13.9.B Teacher Loan Forgiveness Program

POLICY INFORMATION: 1113/Batch 158

EFFECTIVE DATE/TRIGGER EVENT: Teacher Loan Forgiveness Applications and Teacher Loan Forgiveness Forbearance Request forms received by the lender on or after August 14, 2008.

BASIS:

HEA §428J(c)(3) and (g)(2), and §481(f), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.

CURRENT POLICY:

Current policy does not address that an otherwise eligible borrower may qualify for forgiveness if the borrower has performed qualifying teaching services at one or more locations that are operated by an educational service agency, but are not a school, and that have been determined by the Department, in consultation with the state, to be eligible locations for this purpose. Current policy does not provide the definition of "educational service agency." Also, current policy also does not address that the chief administrative officer of an educational service agency may certify a borrower's eligibility for teacher loan forgiveness for a borrower who performs his or her qualifying teaching service as an employee of such an agency. Further, current policy does not address all of the programs for which a borrower may not receive a double benefit for the same qualifying period of teaching service.

REVISED POLICY:

Revised policy adds that an otherwise eligible borrower may qualify for forgiveness if the borrower has performed qualifying teaching services at one or more locations that are operated by an educational service agency, but are not a school, and that have been determined by the Department, in consultation with the state, to be eligible locations for this purpose. Revised policy adds the definition of "educational service agency." Revised policy also adds that the chief administrative officer of an educational service agency may certify a borrower's eligibility for teacher loan forgiveness for a borrower who performs his or her qualifying teaching service as an employee of such an agency. Also, revised policy adds that a borrower who receives a teacher loan forgiveness benefit under the FFELP or Federal Direct Loan Program may not receive, for the same qualifying period of teaching service, a benefit under the Public Service Loan Forgiveness Program or the Loan Forgiveness Program for Service in Areas of National Need.

REASON FOR CHANGE:

This change is made to comply with the provisions of the HEOA.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 13.9.B, page 55, column 1, paragraph 3, as follows:

Under this program, the Department repays a maximum of \$5,000 or \$17,500, as applicable, (combined total for loans obtained under both the FFELP and FDLP) of a qualified borrower's Stafford loan obligations, and Consolidation loan obligations to the extent that a Consolidation loan repaid a borrower's qualifying Stafford loan(s). No borrower may receive benefit for the same qualifying period of teaching service under both the Teacher Loan Forgiveness Program and the Public Service Loan Forgiveness Program, the Loan Forgiveness Program for Service in Areas of National Need, or subtitle D of Title I of the National and Community Service Act of 1990 (AmeriCorps).

[§HEA 428J(g)(2); §682.215(a) and (c)(9); DCL GEN-05-02/FP-05-02; DCL GEN-08-12/FP-08-

Revise Subsection 13.9.B, page 55, column 2, paragraph 3, bullet 2, as follows:

Note: This subsection was previously updated by proposal 1065 in Batch 153.

Eligibility Criteria

To be eligible for loan forgiveness under this program, a borrower must meet all of the following criteria:

- The borrower must have had no outstanding balance on a FFELP or FDLP loan on October 1, 1998, or had no outstanding balance on a FFELP or FDLP loan on the date he or she obtained a loan after October 1, 1998.
- The borrower must have been employed as a full-time teacher for 5 consecutive, complete academic years at a qualifying school or location operated by an educational service agency (see definition of qualifying school and information regarding educational service agency locations below) or a combination of ~~qualifying schools~~ these entities, as certified by the chief administrative officer(s) at the school(s) or educational service agency. [HEA §428J(c)(3); GEN-08-12/FP-08-10]

...

Revise Subsection 13.9.B, page 57, column 1, paragraph 1, by adding a new bullet 2, as follows:

Definitions Applicable to Teacher Loan Forgiveness

In the context of the teacher loan forgiveness provisions, the following definitions apply:

- *A qualifying school* is an elementary or secondary school operated by the Bureau of Indian Affairs (BIA) or operated on an Indian reservation by an Indian tribal group under contract with the BIA, or a school that meets all of the following criteria: [§682.215(c)(1)(iii)]
 - Is in a school district that qualifies for funds under Title I of the Elementary and Secondary Education Act of 1965, as amended. [§682.215(c)(1)(i)]
 - Has been selected by the Department based on a determination that more than 30% of the school's total enrollment is made up of children who qualify for services provided under Title I. [§682.215(c)(1)(ii)]
 - Is listed in the Annual Directory of Designated Low-Income Schools for Teacher Cancellation Benefits. (If this directory is not available before May 1 of any year, the previous year's directory may be used.) [§682.215(c)(1)(iii)]
- An *educational service agency* is a regional public multi-service agency authorized by state statute to develop, manage, and provide services or programs to local educational agencies. An otherwise eligible borrower may qualify for forgiveness if the borrower has performed qualifying teaching service at one or more locations that are operated by an educational service agency, but are not a school, and that have been determined by the Department, in consultation with the state, to be eligible locations for this purpose. [HEA §428J(c)(3) and §481(f); DCL GEN-08-12/FP-08-10]

...

PROPOSED LANGUAGE - COMMON BULLETIN:

Teacher Loan Forgiveness

The *Common Manual* has been updated with provisions of the Higher Education Opportunity Act (HEOA), P.L. 110-315. The information for teacher loan forgiveness has been revised to add that an otherwise eligible borrower may qualify for forgiveness if the borrower has performed qualifying teaching service at one or more locations that are operated by an educational service agency, but are not a school, and that have been determined by the Department, in consultation with the state, to be eligible locations for this purpose. An educational service agency is a regional public multi-service agency authorized by state statute to develop, manage, and provide services or programs to local educational agencies. Also, the chief administrative officer of an educational service agency may certify a borrower's eligibility for teacher loan forgiveness for a borrower who performs his or her qualifying teaching service as an employee of such an agency.

The Manual has also been updated to add that a borrower who receives a teacher loan forgiveness benefit under the FFELP or Federal Direct Loan Program may not receive, for the same qualifying period of teaching service, benefits under the Public Service Loan Forgiveness Program or the Loan Forgiveness Program for Service in Areas of National Need.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

An otherwise eligible borrower may qualify for forgiveness if the borrower has performed qualifying teaching service at one or more locations that are operated by an educational service agency, but are not a school, and that have been determined by the Department, in consultation with the state, to be eligible locations for this purpose. A borrower who receives teacher loan forgiveness benefits under the FFELP or Federal Direct Loan Programs may not receive, for the same qualifying period of teaching service, benefits under the Public Service Loan Forgiveness Program or the Loan Forgiveness Program for Service in Areas of National Need.

School:

None.

Lender/Service:

A lender may need to update its counseling materials and teacher loan forgiveness processing procedures.

Guarantor:

A guarantor may need to update its counseling materials and teacher loan forgiveness processing procedures.

U.S. Department of Education:

The Department may need to update its counseling materials and teacher loan forgiveness processing procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

September 16, 2008

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PROPOSAL DISTRIBUTED TO:

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Interested Industry Groups and Others
CM Governing Board Representatives

COMMENTS RECEIVED FROM:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, HESC, MGA, NASFAA, NCHelp, NSLP, OGSLP,

RESPONSES TO COMMENTS

Most of the commenters supported this proposal as written. Other commenters recommended wordsmithing changes or typographical corrections that made no substantive changes to the policy that were considered without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

COMMENT:

One commenter suggested revising Subsection 13.9.B, page 55, column 1, paragraph 2, sentence 2, as follows:

No borrower may receive benefit for the same qualifying period of teaching service under both the Teacher Loan Forgiveness Program and the Public Service Loan Forgiveness Program, the Loan Forgiveness for Service in Areas of National Need, or subtitle D of Title I of the National and Community Service Act of 1990 (AmeriCorps).

The commenter stated that this change is needed to clarify that the benefit is based upon a distinct *period* of service rather than for instance a *type* of teaching service.

Response:

The Committee agrees that the revision adds clarity.

Change:

The modification has been made as requested by the commenter.

ma/edited - chh

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: April 21, 2009

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With No Changes	Apr 16

SUBJECT: Lender Disclosure - Consolidation Loans

AFFECTED SECTIONS: 15.3.A Providing Consolidation Loan Information

POLICY INFORMATION: 1114/Batch 158

Effective Date/Trigger Event: Consolidation loan applications provided to potential borrowers on or after August 14, 2008.

BASIS:

HEA §428C(b)(1)(F), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.

CURRENT POLICY:

Current policy encourages a lender to provide information to a prospective Consolidation loan borrower to help the borrower make informed decisions about consolidation.

REVISED POLICY:

Revised policy requires that a lender disclose to a prospective Consolidation loan borrower, in simple and understandable terms, at the time the lender provides an application, all of the following types of information:

- Whether consolidation would result in loss of benefits under the FFELP or the Federal Direct Loan Program (e.g., loan forgiveness, cancellation, deferment), or under the Federal Perkins Loan Program (e.g., interest-free periods, deferment, cancellation).
- Available repayment plans.
- Options to prepay (e.g., request a shorter repayment period, change repayment plans).
- That benefit programs may vary among lenders.
- The consequences of default.
- That applying for the Consolidation loan does not obligate the borrower to take the Consolidation loan.

REASON FOR CHANGE:

This change is made to comply with provisions of the HEOA.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 15.3.A, page 6, column 1, paragraph 2, as follows:

**15.3.A
Providing Consolidation Loan Information**

The lender ~~must~~ is encouraged to disclose ~~provide information to a prospective Consolidation loan borrowers~~ in simple and understandable terms, at the time the lender provides a Consolidation application, all of the following to help them make informed decisions about consolidation. ~~Lenders may wish to provide the following types of information:~~

- For a borrower who is considering consolidating a FFELP or Federal Direct loan(s), whether consolidation would result in a loss of loan benefits, including loan forgiveness, cancellation, and deferment, through the FFELP or the Direct Loan Program.

- For a borrower who is considering consolidating a Federal Perkins loan(s), each of the following:
 - That the borrower will lose all interest-free periods that would have been available for the Federal Perkins Loan Program (e.g., the period during which no interest accrues on the loan while the borrower is enrolled in school at least half time, during the initial grace period, and during the periods in which the borrower is eligible for deferment).
 - That the borrower will no longer be eligible for public service cancellation of all or a portion of the Federal Perkins loan.
 - The occupations that qualify for Federal Perkins loan cancellation.
- The repayment plans that are available to the borrower.
- The options for the borrower to prepay the Consolidation loan, to pay the loan on a shorter repayment period, and to change repayment plans.
- That borrower benefit programs for a Consolidation loan may vary among different lenders.
- The consequences of default on the Consolidation loan.
- That by applying for a Consolidation loan, the borrower is not obligated to take the Consolidation loan.

Lenders may also wish to provide the following types of information.

Checklist

Including a checklist can be helpful in guiding the borrower through the Consolidation loan application process.

Explanation of Consolidation Benefits and Costs

An explanation of consolidation benefits and costs may include:

- The bBenefits of consolidation to the borrower.
- The sSpecial benefits the lender offers on Federal Consolidation loans, and the criteria for obtaining those benefits.
- Borrower eligibility requirements.
- The tTypes of loans that may be consolidated.
- The iinterest rate calculation.
- ~~Repayment options available.~~
- ~~Effects of repayment schedule on the repayment period.~~
- Deferment options.
- ~~The borrower's potential loss of benefits on underlying loans when consolidated into a Consolidation loan.~~
- The borrower's cost for consolidation.
- An explanation of tThe consolidation process.

Worksheet or Web Page

A Federal Consolidation loan worksheet or Web page can help the borrower:

- List all outstanding education loans.
- Select which loans are to be consolidated.
- Determine the maximum repayment period.
- Compute the interest rate.
- Calculate estimated monthly payments under standard, graduated, extended, ~~and~~ income-sensitive, and income-based repayment schedules.
- Compare the estimated payment with the total of payments for the same loans without consolidation.
- Calculate the total cost of repayment (including interest) over various repayment periods.

Instructions

The lender may include instructions for completing the Federal Consolidation Loan Application and Promissory Note and, if the note is available electronically, a link to the appropriate Website.

PROPOSED LANGUAGE - COMMON BULLETIN:

Lender Disclosure - Consolidation Loans

The *Common Manual* has been revised to include required disclosures that a lender is required to make to a prospective Consolidation loan borrower, in simple and understandable terms, at the time the lender provides a loan application, including all of the following:

- Whether consolidation would result in loss of benefits under the FFELP or the Federal Direct Loan Program (e.g., loan forgiveness, cancellation, deferment), or under the Federal Perkins Loan Program (e.g., interest-free periods, deferment, cancellation).
- Available repayment plans.
- Options to prepay (e.g., request a shorter repayment period, change repayment plans).
- That benefit programs may vary among lenders.
- The consequences of default.
- That applying for the Consolidation does not obligate the borrower to take the Consolidation loan.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower will receive more information about the impact that loan consolidation may have on an existing loan(s) and repayment.

School:

None.

Lender/Service:

A lender will need to update information it discloses to a prospective Consolidation loan borrower.

Guarantor:

A guarantor may need to modify program review parameters.

U.S. Department of Education:

The Department may need to modify program review parameters.

To be completed by the Policy Committee

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CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others

CM Governing Board Representatives

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, HESC, MGA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, USA Funds and VSAC.

Responses to Comments

Most of the commenters supported this proposal as written. Other commenters recommended wordsmithing, grammatical, or other non-substantive changes that were considered without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

COMMENT:

Three commenters noted an omission of the requirement to include the occupations that qualify for Federal Perkins loan cancellation in the information that a lender must disclose to a prospective Consolidation loan borrower.

Response:

The Committee recognizes the omission.

Change:

The text has been revised as requested.

jhh/edited- as

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: April 21, 2009

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With No Changes	Apr 16

SUBJECT: Cohort Default Rate - Extended Calculation Period

AFFECTED SECTIONS: 16.1 Overview of Cohort Default Rates and Terminology
16.2 Calculation of School Cohort Default Rates
Figure 16-1 Cohort Default Rate Formulas
Figure 16-2 Summary: Challenges, Adjustments, and Appeals

POLICY INFORMATION: 1115/Batch 158

EFFECTIVE DATE/TRIGGER EVENT: Cohort default rate calculations beginning with fiscal year 2009 and thereafter.

BASIS:

HEA §435(m), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.

CURRENT POLICY:

Current policy defines a "cohort default rate" as the percentage of a school's student borrowers who enter repayment during a specific fiscal year on certain FFELP or FDLP loans and who subsequently default on those loans during the same or following fiscal year in which the borrowers entered repayment.

REVISED POLICY:

Revised policy adds a second definition for "cohort default rate" to include student borrowers who enter repayment during a specific fiscal year on certain FFELP or FDLP loans and who subsequently default before the end of the *second* fiscal year following the fiscal year in which the borrowers entered repayment.

Revised policy also amends current text to align policy related to the numerator used in the cohort default rate calculation, including revisions to Figure 16-1. Also, a new Figure 16-2, "Cohort Default Rate Formulas Beginning with Fiscal Year 2009," has been added to reflect the change in calculation beginning with fiscal year 2009 and thereafter. The current Figure 16-2, "Summary: Challenges, Adjustments, and Appeals," has been re-numbered as Figure 16-3.

REASON FOR CHANGE:

This change is made to comply with the provisions of the HEOA.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 16.1, page 1, column 2, paragraph 2, bullet 4, as follows:

Cohort Default Rate Terminology

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

- ...
- ...
- ...
- Default: A FFELP borrower is considered "in default" if the borrower defaults on a loan for which the claim is paid by the guarantor before the end of the fiscal year following the fiscal year in which the borrower entered repayment on the loan. For an FDLP borrower, default is defined under the parameters of that program. If a borrower defaults on a

Federal Consolidation loan within that time frame, the default is counted on the applicable underlying loans that entered repayment during that cohort year.
[§668.182(d); §668.183(c)]

Beginning with the fiscal year 2009 cohort default rate calculations, an FFELP borrower is considered "in default" if the borrower defaults on a loan for which the guarantor pays the claim before the end of the second fiscal year following the fiscal year in which the borrower enters repayment. For an FDLP borrower, default is defined under the parameters of that program. If a borrower defaults on a Federal Consolidation loan within that time frame, the default is counted on the applicable underlying loans that entered repayment during that cohort year.
[HEA §435(m); DCL GEN-08-12/FP-08-10]

Revise Section 16.2, page 3, column 1, paragraph 1, as follows:

16.2
Calculation of School Cohort Default Rates

A cohort default rate is defined as the percentage of a school's student borrowers who enter repayment during a specific fiscal year on certain FFELP or FDLP loans and who default on those loans ~~during before the end of the same or following fiscal year (see Section 16.1). This includes borrowers who borrow any of the following types of loans:~~

Beginning with fiscal year 2009, a cohort default rate is defined as the percentage of a school's student borrowers who enter repayment during a specific fiscal year on certain FFELP or FDLP loans and who default on those loans before the end of the second fiscal year following the fiscal year in which the borrower entered repayment (see Section 16.1). This includes borrowers who borrow any of the following types of loans:

- ...
- ...
- ...

An official cohort default rate is calculated for a school according to the formulas that follow in Figure 16-1 until fiscal year 2009. Formula A is used for schools that had ~~30~~ thirty or more student borrowers who entered repayment during the fiscal year for which the rate is being calculated. Formula B is used for schools that had fewer than ~~30~~ thirty student borrowers who entered repayment during the fiscal year for which the rate is being calculated. A draft cohort default rate is calculated for a school based on one year of data (using Formula A), even if the official cohort default rate for the school will be calculated based on several years of data (using Formula B).

[*Cohort Default Rate Guide*]

Beginning with fiscal year 2009, an official cohort default rate will be calculated for a school according to the formulas that follow in Figure 16-2. Formula A will be used for schools that had thirty or more student borrowers who entered repayment during the fiscal year for which the rate is being calculated. Formula B will be used for schools that had fewer than thirty student borrowers who entered repayment during the fiscal year for which the rate is being calculated.

[HEA §435(m); DCL GEN-08-12/FP-08-10]

Revise Figure 16-1, page 4, as follows:

See attached chart.

Add a new Figure 16-2 immediately following Figure 16-1, as follows:

See attached chart.

Revise Section 16.2, page 5, column 2, paragraph 2, as follows:

Determining the Numerator

The numerator equals the number of student borrowers in the denominator who defaulted on any Federal Stafford, Federal SLS, or Federal Consolidation loan during the same fiscal year in which the loan or underlying loan entered repayment or during the following fiscal year. If a school had fewer than thirty borrowers who entered repayment during the fiscal year for which the cohort rate is being calculated, the Department identifies the school's student borrowers who entered repayment during the specified fiscal year and the two most recent prior fiscal years and who defaulted by before the end of the fiscal year immediately following the fiscal year in which those borrowers entered repayment for inclusion in the numerator of the calculation for the specified year.

[668.183(c)]

Beginning with fiscal year 2009, the numerator will equal the number of student borrowers in the denominator who defaulted on any Federal Stafford, Federal SLS, or Federal Consolidation loan before the end of the second fiscal year following the fiscal year in which the loan or underlying loan entered repayment. If a school had fewer than thirty borrowers who entered repayment during the fiscal year for which the cohort default rate is being calculated, the Department identifies the school's student borrowers who entered repayment during the specified fiscal year and the two most recent prior fiscal years and who defaulted before the end of the second fiscal year following the fiscal year in which the loan or underlying loan entered repayment for inclusion in the numerator of the calculation for the specified year.

[HEA §435(m); DCL GEN-08-12/FP-08-10]

Revise current Figure 16-2, page 11, as follows:

Summary: Challenges, Adjustments, and Appeals

Figure 16-23

PROPOSED LANGUAGE - COMMON BULLETIN:

Cohort Default Rate - Extended Calculation Period

The *Common Manual* has been updated to incorporate the provision from the Higher Education Opportunity Act (HEOA), P.L. 110-315, related to the extended period for calculating a school's cohort default rate. The information for cohort default rate calculations has been revised to add that beginning with fiscal year 2009, the cohort default rate will be defined as the percentage of a school's student borrowers who enter repayment during a specific fiscal year on certain FFELP and FDLP loans and who default on those loans before the end of the *second* fiscal year following the fiscal year in which the borrower entered repayment. A new Figure 16-2, "Cohort Default Rate Formulas Beginning with Fiscal Year 2009," has also been added to reflect the change in the cohort default rate calculation. The current Figure 16-2, "Summary: Challenges, Adjustments, and Appeals," has been re-numbered as Figure 16-3.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:

A school will need to be aware of the future cohort default rate calculation, as defined, when reviewing the data provided with its 2009 draft and official cohort default rates to determine if the rates provided are correct.

Lender/Service:

None.

Guarantor:

A guarantor will need to be aware of the future cohort default rate calculation, as defined, when addressing

any cohort default rate appeals it may receive, and also may need to be aware for purposes of providing default prevention items to schools.

U.S. Department of Education:

The Department will need to update its process for calculating cohort default rates.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

September 16, 2008

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

April 9, 2009

PROPOSAL DISTRIBUTED TO:

CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others
CM Governing Board Representatives

Comments Received from:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, HESC, MGA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, USA Funds, and VSAC.

Responses to Comments

Many commenters supported this proposal as written. Other commenters recommended punctuation or wordsmithing changes that were considered without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

COMMENT:

Two commenters suggested adding the word "fiscal" throughout this proposal to the sentence "...before the end of the second fiscal year following the fiscal year in which those borrowers entered repayment" for added clarity.

Response:

The Committee agrees.

Change:

The text in the Proposed Language of Section 16.1 Cohort Default Rate Terminology, Section 16.2 Calculation of School Cohort Default Rate, Determining the Numerator, Figure 16-1 and Figure 16-2 Formula A and B, and the Common Bulletin, has been updated to reflect the addition of the word "fiscal."

COMMENT:

One commenter suggested updating Formula A and Formula B in Figure 16-1 with more current cohort default rate timelines and also suggested the Committee check the fiscal years shown in the example for Formula B to ensure they are correct.

Response:

The Committee agrees to update the dates in Formula A, and also thanks the commenter for suggesting to review the dates listed in Formula B. The dates currently listed in the example under Formula B do not align with the cohort year and need to be adjusted.

Change:

The cohort default rate timeline in Formula A of Figure 16-1 has been updated to reflect the most current published official rates, FY 2006. In addition, the fiscal years shown in the example under Formula B have been updated to also reflect the most current published rates (FY 2006) as follows:

Example

For calculating the federal fiscal year 20056 cohort default rate, the following periods are applicableincluded:

Borrower Entered Repayment

10/1/053 – 9/30/064

10/1/064 – 9/30/075

10/1/075 – 9/30/086

Borrower Defaulted on or Before

9/30/075

9/30/086

9/30/097

nm/edited-rrl

Cohort Default Rate Formulas

Figure 16-1

FORMULA A: Schools with Thirty or More Student Borrowers Who Entered Repayment

Number of student borrowers who entered repayment during the specified fiscal year and defaulted ~~within~~ before the end of that fiscal year or the subsequent year

Number of student borrowers who entered repayment during the specified fiscal year

$$\times 100$$

[§668.183(d)(1)]

Example

Student borrowers who entered repayment from October 1, ~~1998~~2005, through September 30, ~~1999~~2006, (inclusive), will be included in the denominator of the cohort default rate calculation for federal fiscal year ~~1999~~2006. If any of those student borrowers' loans defaulted by the end of the next fiscal year (September 30, 2007), those student borrowers will be included in the numerator. Student borrowers who entered repayment during fiscal year ~~1999~~2006, but who defaulted after September 30, 2007, will only be included in the denominator of the formula for the fiscal year ~~1999~~2006 default rate calculation.

FORMULA B: Schools with Fewer Than Thirty Student Borrowers Who Entered Repayment

Number of student borrowers who entered repayment during the specified fiscal year and the previous two fiscal years and who defaulted by before the end of the fiscal year following the fiscal year in which the borrower entered repayment

Number of student borrowers who entered repayment during the specified fiscal year and the previous two fiscal years

$$\times 100$$

[§668.183(d)(2)]

Example

For calculating the federal fiscal year 2006 cohort default rate, the following periods are ~~applicable~~included:

<i>Borrower Entered Repayment</i>	<i>Borrower Defaulted on or Before</i>
10/1/05 3 – 9/30/06 4	9/30/07 5
10/1/06 4 – 9/30/07 5	9/30/08 6
10/1/07 5 – 9/30/08 6	9/30/09 7

Student borrowers who entered repayment during these periods are included in the denominator of the formula. Student borrowers who subsequently defaulted in the periods specified above are included in the numerator.

Cohort Default Rate Formulas Beginning with Fiscal Year 2009**Figure 16-2****FORMULA A: Schools with Thirty or More Student Borrowers Who Entered Repayment**

Number of student borrowers who entered repayment during the specified fiscal year and defaulted before the end of the second fiscal year following the fiscal year in which the borrower entered repayment

X 100

Number of student borrowers who entered repayment during the specified fiscal year

Example

Student borrowers who entered repayment from October 1, 2008, through September 30, 2009, (inclusive), will be included in the denominator of the cohort default rate calculation for federal fiscal year 2009. If any of those student borrowers' loans defaulted between October 1, 2008 and September 30, 2011, those student borrowers will be included in the numerator. Student borrowers who entered repayment during fiscal year 2009, but who defaulted after September 30, 2011, will only be included in the denominator of the formula for the fiscal year 2009 cohort default rate calculation.

FORMULA B: Schools with Fewer Than Thirty Student Borrowers Who Entered Repayment

Number of student borrowers who entered repayment during the specified fiscal year and the previous two fiscal years and who defaulted before the end of the second fiscal year following the fiscal year in which the borrower entered repayment

X 100

Number of student borrowers who entered repayment during the specified fiscal year and the previous two fiscal years

Example

For calculating the federal fiscal year 2009 cohort default rate, the following periods are applicable:

Borrower Entered Repayment

Borrower Defaulted on or Before

10/1/06 – 9/30/07

9/30/09

10/1/07 – 9/30/08

9/30/10

10/1/08 – 9/30/09

9/30/11

Student borrowers who entered repayment during these periods are included in the denominator of the formula. Student borrowers who subsequently defaulted in the periods specified above are included in the numerator.

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: April 21, 2009

	DRAFT	Comments Due	
	FINAL	Consider at GB Meeting	
X	APPROVED	With No Changes	Apr 16

SUBJECT: School Cohort Default Rate Challenges

AFFECTED SECTIONS: 16.3 School Draft Cohort Default Rates and Challenges

POLICY INFORMATION: 1116/Batch 158

EFFECTIVE DATE/TRIGGER EVENT: Cohort default rate challenges submitted by the school on or after the publication date of the August 2006 *Cohort Default Rate Guide*.

BASIS:
Cohort Default Rate Guide p. 4.1-1, dated August 2006.

CURRENT POLICY:
Current policy states that any cohort default rate challenge must be submitted no later than 45 days after the school receives its draft cohort default rate notification.

REVISED POLICY:
Revised policy specifies that any cohort default rate challenge must be submitted by the school within 45 days of the time frame begin date. The time frame begin date for domestic schools is the sixth business day after the Department officially releases the draft cohort default rates. For foreign schools, the time frame begin date is the day after the official cohort default rate notification is received.

REASON FOR CHANGE:
The Manual is being revised to align it with the policy contained in the *Cohort Default Rate Guide*.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 16.3, page 7, column 1, paragraph 2, as follows:

Challenging Draft Cohort Default Rates

A school ~~can~~ may challenge its draft cohort default rate based on two general criteria: incorrect data and the school's participation rate index (PRI). Any challenge must be submitted ~~no later than~~ within 45 days ~~after the school receives its draft cohort default rate notification~~ of the time frame begin date. For domestic schools, the time frame begin date is defined as the sixth business day after the Department officially releases the draft cohort default rates. For foreign schools, the time frame begin date is the day after the school's draft cohort default rate notification is received. (Comment: Sorry, just to clarify– should this sentence about foreign schools also say “after the school's *draft* cohort default rate notification is received” or even “after the school's official *draft* cohort default rate notification package is received” since we're talking about a challenge of the draft rate and not the official rate that is released in September?) A detailed explanation of the structure and content of a valid challenge is included in the Department's *Cohort Default Rate Guide*. Schools should carefully note the time frames and criteria prescribed.

PROPOSED LANGUAGE - COMMON BULLETIN: School Cohort Default Rate Challenges

The *Common Manual* has been revised to clarify the time frame that a school must follow when challenging its draft cohort default rate. Any challenge must be submitted within 45 days of the time frame begin date. For domestic schools, the time frame begin date is defined as the sixth business day after the Department officially releases the draft cohort default rates. For foreign schools, the time frame begin date is the day after the school's official cohort default rate notification is received.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:

A school will better understand the time frame in which its draft cohort default rate may be challenged.

Lender/Service:

None.

Guarantor:

A guarantor will receive more timely cohort default rate challenges to which a response is required.

U.S. Department of Education:

None.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

November 13, 2008

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

April 9, 2009

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designee

Interested Industry Groups and Others

CM Governing Board Representatives

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, FAME, Great Lakes, HESC, MGA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, USA Funds, and VSAC.

Responses to Comments:

All of the commenters supported this proposal as written. Other commenters recommended punctuation or wordsmithing changes that were considered without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

nm/edited-rrl

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: April 21, 2009

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With No Changes	Apr 16

SUBJECT: **Teach-Out Plan for Schools Placed under Limitation, Suspension, Termination, or Emergency Action**

AFFECTED SECTIONS: **18.1 Actions to Limit, Suspend, or Terminate Participation**

POLICY INFORMATION: **1117/Batch 158**

EFFECTIVE DATE/TRIGGER EVENT: Limitation, suspension, termination, or emergency actions placed on a school on or after August 14, 2008.

BASIS:
HEA §487(f), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; DCL GEN-08-12/FP-08-10.

CURRENT POLICY:
Current policy does not address a school's teach-out plans when the school is placed on limitation, suspension, termination, or emergency action.

REVISED POLICY:
Revised policy requires a school that is placed under limitation, suspension, termination, or emergency action to prepare a teach-out plan and provide it to its accrediting agency or association. A "teach-out plan" is a written plan that provides for equitable treatment of students if a school ceases to operate before all students have completed their program of study. The teach-out plan must be prepared in accordance with HEA §496(c)(3) (see Title I—General Provisions, Accreditation, and Operating Procedures) and any applicable Title IV regulations or accrediting agency standards.

REASON FOR CHANGE:
This change is necessary to incorporate provisions of the HEOA.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 18.1, page 1, column 2, by adding an new paragraph 3, as follows:

When an LS&T Action May Be Warranted

...

- ...
- ...
- ...

An LS&T action does not limit an entity's responsibility to comply with all requirements applicable to FFELP participation—nor does an LS&T action limit the entity's right, if any, to benefits or payments based on previous participation in the guarantors programs.

If the Department restricts an entity's FFELP eligibility through an LS&T action or emergency action, federal law requires that guarantors impose the same restriction on the entity.

When the Department initiates an LS&T or emergency action, the school must prepare a teach-out plan and provide it to the school's accrediting agency or association. A "teach-out plan" is a written plan that provides for equitable treatment of students if a school ceases to operate before all students have completed their program of study; the plan may include, if required by the school's accrediting agency, an agreement between schools for a teach-out

plan. The teach-out plan must be prepared in accordance with HEA §496(c)(3) (see Title I—General Provisions, Accreditation, and Operating Procedures) and any applicable Title IV regulations or accrediting agency standards.
[HEA §487(f); DCL GEN-08-12/FP-08-10]

PROPOSED LANGUAGE - COMMON BULLETIN:

Teach-Out Plan for Schools Placed under Limitation, Suspension, Termination, or Emergency Action

The *Common Manual* has been updated to incorporate provisions from the Higher Education Opportunity Act (HEOA), P.L. 110-315. A school that is placed on a limitation, suspension, termination, or emergency action must prepare a teach-out plan and provide it to the school's accrediting agency or association. A "teach-out plan" is a written plan that provides for equitable treatment of students if a school ceases to operate before all students have completed their program of study; the plan may include, if required by the school's accrediting agency, an agreement between schools for a teach-out plan. The teach-out plan must be prepared in accordance with HEA §496(c)(3) (see Title I—General Provisions, Accreditation, and Operating Procedures) and any applicable Title IV regulations or accrediting agency standards.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower who is attending a school that is placed on limitation, suspension, termination, or emergency action will benefit from the school's teach-out plan by receiving equitable treatment if the school ceases to operate before all students have completed their program of study.

School:

A school that is placed on a limitation, suspension, termination, or emergency action must prepare a teach-out plan and provide it to the school's accrediting agency or association.

Lender/Service:

None.

Guarantor:

A guarantor may be required to update its program review procedures .

U.S. Department of Education:

The Department may be required to update its program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

September 16, 2008

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

April 9, 2009

PROPOSAL DISTRIBUTED TO:

CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others
CM Governing Board Representatives

COMMENTS RECEIVED FROM:

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RESPONSES TO COMMENTS

All of the commenters supported this proposal as written. Other commenters recommended punctuation or wordsmithing changes that were considered without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

om/edited-rl