

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
1168	Required Information on the Default Aversion Assistance Request Form	<b><u>Figure 12-5</u></b>  Figure 12-5 has been revised to include the specific names of the fields on the Default Aversion Assistance Request Form rather than descriptions of those fields.	Guarantor	Upon approval by the Governing Board.
1169	Required Information on Claim Form	<b><u>Figure 13-1</u></b>  Figure 13-1 has been revised to include the specific names of the fields on the Claim Form rather than descriptions of those fields.	Guarantor	Upon approval by the Governing Board.
1170	Eligible Lender Trustee and School Acting as a Lender Annual Audit Clarification	<b><u>3.2</u></b> <b><u>Schools Acting as Lenders and Eligible Lender Trustee Relationships</u></b>  <b><u>3.8.A</u></b> <b><u>Annual Compliance Audits</u></b>  Stipulates that the required audit must be performed by a qualified independent organization or person.	Federal	First auditable period for the school as lender or eligible lender trustee that begins on or after August 14, 2008.
1171	Revised SCRA Provisions	<b><u>7.4.B</u></b> <b><u>Reduced Stafford Interest Rates</u></b> <b><u>7.5.B</u></b> <b><u>Reduced PLUS Interest Rates</u></b> <b><u>10.9.B</u></b> <b><u>Reduced Interest Rates</u></b> <b><u>15.3.D</u></b> <b><u>Calculating the Interest Rate</u></b>  Prohibits a lender from assessing additional charges or fees to a borrower, who is subject to the provisions of the SCRA, to compensate for the difference between the otherwise applicable interest rate and the reduced rate that the lender is permitted to charge. States that the endorser is considered to be eligible to request and receive the reduced interest rate if the endorser signed the PLUS MPN Endorser Addendum prior to the start of his or her qualifying military service. Also clarifies when a loan is considered to be incurred in the case of a loan made with an endorser's signature or a Consolidation loan.	Federal	Loans for which the lender receives a servicemember's written request for the reduced interest rate that is effective on or after August 14, 2008, for periods of military service occurring on or after that date.
1172	Repayment Disclosure Changes	<b><u>10.7</u></b> <b><u>Disclosing Repayment Terms</u></b> <b><u>10.7.A</u></b> <b><u>Time Frame for Disclosure</u></b>  Inserts the requirement that a lender disclose to a borrower that he or she is permitted to change his or her repayment plan selection at least annually. Also clarifies the time frame for a lender to provide the repayment disclosure to a PLUS borrower whose loan enters immediate deferment.	Federal	August 14, 2008, but no later than disclosures provided on or after July 1, 2010.

1173	Rehabilitation of Defaulted FFELP Loans	<p><b><u>13.7</u></b>                      <b><u>Rehabilitation of Defaulted FFELP Loans</u></b></p> <p>Clarifies that a defaulted Consolidation loan that includes a loan previously rehabilitated on or after August 14, 2008, is eligible for rehabilitation because the Consolidation loan is a new loan. Also states that within 30 days of receiving notification of the rehabilitation from the guarantor, the prior holder of the loan must request that any nationwide consumer reporting agency to which the default status or other equivalent record was reported, remove the default status or other equivalent record from the borrower's credit history.</p>	Federal	For notification time frames: Rehabilitation notifications received by the prior holder on or after July 1, 2010.
1174	Managing Overawards	<p><b><u>8.6</u></b>                              <b><u>Managing Overawards</u></b> <b><u>Appendix G</u></b></p> <p>Clarifies that an overaward occurs when any amount of a student's need-based aid exceeds the student's financial need, or when the amount of the student's estimated financial assistance (EFA), including need-based aid, exceeds the student's cost of attendance (COA). If the school determines that an overaward exists, the school must contact the lender or guarantor to request an adjustment of any remaining loan disbursements. If all disbursements of a loan have been delivered to the student before the overaward occurs, no adjustments are required. However, the school may be required to adjust campus-based aid or other aid under its control to offset the borrower's overaward. A school never adjusts a Pell grant to take into account other forms of aid.</p>	Correction	Retroactive to the implementation of the <i>Common Manual</i> .

Batch 166 transmittal

# COMMON MANUAL - GUARANTOR POLICY PROPOSAL

Date: March 18, 2010

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With no changes	Mar 18

**SUBJECT:** Required Information on the Default Aversion Assistance Request Form

**AFFECTED SECTIONS:** Figure 12-5

**POLICY INFORMATION:** 1168/Batch 166

**EFFECTIVE DATE/TRIGGER EVENT:** Upon approval by the Governing Board.

**BASIS:**  
None.

## CURRENT POLICY:

Figure 12-5, "Information to Be Provided on the Default Aversion Assistance Request Form", includes descriptions of the fields on the form, divided into two categories: fields that must be completed ("Required") and fields that must be completed only if the applicable information is available ("If Available").

## REVISED POLICY:

Figure 12-5 has been revised to include the specific names of the fields on the Default Aversion Assistance Request Form rather than descriptions of those fields.

## REASON FOR CHANGE:

This figure is being revised to identify specific field names rather than field descriptions so the reader can easily distinguish "Required" and "If Available" fields. This figure also aligns with the updated Default Aversion Assistance Request Form released August 12, 2008.

## PROPOSED LANGUAGE - COMMON MANUAL:

Revise Figure 12-5, page 19, as follows:

See attached figure. **Note: The figure has been provided in two versions: one that illustrates the proposed changes denoted by underscoring and strike-outs, and a separate version that illustrates how the figure would appear after the proposed changes.**

## PROPOSED LANGUAGE - COMMON BULLETIN:

### Required Information on the Default Aversion Assistance Request Form

Figure 12-5 has been revised to include the specific names of the fields on the Default Aversion Assistance Request Form rather than descriptions of those fields so that the reader can easily distinguish "Required" and "If Available" fields.

## GUARANTOR COMMENTS:

None.

## IMPLICATIONS:

*Borrower:*

None.

*School:*

None.

*Lender/Servicer:*

A lender may more easily distinguish the "Required" and "If Available" fields.

*Guarantor:*

None.

U.S. Department of Education:  
None.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

Default Aversion and Claims Standardization Subcommittee (DACs)

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

November 9, 2009

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**

March 11, 2010

**PROPOSAL DISTRIBUTED TO:**

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

**Comments Received From:**

AES/PHEAA, ASA, DACs, FAME, Great Lakes, HESC, MGA, NASFAA, NCHELP, NSLP, OGSLP, OSFA, PPSV, SCSLC, SLND, TG, USA Funds, and VSAC.

**Responses to Comments**

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Most of the commenters supported this proposal as written. One commenter 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 felt the Reason for Change statement did not clearly explain why the field descriptions were removed from Figure 12-5. The commenter indicated that the field descriptions were useful to the community.

**Response:**

The Committee understands the commenter's concern. However, DACs made these revisions based on the fact that many in the industry thought the figure would be less confusing if the field descriptions were not used. By using the field names, the figure will match the instructions to the form. The formatting of Figure 12-5 is consistent with other figures in the Manual for National Council of Higher Education Loan Programs (NCHELP) forms. The Manual also directs the user to the instructions which are a part of the Default Aversion Assistance Request Form for the field descriptions.

**Change:**

None.

sa/edited-kk

Information to Be Provided on the Default Aversion Assistance Request Form Figure 12-5

Item-Description-Field Name	Required <sup>1</sup>	If Available <sup>2</sup>
<b>DEFAULT AVERSION INFORMATION</b>		
Type of default aversion assistance requested (i.e., SK = skip assistance request, DF = default aversion assistance request for a borrower delinquent on monthly payments, DQ = default aversion assistance request for a borrower delinquent on payments due less frequently than monthly). <u>Default Aversion Type</u>	•	
Date the default aversion assistance request was generated. <u>Request Date</u>	•	
<b>BORROWER INFORMATION</b>		
Borrower's Social Security number (SSN). <u>Social Security #</u>	•	
Borrower's last name, first name, and middle initial. <u>Name (Last, First MI)</u>	•	
AKA (previous or alternative name used by the borrower).		•
Borrower's last-known complete address. <u>Address and Valid?</u>	•	
Validity of the borrower's address.	• —	
Effective date of the borrower's address. <u>Address Effective Date</u>		•
Borrower's home telephone number, work number, and other number. <u>Home #, Work #, Other #</u>		•
Validity of the borrower's telephone numbers. <u>Home #, Work #, Other #, and Valid?</u>	•	
Name, telephone number, and address of the borrower's place of employment. <u>Employer</u>		•
Name of the last-known eligible school attended by the borrower or attended by the student for a PLUS loan. <u>Last School Attended</u>	•	
<u>Code</u>		•
The out-of-school date. Stafford loans—the date the borrower ended enrollment on at least a half-time basis, before any grace period and the initial conversion of the loan to repayment. PLUS/SLS loans—the date the student or borrower ceased eligibility for an in-school deferment (for immediately deferred loans only). Consolidation loans and PLUS/SLS loans not immediately deferred—the date of the last disbursement. For Consolidation loans, the latest disbursement date on the beginning loan balance should be used if the lender did not establish a new due date when an add-on was accomplished. If the lender did establish a new due date with the add-on loan, the disbursement date for the add-on should be provided. <u>OSD</u>		•
Six or eight-digit code assigned by the Department of the last-known eligible school attended by the borrower.	• —	
<b>REFERENCE INFORMATION</b>		
Address and last name, first name, and middle initial of two references. <u>Name and Address</u>	• <sup>3</sup>	
Validity of the address for each reference. <u>Valid?</u>	•	
Relationship of each reference to the borrower (i.e., E = employer, F = friend, G = guardian, O = other, P = parent, R = relative, S = sibling, M = spouse, or N = not available).		•
Home telephone number and other numbers for each reference. <u>Home #, Other #</u>		•
Validity of the telephone numbers for each reference. <u>Home #, Other, and Valid?</u>	•	
<b>LOAN INFORMATION</b>		

Loan tType for each loan identified on the default aversion assistance request (i.e., SF= subsidized Stafford, including nonsubsidized prior to 10/92; SU = unsubsidized Stafford; PL= Parent PLUS; GB = Grad PLUS; SL = SLS; CL = Consolidation).	•	
Loan ID for each loan identified on the default aversion assistance request (e.g., the loan identifier code, file number, guaranty date, or amount, as indicated by the guarantor).	•	
First disbursement date for each loan identified on the default aversion assistance request, as specified in the lender's records. 1 <sup>st</sup> Disb Dt	•	
Current principal balance (including all insured and uninsured capitalized interest) due on the date of the default aversion assistance request for each loan identified on the default aversion assistance request. \$ Curr Prin Bal	•	
Accrued interest due on the date of the default aversion assistance request for each loan identified on the default aversion assistance request. \$ Accrued Int	•	
Date the loan sold (as applicable). Dt Loan Sold	•	
Date on which the current servicer assumed responsibility for servicing the loan for each loan identified on the default aversion assistance request (as applicable). Dt Servicer Resp	•	
Payment due date of the borrower's first unmet payment. Pmt Due Dt	•	
Payment amount of the borrower's currently scheduled installment. \$ Pmt Amt	•	
Amount of the most recent payment received and the date received. Last Pmt Dt and \$ Last Pmt Amt		•
Total amount delinquent on the date the default aversion assistance request was generated. \$ Amt Delinq	•	
Number of days delinquent on the date the default aversion assistance request was generated. # Days Delinq	•	
Total number of deferment and/or discretionary forbearance months granted to the borrower for each specific deferment or discretionary forbearance identified on the default aversion assistance request. Deferment and Forbearance Information		•
<b>ENDORSER/COMAKER/PLUS STUDENT (E/C/S) INFORMATION</b>		
Loan ID	•	
E/C/S Code, E/C/S Name Full name of the endorser, comaker, or PLUS student and identifying code (i.e., E — endorser, C — comaker, S — PLUS student.	• <sup>3</sup>	
Endorser's, comaker's, or PLUS student's SSN. Social Security #	• <sup>3</sup>	
Endorser's or comaker's last-known complete address. E/C Address	• <sup>3</sup>	
Validity of the endorser's or comaker's address. E/C Address and Valid?	•	
Endorser's or comaker's home telephone number. E/C Home #		•
Validity of the endorser's or comaker's telephone number. E/C Home # and Valid?	•	
PLUS Sstudent's Address last-known complete address.		•
Validity of the PLUS student's address. PLUS Student's Address and Valid?	•	
PLUS Sstudent's Home # home telephone number.		•
Validity of the PLUS student's telephone number. PLUS Student's Home # and Valid?	•	
<b>LENDER/SERVICER INFORMATION</b>		
Lender or servicer name and address. If the account is being serviced, only the servicer name and address must be provided.	•	

<del>Lender's six-digit lender ID assigned by the Department and, as applicable, four-digit non-Department suffix. <u>Lender ID</u></del>	•	
<del>Servicer's six-digit servicer ID assigned by the Department. <u>Servicer ID</u></del>	•	
<del>Lender/Servicer Name, Lender/Servicer Address</del>	•	
<del>Contact and telephone number to whom the borrower should be referred (e.g., Customer Service Department, Collections Department). <u>Borrower Contact and Contact #</u></del>	•	
<del>Telephone number and name of the person or unit responsible for answering questions about information provided on the form. <u>Prepared by and Preparer's #</u></del>	•	

<sup>1</sup> Refers to information the lender must provide on the default aversion assistance request.

<sup>2</sup> Refers to information the lender may or may not have. If the lender has the information, it must be provided on the default aversion assistance request.

<sup>3</sup> Refers to information the lender must provide on the default aversion assistance request for loans first disbursed on or after September 1, 1998. For disbursements prior to September 1, 1998, if the lender has the information, it must be provided on the default aversion assistance request.

**Information to Be Provided on the Default Aversion Assistance Request Form Figure 12-5**

Field Name	Required <sup>1</sup>	If Available <sup>2</sup>
<b>DEFAULT AVERSION INFORMATION</b>		
Default Aversion Type	•	
Request Date	•	
<b>BORROWER INFORMATION</b>		
Social Security #	•	
Name (Last, First, MI)	•	
AKA		•
Address and Valid?	•	
Address Effective Date		•
Home #, Work #, Other #		•
Home #, Work #, Other #, and Valid?	•	
Employer		•
Last School Attended	•	
Code		•
OSD		•
<b>REFERENCE INFORMATION</b>		
Name and Address	• <sup>3</sup>	
Valid?	•	
Relationship		•
Home #, Other #		•
Home #, Other, and Valid?	•	
<b>LOAN INFORMATION</b>		
Loan Type	•	
Loan ID	•	
1 <sup>st</sup> Disb Dt	•	
\$ Curr Prin Bal	•	
\$ Accrued Int	•	
Dt Loan Sold	•	
Dt Servicer Resp	•	
Pmt Due Dt	•	
\$ Pmt Amt	•	
Last Pmt Dt and \$ Last Pmt Amt		•
\$ Amt Delinq	•	
# Days Delinq	•	
Deferment and Forbearance Information		•
<b>ENDORSER/COMAKER/PLUS STUDENT (E/C/S) INFORMATION</b>		
Loan ID	•	
E/C/S Code, E/C/S Name	• <sup>3</sup>	
Social Security #	• <sup>3</sup>	
E/C Address	• <sup>3</sup>	
E/C Address and Valid?	•	
E/C Home #		•
E/C Home # and Valid?	•	



PLUS Student's Address		•
PLUS Student's Address and Valid?	•	
PLUS Student's Home #		•
PLUS Student's Home # and Valid?	•	
<b>LENDER/SERVICER INFORMATION</b>		
Lender ID	•	
Servicer ID	•	
Lender/Servicer Name, Lender/Servicer Address	•	
Borrower Contact and Contact #	•	
Prepared by and Preparer's #	•	

<sup>1</sup> Refers to information the lender must provide on the default aversion assistance request.

<sup>2</sup> Refers to information the lender may or may not have. If the lender has the information, it must be provided on the default aversion assistance request.

<sup>3</sup> Refers to information the lender must provide on the default aversion assistance request for loans first disbursed on or after September 1, 1998. For disbursements prior to September 1, 1998, if the lender has the information, it must be provided on the default aversion assistance request.

# COMMON MANUAL - GUARANTOR POLICY PROPOSAL

Date: March 18, 2010

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With no changes	Mar 18

**SUBJECT:** Required Information on Claim Form

**AFFECTED SECTIONS:** Figure 13-1

**POLICY INFORMATION:** 1169/Batch 166

**EFFECTIVE DATE/TRIGGER EVENT:** Upon approval by the Governing Board.

**BASIS:**  
None.

## CURRENT POLICY:

Figure 13-1, "Information to Be Provided on the Claim Form," includes descriptions of the fields on the form, divided into two categories: fields that must be completed ("Required") and fields that must be completed only if the applicable information is available ("If Available").

## REVISED POLICY:

Figure 13-1 has been revised to include the specific names of the fields on the Claim Form rather than descriptions of those fields. In addition, Figure 13-1 has been updated to include the income-based repayment (IBR) fields now required on the Claim Form.

## REASON FOR CHANGE:

This figure is being revised to identify specific field names rather than field descriptions so the reader can easily distinguish "Required" and "If Available" fields. This figure also aligns with the updated Claim Form released on April 13, 2009.

## PROPOSED LANGUAGE - COMMON MANUAL:

Revise Figure 13-1, page 2, as follows:

See attached figure. **Note: The figure has been provided in two versions: one that illustrates the proposed changes denoted by underscoring and strike-outs, and a separate version that illustrates how the figure would appear after the proposed changes.**

## PROPOSED LANGUAGE - COMMON BULLETIN:

### Required Information on Claim Form

Figure 13-1 has been revised to include the specific names of the fields on the Claim Form rather than descriptions of those fields so the reader can easily distinguish "Required" and "If Available" fields. In addition, Figure 13-1 has been updated to include the income-based repayment (IBR) fields now required on the Claim Form.

**GUARANTOR COMMENTS:**  
None.

## IMPLICATIONS:

*Borrower:*  
None.

*School:*  
None.

*Lender/Servicer:*

A lender or servicer is required to provide information related to income-based repayment on the Claim Form.

*Guarantor:*

A guarantor will receive information related to income-based repayment from the lender or servicer via the Claim Form.

*U.S. Department of Education:*

The Department may require borrowers who have defaulted on their loans that are assigned to the Department to repay those loans under an income-based repayment plan.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

Default Aversion and Claims Standardization Subcommittee (DACs)

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

November 9, 2009

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**

March 11, 2010

**PROPOSAL DISTRIBUTED TO:**

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

**Comments Received From:**

AES/PHEAA, ASA, DACS, FAME, Great Lakes, HESC, MGA, NASFAA, NCHELP, NSLP, OGSLP, OSFA, PPSV, SCSLC, SLND, TG, USA Funds, and VSAC.

**Responses to Comments**

Most of the commenters supported this proposal as written. One commenter 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 a parenthetical description be added to the field name "(Home #, Work #, Other #), Valid?" in Figure 13-1 for clarity.

**Response:**

The Committee disagrees. There are no parenthetical descriptions of data elements currently on the Claim Form or on the instructions for the Claim Form. The additional of parenthetical descriptions would require a change the Claim Form by the DACS subcommittee.

**Change:**

None

**COMMENT:**

One commenter noted that the field name "E-mail Address" was not included in Figure 13-1. The commenter felt this field should be included, as it is one of the field names on the Claim Form.

**Response:**

The Committee agrees.

**Change:**

The field name "E-mail Address" has been added to Figure 13-1.

**COMMENT:**

One commenter suggested a parenthetical description be added to the field names "(E/C/S Address), Valid?" and "(E/C/S Home #) Valid?" in Figure 13-1 for clarity.

**Response:**

The Committee disagrees. There are no parenthetical descriptions of data elements currently on the Claim Form or on the instructions for the Claim Form. The additional of parenthetical descriptions would require a change the Claim Form by the DACS subcommittee.

**Change:**

None

**COMMENT:**

Two commenters suggested that the phrase “conform to changes made to the Claim Form” in the Reason for Change be removed to eliminate a redundancy.

**Response:**

The Committee agrees.

**Change:**

The Reason for Change now reads as follows:

“This figure is being revised to identify specific field name rather than field descriptions so the reader can easily distinguish ‘Required’ and ‘If Available’ fields. This figure also aligns with the updated Claim Form released on April 13, 2009.”

**COMMENT:**

Two commenters requested the claim types Identity Theft (ID) and Ineligible Borrower (IN) be added to footnote #5 in Figure 13-1.

**Response:**

The Committee agrees.

**Change:**

In Figure 13-1, footnote #5 now reads “or for claim types CS, DE, FC, ID or IN”.

**COMMENT:**

One commenter felt the Reason for Change statement did not clearly explain why the field descriptions were removed from Figure 13-1. The commenter indicated that the field descriptions were useful to the community.

**Response:**

The Committee understands the commenter’s concern. However, the DACS subcommittee made these revisions based on the fact that many in the industry thought the figure would be less confusing if the field names were used. By using the field names, the figure will match the instructions to the form. The formatting of Figure 13-1 is consistent with other figures in the Manual for National Council of Higher Education Loan Programs (NCHELP) forms. The Manual also directs the user to the instructions which are a part of the Default Aversion Assistance Request Form for the field descriptions.

**Change:**

None.

**COMMENT:**

One commenter felt that the designation for Permanent Standard \$, 25-Year Forgiveness Date, and IBR Start Date be changed from “Required” to “If Available” as these fields are not available for loans that have not been under the IBR plan.

**Response:**

The Committee understands the commenter’s concern. However, data for the fields identified by the commenter are required for a loan that is or was under the IBR plan. The designations “Required” or “If Available” are standards that were set by the DACS subcommittee for these fields.

**Change:**

None.

sa/edited-kk

Information to Be Provided on the Claim Form

Figure 13-1

Item Description Field Name	Required <sup>1</sup>	If Available <sup>2</sup>
<b><u>CLAIM INFORMATION</u></b>		
<u>Claim Type of claim being submitted</u>	•	
<u>Date condition occurred. DCO</u>	•	
<u>Claim Review Type</u>	•	
<b><u>BORROWER INFORMATION</u></b>		
<u>Borrower's Social Security # number (SSN).</u>	•	
<u>Borrower's last name, first name, and middle initial. Name (Last, First, MI)</u>	•	
<u>AKA (previous or alternate name used by the borrower).</u>		•
<u>Borrower's last known complete a Address. and Valid?</u>	•	
<u>Validity of the borrower's address.</u>	•	
<u>Borrower's h Home #, telephone number, wWork #, number, and eOther #number.</u>		•
<u>Validity of the borrower's telephone numbers. Home #, Work #, Other #, and Valid?</u>	•	
<u>Name, telephone number, and address of the borrower's place of employment. Employer</u>		•
<u>E-mail Address</u>		•
<b><u>LOAN INFORMATION</u></b>		
<u>Loan tType for each loan identified on the Claim Form (i.e., SF= subsidized Stafford, including nonsubsidized prior to 10/92; SU = unsubsidized Stafford; PL= Parent PLUS; GB = Grad PLUS; SL = SLS; CL = Consolidation).</u>	•	
<u>Loan ID for each loan identified on the Claim Form (e.g., the loan identifier code, file number, guarantee date, or amount, as indicated by the guarantor).</u>	•	
<u>1<sup>st</sup> Disb Dt</u>	•	
<u>\$ Current Prin Bal</u>	•	
<u>\$ Unpd Fee/Int</u>	• <sup>4</sup>	
<u>Date the Dt lLoan sSold (as applicable).</u>	•	
<u>Date on which the current servicer assumed responsibility for servicing the loan for each loan identified on the Claim Form (as applicable). Dt Servicer Resp</u>	•	
<u>First disbursement date for each loan identified on the claim request.</u>	•	
<u>Interest rate, interest rate type, and the date loan converted (as required by HEA 1986 or HEA 1992 rebate requirements) for each loan identified. Int Rate/Type/Conv Dt</u>	•	
<u>Current principal balance (including all insured and uninsured capitalized interest) due for each loan identified on the date of the claim request.</u>	•	
<u>Amount of unpaid origination fee and, separately, amount of unpaid capitalized interest.</u>	• <sup>4</sup>	
<u>Amount of cure interest capitalized and unpaid cure interest not capitalized for each loan claimed. \$ Uninsured Interest</u>	•	
<b><u>ENDORSER/COMAKER/PLUS STUDENT (E/C/S) INFORMATION</u></b>		
<u>Loan ID</u>	•	
<u>E/C/S Code, ID #</u>	•	
<u>PLUS student's Social Security number (SSN), and name. E/C/S Name</u>	•	
<u>PLUS Student Social Security #</u>	•	
<u>Endorser's or Comaker's Social Security #</u>	• <sup>3</sup>	
<u>PLUS sStudent's last known complete aAddress.</u>		•
<u>E/C Address</u>	• <sup>3</sup>	
<u>Validity of the PLUS student's address. E/C/S Address and Valid?</u>	•	
<u>PLUS sStudent's hHome telephone number.#</u>		•
<u>E/C Home #</u>	• <sup>3</sup>	
<u>Validity of the PLUS student's home telephone number. E/C/S Home # and Valid?</u>	•	
<u>Full name of the endorser or comaker, the identifying code (i.e., E=endorser, C=comaker), and the numeric identifier.</u>	•	
<u>Endorser's or comaker's SSN.</u>	• <sup>3</sup>	
<u>Endorser's or comaker's last known complete address.</u>	• <sup>3</sup>	
<u>Validity of the endorser's or comaker's address.</u>	•	
<u>Endorser's or comaker's home telephone number.</u>	• <sup>3</sup>	

Validity of the endorser's or comaker's home telephone number.	•	
<b>CONVERSION TO REPAYMENT INFORMATION</b>		
The out-of-school date. Stafford loans—the date the borrower ended enrollment on at least a half-time basis, before any grace period and the initial conversion of the loan to repayment. PLUS/SLS loans—the date the student or borrower ceased eligibility for an in-school deferment (for immediately deferred loans only). Consolidation loans and PLUS/SLS loans not immediately deferred—the date of the last disbursement. For Consolidation loans, the latest disbursement date on the beginning loan balance should be used if the lender did not establish a new due date when an add-on was accomplished. If the lender did establish a new due date with the add-on loan, the disbursement date for the add-on should be provided. <u>OSD</u>	•	
Date the lender was notified of the original out-of-school date. <u>Notification Dt</u>	•	
Note whether the original out-of-school date changed after the account entered repayment. <u>Repayment Change?</u>	•	
Due date of the first monthly payment. <u>1<sup>st</sup> Pmt Due Dt</u>	•	
<b>REPAYMENT INFORMATION</b>		
Total amount of payments made by or on behalf of the borrower. <u>\$ Total Borrower Pmts</u>	•	
For disability claims, total amount of payments made by or on behalf of borrower after the date the borrower became unable to work and earn money. <u>\$ DI Refund</u>	•	
Number of months due date advanced by payments made by or on behalf of the borrower. <u># Mnths Pmts</u>	•	
Number of regular monthly payments deferred or forborne. <u># Mnths Def/Forb</u>	•	
Number of months account was out of guarantee. <u># Mnths Violation</u>	•	
Total number of noncontinuous individual periods of deferment and forbearance. <u># Events</u>	•	
Number of reconversion months. <u># Reconv Mnths</u>	•	
Due date of the first unmet payment of the borrower's delinquency. <u>Pmt Due Dt</u>	•	
<b>REQUESTED CLAIM AMOUNT</b>		
Total original principal value disbursed to the borrower for the loans claimed. <u>Total Amount Disb/Repurchased</u>	•	
Total amount of interest capitalized. <u>Capitalized Int</u>	•	
Total principal repaid on the borrower's account before and after entering repayment. <u>Prin Repaid</u>	•	
Total principal value of the borrower's debt which is used to compute the interest claimed. <u>Prin Used For Int Claimed</u>	•	
Amount of interest capitalized not eligible for claim payment. <u>Cure Int Capitalized</u>	•	
Total principal value of the claim. <u>Prin Claimed</u>	•	
Date through which interest was last paid. <u>Int-Paid-Through Dt</u>	•	
Amount of outstanding insured interest claimed and the date through which it was accrued. <u>Int Claimed As Of</u>	•	
Amount of unpaid cure interest not capitalized. <u>Unpaid Cure Int Not Capitalized</u>	•	
Amount of any other insured costs incurred on the account. <u>Other Charges Claimed</u>	•	
<b>LENDER/SERVICER INFORMATION AND CERTIFICATION</b>		
Lender's six-digit lender ID assigned by the Department and, as applicable, four digit non-Department suffix. <u>Lender ID</u>	•	
Servicer's six-digit servicer ID assigned by the Department. <u>Servicer ID</u>	•	
Claim review status for which the institution currently qualifies (i.e., 1=Exceptional performer status, 2=standard review status, 3=Program review status).	•	
Current servicer's name and address. <u>Lender/Servicer Name</u>	•	
<u>Lender/Servicer Address</u>	•	
Preparer's name and telephone number. <u>Prepared By</u>	•	
<u>Preparer's #</u>	•	
<b>COLLECTION HISTORY (THE 270-DAY PERIOD PRIOR TO DEFAULT DATE)</b>		
Borrower, endorser, and comaker collection activity codes and dates the activities were performed. <u>Collection History</u>	•	
<b>INCOME BASED REPAYMENT</b>		
<u>Loan ID</u>	• 5	
<u>Standard-Standard \$</u>	• 5	

<u>Permanent-Standard \$</u>	<u>●</u> 15	
<u>25-Year Forgiveness Date Begin Dt</u>	<u>●</u> 15	
<u># Qualifying Forgiveness Mnths</u>	<u>●</u> 15	
<u>IBR Start Dt</u>	<u>●</u> 15	
<u># Days HRD Def</u>	<u>●</u> 15	

<sup>1</sup> Refers to information the lender must provide on the Claim Form.

<sup>2</sup> Refers to information that the lender may or may not have. If the lender has the information, it must be provided on the Claim Form.

<sup>3</sup> Refers to information that the lender must provide on the Claim Form for loans first disbursed on or after September 1, 1998. For loans first disbursed prior to September 1, 1998, if the lender has the information, it must be provided on the Claim Form.

<sup>4</sup> Refers to information that the lender is required to provide on the Claim Form for claims filed for loans first disbursed on or after September 1, 2004.

<sup>5</sup> Refers to information that the lender is not required to provide for BC, BH, or DI claims for which no first payment due date has been established; for parent PLUS loans or Consolidation loans that include a parent PLUS loan; or for claim types CS, DE, FC, ID, or IN.

Information to Be Provided on the Claim Form

Figure 13-1

Field Name	Required <sup>1</sup>	If Available <sup>2</sup>
<b>CLAIM INFORMATION</b>		
Claim Type	•	
DCO	•	
Claim Review Type	•	
<b>BORROWER INFORMATION</b>		
Social Security #	•	
Name (Last, First, MI)	•	
AKA		•
Address and Valid?	•	
Home #, Work #, Other #		•
Home #, Work #, Other #, and Valid?	•	
Employer		•
E-mail Address		•
<b>LOAN INFORMATION</b>		
Loan Type	•	
Loan ID	•	
1 <sup>st</sup> Disb Dt	•	
\$ Current Prin Bal	•	
\$ Unpd Fee/Int	• <sup>4</sup>	
Dt Loan Sold	•	
Dt Servicer Resp	•	
Int Rate/Type/Conv Dt	•	
\$ Uninsured Interest	•	
<b>ENDORSER/COMAKER/PLUS STUDENT (E/C/S) INFORMATION</b>		
Loan ID	•	
E/C/S Code, ID #	•	
E/C/S Name	•	
PLUS Student Social Security #	•	
Endorser's or Comaker's Social Security #	• <sup>3</sup>	
PLUS Student's Address		•
E/C Address	• <sup>3</sup>	
E/C/S Address and Valid?	•	
PLUS Student's Home #		•
E/C Home #	• <sup>3</sup>	
E/C/S Home # and Valid?	•	
<b>CONVERSION TO REPAYMENT INFORMATION</b>		
OSD	•	
Notification Dt	•	
Repayment Change?	•	
1 <sup>st</sup> Pmt Due Dt	•	
<b>REPAYMENT INFORMATION</b>		
\$ Total Borrower Pmts	•	
\$ DI Refund	•	
# Mnths Pmts	•	
# Mnths Def/Forb	•	
# Mnths Violation	•	
# Events	•	
# Reconv Mnths	•	
Pmt Due Dt	•	
<b>REQUESTED CLAIM AMOUNT</b>		
Total Amount Disb/Repurchased	•	
Capitalized Int	•	



Prin Repaid	•	
Prin Used For Int Claimed	•	
Cure Int Capitalized	•	
Prin Claimed	•	
Int-Paid-Through Dt	•	
Int Claimed As Of	•	
Unpaid Cure Int Not Capitalized	•	
Other Charges Claimed	•	
<b>LENDER/SERVICER INFORMATION AND CERTIFICATION</b>		
Lender ID	•	
Servicer ID	•	
Lender/Servicer Name	•	
Lender/Servicer Address	•	
Prepared By	•	
Preparer's #	•	
<b>COLLECTION HISTORY (THE 270-DAY PERIOD PRIOR TO DEFAULT DATE)</b>		
Collection History	•	
<b>INCOME BASED REPAYMENT</b>		
Loan ID	•	5
Standard-Standard \$	•	5
Permanent-Standard \$	•	5
25-Year Forgiveness Begin Dt	•	5
# Qualifying Forgiveness Mnths	•	5
IBR Start Dt	•	5
# Days HRD Def	•	5

<sup>1</sup> Refers to information the lender must provide on the Claim Form.

<sup>2</sup> Refers to information that the lender may or may not have. If the lender has the information, it must be provided on the Claim Form.

<sup>3</sup> Refers to information that the lender must provide on the Claim Form for loans first disbursed on or after September 1, 1998. For loans first disbursed prior to September 1, 1998, if the lender has the information, it must be provided on the Claim Form.

<sup>4</sup> Refers to information that the lender is required to provide on the Claim Form for claims filed for loans first disbursed on or after September 1, 2004.

<sup>5</sup> Refers to information that the lender is not required to provide for BC, BH, or DI claims for which no first payment due date has been established; for parent PLUS loans or Consolidation loans that include a parent PLUS loan; or for claim types CS, DE, FC, ID or IN.

# COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: March 18, 2010

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With no changes	Mar 18

**SUBJECT:** Eligible Lender Trustee and School Acting as a Lender Annual Audit Clarification

**AFFECTED SECTIONS:** 3.2 Schools Acting as Lenders and Eligible Lender Trustee Relationships  
3.8.A Annual Compliance Audits

**POLICY INFORMATION:** 1170/Batch 166

**EFFECTIVE DATE/TRIGGER EVENT:** First auditable period for the school as lender or eligible lender trustee that begins on or after August 14, 2008.

**BASIS:**  
§682.305(c)(1)(ii).

**CURRENT POLICY:**  
Current policy does not stipulate that the required annual lender compliance audit must be performed by a qualified independent organization or person.

**REVISED POLICY:**  
Revised policy stipulates that the required audit must be performed by a qualified independent organization or person.

**REASON FOR CHANGE:**  
This change is made to comply with clarifications provided in the Final Rules published in the *Federal Register* dated October 29, 2009, p. 55996.

## PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 3.2, page 2, column 1, paragraph 3, bullet 10, as follows:

### Schools Acting as Lenders

An eligible school may act as a lender under the Federal Stafford Loan Program if it meets all eligibility requirements applicable as of February 2, 2006, and made its first loan under the FFELP on or before April 1, 2006. In addition, in order to continue to participate, the eligible school must meet all of the following criteria:

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

- The school submits to the Department an annual lender compliance audit for each fiscal year in which the school engages in activities as an eligible lender. ~~This requirement applies. The audit must be conducted by a qualified independent organization or person and must be conducted~~ regardless of the size of the school's loan portfolio or annual loan volume. (See Subsection 3.8.A for more information regarding the annual compliance audit.)  
[HEA §435(d)(2)(A)(vii); §682.305(c)(1)(ii); §682.601(a)(7)]

Revise Section 3.2, page 3, column 1, paragraph 2, bullet 3, sub-bullet 4, as follows:

The parties involved in the ELT relationship must meet the following eligibility criteria:

- . . .
- . . .
- An eligible lender acting as a trustee:
  - . . .
  - . . .
  - . . .
  - Must ensure that the ELT loans are included in the annual lender compliance audit. (See Subsection 3.8.A for more information regarding the annual audit requirement.)

Revise Subsection 3.8.A, page 22, column 2, paragraph2, as follows:

### **3.8.A Annual Compliance Audit**

Except as provided below, a lender that makes or holds FFELP loans is subject to a compliance audit at least once a year. The audit must be conducted on a fiscal-year basis by a qualified independent organization or person, in accordance with standards established for the audit of governmental organizations and programs by the U.S. Comptroller General. If the lender serves as an eligible lender trustee (ELT) on behalf of a school or a school-affiliated organization, it must ensure that the loans made under the ELT arrangement are included in the annual audit. The audit must cover the period since the most recent audit.  
[§682.305(c)(1)]

#### **PROPOSED LANGUAGE - COMMON BULLETIN:**

##### **Eligible Lender Trustee and School Acting as a Lender Annual Audit Clarification**

The *Common Manual* has been updated to clarify the requirements in just-published regulations regarding the required annual audits for schools acting as lenders and for eligible lender trustees (ELT). Although the annual audit requirement is already reflected in the Manual, the revisions clarify that this audit, like other annual audits, must be conducted by a qualified independent organization or person. Also, any lender that acts as an ELT must ensure that loans made under the ELT arrangement are included in its annual audit.

#### **GUARANTOR COMMENTS:**

None.

#### **IMPLICATIONS:**

*Borrower:*

None.

*School:*

A school acting as a lender must ensure that its auditor for the annual audit meets the qualifications specified in the new regulatory language.

*Lender/Service:*

A lender that serves as an ELT must ensure that the loans that it makes under that ELT arrangement are included in its annual audit.

*Guarantor:*

The guarantor may be required to amend program review parameters.

*U.S. Department of Education:*

The Department may be required to amend program review parameters.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

November 12, 2009

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**

March 11, 2010

**PROPOSAL DISTRIBUTED TO:**

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

**Comments Received From:**

AES/PHEAA, ASA, DACS, FAME, Great Lakes, HESC, MGA, NASFAA, NCHELP, NSLP, OGSLP, OSFA, PPSV, SCSLC, SLND, TG, USA Funds, and VSAC.

**Responses to Comments**

Most commenters supported this proposal as written. 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 that the policy was published with its drafting number rather than the assigned policy number.

**Response:**

The Committee concurs.

**Change:**

The proposal information has been revised to reflect the correct policy proposal number – 1170.

bg/edited-tmh

# COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: March 18, 2010

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With no changes	Mar 18

**SUBJECT:** Revised SCRA Provisions

**AFFECTED SECTIONS:**

<b>7.4.B</b>	<b>Reduced Stafford Interest Rates</b>
<b>7.5.B</b>	<b>Reduced PLUS Interest Rates</b>
<b>10.9.B</b>	<b>Reduced Interest Rates</b>
<b>15.3.D</b>	<b>Calculating the Interest Rate</b>

**POLICY INFORMATION:** 1171/Batch 166

**EFFECTIVE DATE/TRIGGER EVENT:** Loans for which the lender receives a servicemember's written request for the reduced interest rate that is effective on or after August 14, 2008, for periods of military service occurring on or after that date.

**BASIS:**  
§682.202(a)(8)(e); *Federal Register* dated July 23, 2009, p. 36565.

## CURRENT POLICY:

Current policy does not expressly prohibit a lender from assessing additional charges or fees to a borrower who is subject to the provisions of the Servicemembers Civil Relief Act (SCRA), to compensate the lender for the difference between the otherwise applicable interest rate and the reduced rate that the lender is required to charge. Current policy also does not clarify when a loan is considered to be incurred in the case of a loan made with an endorser's signature or a Consolidation loan.

## REVISED POLICY:

Revised policy prohibits a lender from assessing additional charges or fees to a borrower who is subject to the provisions of the SCRA, to compensate for the difference between the otherwise applicable interest rate and the reduced rate that the lender is permitted to charge. Revised policy states that the endorser is considered to be eligible to request and receive the reduced interest rate if the endorser signed the PLUS MPN Endorser Addendum prior to the start of his or her qualifying military service. Revised policy also clarifies when a loan is considered to be incurred in the case of a loan made with an endorser's signature or a Consolidation loan.

## REASON FOR CHANGE:

This change is made to comply with clarifications provided by the Department in the Preamble to the Notice of Proposed Rulemaking as published in the *Federal Register* dated July 23, 2009, p. 36565.

## PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 7.4.B, page 5, column 2, paragraph 1, as follows:

### 7.4.B Reduced Stafford Interest Rates

Effective August 14, 2008, the Higher Education Act of 1965, as amended, extends certain provisions of the Servicemembers Civil Relief Act (SCRA) to FFELP loans made under the FFELP before an eligible borrower entered qualifying military service. If a Stafford loan borrower qualifies under Section 207 of the SCRA on a loan that was made before the borrower entered qualifying military service, the lender is required to reduce the interest rate on any loan that is accruing interest at a higher rate, so that it does not charge the borrower an interest rate that does not exceeds 6% for the period of the borrower's military service that occurs on or after August 14, 2008. The lower interest rate provision applies to any loan obtained by an eligible servicemember.  
[HEA §428(d); §682.202(a)(8)(e); *Federal Register* dated July 23, 2009, p. 36565; DCL GEN-08-12/FP-08-10]

For purposes of this provision, the maximum interest rate must take into consideration any amount of includes service charges, renewal charges, fees, or any other charges (except for

actual insurance) with respect to the Stafford loan. The borrower must request the reduced interest rate in writing and provide the lender with a copy of initial military orders and any orders that extend his or her military service. The borrower must provide the request and documentation not later than 180 days following the last date of the borrower's military service.

[HEA §428(d); DCL GEN-08-12/FP-08-10]

When the borrower's period of military service ends, the lender is not permitted to assess any additional charge or fee to compensate for the difference between the applicable interest rate and the maximum permissible charges under the SCRA.

[Federal Register dated July 23, 2009, p. 36565]

Also, a lender may choose to charge a borrower an interest rate that is lower than the maximum interest rate permitted . . .

If a lender chooses to charge a lower interest rate, it A-lender must notify the borrower, at the time a lower interest rate is offered, that the lower interest rate ends on the date a default or ineligible borrower claim is purchased by the guarantor. The revocation of the lower interest rate at the point of default does not apply to an interest rate that is reduced as a result of the SCRA. The lender may provide this information . . .

Revise Subsection 7.5.B, page 8, column 1, paragraph 5, as follows:

### **7.5.B Reduced PLUS Interest Rates**

Effective August 14, 2008, the Higher Education Act of 1965, as amended, extends certain provisions of the Servicemembers Civil Relief Act (SCRA) to FFELP loans made under the FFELP before the eligible borrower entered qualifying military service. If a PLUS loan borrower qualifies under Section 207 of the SCRA on a loan that was made before the borrower entered qualifying military service, the lender is required to reduce the interest rate on any loan that is accruing interest at a higher rate, so that it does not charge the borrower an interest rate that does not exceeds 6% for the period of the borrower's military service that occurs on or after August 14, 2008. The lower interest rate provision applies to any loan obtained by an eligible servicemember, including a loan on which the servicemember is a comaker, or for which the servicemember is an endorser. A PLUS loan made with an endorser who is an eligible servicemember is eligible for the lower interest rate if the servicemember signed the PLUS MPN Endorser Addendum before the start date of his or her qualifying military service.

[HEA §428(d); §682.202(a)(8)(e); Federal Register dated July 23, 2009, p. 36565; DCL GEN-08-12/FP-08-10]

For purposes of this provision, the maximum interest rate must take into consideration any amount of includes service charges, renewal charges, fees, or any other charges (except for actual insurance) with respect to the PLUS loan. The 6% rate applies to any PLUS loan on which the servicemember is the only borrower, or on any joint obligation where one borrower or both borrowers of the comade PLUS loan qualify as the servicemember, or any loan on which the servicemember is the endorser. The borrower or eligible endorser must request the reduced lower interest rate in writing and provide the lender with a copy of initial military orders and any orders that extend his or her military service. The borrower-servicemember must provide the request and documentation not later than 180 days following the last date of applicable the borrower's military service. The reduced interest rate may also apply to an endorser if the endorser is an eligible servicemember and the lender is actively collecting the loan from the endorser.

[HEA §428(d); HEA §438(g); DCL GEN-08-12]

When the borrower's, comaker's, or endorser's period of military service ends, the lender is not permitted to assess any additional charge or fee on the loan to compensate for the difference between the applicable interest rate and the maximum permissible charges under the SCRA.

[Federal Register dated July 23, 2009, p. 36565]

Also, a lender may choose to charge a borrower an interest rate that is lower than the maximum interest rate permitted . . .

If a lender chooses to charge a lower interest rate, it ~~A lender~~ must notify the borrower, at the time a lower interest rate is offered, that the lower interest rate ends on the date a default or ineligible borrower claim is purchased by the guarantor. The revocation of the lower interest rate at the point of default does not apply to an interest rate that is reduced as a result of the SCRA. The lender may provide this information in . . .

Revise Subsection 10.9.B, page 19, column 1, paragraph 5, as follows:

#### **10.9.B Reduced Interest Rates**

If the borrower qualifies under Section 207 of the Servicemembers Civil Relief Act (SCRA) and requests an interest rate reduction in writing, the lender is required to reduce the interest rate on any loan that is accruing interest at a higher rate, so that it does not charge the borrower an interest rate that does not exceeds 6% for the period of the borrower's military service that occurs on or after August 14, 2008. For purposes of this provision, interest includes service charges, renewal charges, fees, or any other charges (except for actual insurance) with respect to the loan. A borrower may qualify for the 6% rate if all of the following criteria are met:

- The borrower has an outstanding Stafford, PLUS, or Consolidation loan that was made prior to the date that the servicemember entered active duty military service.
- The borrower is the only borrower, a comaker on the loan, or an endorser on an outstanding PLUS loan.
- The borrower, comaker, or endorser requests the reduced interest rate in writing and provides to the lender a copy of his or her initial military orders and any orders that extend military service.
- The borrower provides the written request and documentation not later than 180 days following the last date of the borrower's qualifying military service.

~~The reduced lower interest rate applies to an endorser if the endorser is an eligible servicemember who signed the PLUS MPN Endorser Addendum before the start date of his or her qualifying military service, and the lender is actively collecting the loan from the endorser.~~

[HEA §428(d); DCL GEN-08-12/FP-08-10]

When the borrower's, comaker's or endorser's period of military service ends, the lender is not permitted to assess any additional charge or fee on the loan to compensate for the difference between the applicable interest rate and the maximum permissible charges under the SCRA.

[Federal Register dated July 23, 2009, p. 36565]

Also, a lender may choose to charge a borrower an interest rate that is lower than the maximum interest rate permitted by statute (statutory rate). If the lender charges a lower rate, the lender must ensure that reports to the Department (such as the Lender's Interest and Special Allowance Request and Report [LaRS report]) are adjusted appropriately. (See Subsection 7.4.B regarding lender disclosure requirements when offering lower interest rates.) If a lender chooses to charge a lesser interest rate, it ~~The lender~~ must notify the borrower, at the time the lower interest rate is offered, that the lower interest rate ends on the date the loan is purchased by the guarantor as a default or ineligible borrower claim. The revocation of the lower interest rate at the point of default does not apply to an interest rate that is reduced as a result of the SCRA. The loan will revert to the applicable statutory rate as of the date the defaulted loan or ineligible borrower claim is purchased.

Revise Subsection 15.3.D, page 10, column 1, paragraph 3, as follows:

. . .

If a Consolidation loan borrower ~~qualifies is covered~~ under Section 207 of the Servicemembers Civil Relief Act (SCRA) and requests a lower interest rate in writing, the lender is required to reduce the interest rate on any loan that is accruing interest at a higher rate so that it does not charge the borrower an interest rate that does not exceeds 6% for the period of the borrower's military service occurring on or after August 14, 2008. The borrower must provide the lender with a copy of initial military orders and any orders that extend his or her military service not later than 180 days following the last date of the applicable period of military service. The Consolidation loan must have been made before the eligible borrower entered qualifying military service. The loan is considered "made" for this purpose on the date that the Consolidation loan itself was disbursed, and not the dates on which the underlying loans were disbursed.  
[HEA §428(d); DCL GEN-08-12/FP-08-10; *Federal Register* dated July 23, 2009, p. 36565]

When the borrower's or comaker's period of military service ends, the lender is not permitted to assess any additional charge or fee to compensate for the difference between the applicable interest rate and the maximum permissible charges under the SCRA.  
[*Federal Register* dated July 23, 2009, p. 36565]

For purposes of this provision, the maximum interest rate must take into consideration any amount of ~~includes~~ service charges, renewal charges, fees, or any other charges (except for actual insurance) with respect to the Consolidation loan. The 6%-rate is applicable ~~effective August 14, 2008,~~ to any Consolidation loan on which the servicemember is the only borrower or on any joint obligation where one borrower or ~~both each of the~~ borrowers on a comade (spousal) Consolidation loan ~~qualifies as the an eligible~~ servicemember. The borrower must request . . .

Also, a lender may choose to charge a borrower an interest rate that is lower than the maximum interest rate permitted by statute (the statutory rate). If the lender charges the lower rate, the lender must ensure that reports issued to the Department (such as the Lender's Interest and Special Allowance Request and Report [LaRS report]) are adjusted. See Appendix A for more information on LaRS reporting.  
[§682.202(a)(5)]

If a lender chooses to charge a lower interest rate, it A lender must notify the borrower, at the time a lower interest rate is offered, that the lower-rate interest ends on the date a default or ineligible borrower claim is purchased by the guarantor. The revocation of the lower interest rate at the point of default does not apply to an interest rate that is reduced as a result of the SCRA. The lender may provide this information . . .

#### **PROPOSED LANGUAGE - COMMON BULLETIN: Revised SCRA Provisions**

The *Common Manual* has been revised to provide several clarifications regarding the applicability of provisions of the Servicemembers Civil Relief Act (SCRA) to loans in the FFELP. The following changes and clarifications have been made:

- When the borrower's, comaker's, or endorser's period of qualifying military service ends, the lender is not permitted to assess fees or charges on the loan to compensate for the difference between the otherwise applicable interest rate and the lower rate that the lender is permitted to charge.
- An endorser on a loan is considered to be eligible to request and receive the lower interest rate if the endorser signed the PLUS MPN Endorser Addendum prior to the start of his or her qualifying military service.
- A Consolidation loan is considered to be "made" for purposes of obtaining the lower interest rate on the date that the Consolidation loan itself was disbursed and not on the dates that the loans that comprise that Consolidation loan were disbursed. The servicemember may receive the lower interest rate on any Consolidation loan if that Consolidation loan was disbursed prior to his or her first day of qualifying military service.

In addition, common policy has been revised to clarify that while a lender must inform a borrower for whom it has reduced an interest rate solely at the lender's discretion that the rate will increase to the applicable maximum interest rate if the loan should default, that revocation does not apply to an interest rate that was



reduced as a result of the SCRA.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

A borrower will receive more consistent benefits with respect to access to the lower interest rate and will not be charged fees to compensate the lender for the lower interest rate.

*School:*

A school that provides information regarding the SCRA interest rates may need to update its materials.

*Lender/Servicer:*

A lender may need to update policies and procedures and any published materials related to SCRA interest rate provisions.

*Guarantor:*

The guarantor may need to amend its policies and procedures with respect to granting the lower interest rates, and may need to amend its program review procedures.

*U.S. Department of Education:*

The Department may need to amend its policies and procedures with respect to loans that it administers, and to amend its program review procedures.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

November 10, 2009

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**

March 11, 2010

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

CM Governing Board Representatives

**Comments Received From:**

AES/PHEAA, ASA, DACS, FAME, Great Lakes, HESC, MGA, NASFAA, NCHELP, NSLP, OGSLP, OSFA, PPSV, SCSLC, SLND, TG, USA Funds, and VSAC.

**Responses to Comments**

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Most commenters supported this proposal as written. Some commenters provided wordsmithing and grammatical suggestions that were incorporated without a response. In instances where two or more commenters provided suggested editorial or grammatical suggestions for the same text, the Committee attempted to choose the most efficient text or to blend the suggestions into the best possible descriptive language. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

**COMMENT:**

Four commenters suggested removing text that explains the applicability of the SCRA provisions to comakers from the text addressing Stafford loans. Some commenters note that Stafford loans are not comade and the added text does not enhance the explanation of the provision. Other commenters suggested adding to the text that further explains the applicability of the SCRA provisions to comade loans, including student and parent PLUS loans. Two commenters suggested similar revisions to remove references to Consolidation loans from provisions related to PLUS loans.

**Response:**

The Committee concurs with the commenter who suggested simplifying the Stafford loan text by removing references to comade Consolidation loans and comakers, and similarly simplifying the PLUS loan text. While in the past, some GSL loans – now serviced as Stafford loans – were made using endorsers or cosigners, or with comakers, the Committee believes that those loans were made sufficiently in the past that it is unlikely that the current SCRA provisions would apply to sufficient numbers as to create a need for common policy.

**Change:**

Subsection 7.4.B is revised by removing references to comade loans and comakers.

**COMMENT:**

One commenter suggested a revision to the triggering event, changing “ending” to “occurring” as they believe it will more accurately describe the applicability of the provision.

**Response:**

The Committee concurs.

**Change:**

The word “ending” is changed to “occurring.”

**COMMENT:**

One commenter requested a change from the term “applicable interest rate” to “statutory interest rate.” The commenter believes it would add clarity to the text.

**Response:**

The *Common Manual* consistently uses the term “applicable interest rate” to refer to the maximum interest rates established in statute (54 instances of the use of this term). The term itself is defined in the Manual’s glossary. The use of the word “applicable” is consistent with the usage of that term in the Department’s communications regarding the applicability of statutory maximum rates and with the manner in which they compare and contrast maximum “applicable” rates with the “actual” rates that lenders may charge, which may be reduced interest rates. However, the term “statutory” alone implies that the rate is established firmly in statute, and that is not the case. The rates in statute apply only as a maximum and a lender may choose to charge the borrower any lesser rate.

**Change:**

None.

**COMMENT:**

Three commenters suggested language to further clarify that the revocation of the lower interest rate that applies to an interest rate reduction applied at the discretion of the lender does not apply to loans on which the interest rate is reduced based on the SCRA.

**Response:**

The Committee appreciates this suggested, additional clarifying language.

**Change:**

Each instance – Stafford, PLUS, and Consolidation loan interest rates – explaining the policy whereby the reduced interest rate is revoked as of the date of the borrower’s default is amended to include a sentence explaining that the revocation does not apply to loans on which the interest rate is reduced due to the SCRA.

**COMMENT:**

Two commenters suggested inserting the term “comaker” into Subsection 7.5.B, paragraph 3 and Subsection 10.9.B, paragraph 3. The commenter also suggested language to clarify that the lender may not assess a charge on the loan regardless of which entity qualified for the reduced interest rate.

**Response:**

The Committee concurs.

**Change:**

While the Committee merged the commenter’s suggestions with other wording, the first sentences of those

paragraphs are revised to include each entity: borrower, comaker, and endorser; and to clarify that the lender may not assess any additional fee on the loan.

**COMMENT:**

Two commenters suggested revisions to the text explaining what is defined as interest charges under the SCRA.

**Response:**

While changes to existing text were not part of the scope of this proposal, the Committee appreciates the additional clarifying text.

**Change:**

The paragraphs that begin with the words "For purposes of this provision..." have been amended to further clarify that the maximum interest rate under SCRA includes various sums not typically defined in the FFELP as "interest."

**COMMENT:**

One commenter suggested the insertion of the modifiers "active duty" in paragraphs under both Subsections 7.4.B and 7.5.B, as the SCRA rate applies only when the borrower is on active duty military service.

**Response:**

The Committee concurs that the provisions are limited to the period of the borrowers, comaker's, or endorser's active duty service, but the text into which the suggestion would insert these modifiers already stipulates that the borrower qualifies "...under Section 207 of the SCRA." As such, the lender has already made the determination relative to active duty service and additional reiterations of that qualifier are unnecessary.

**Change:**

None.

bg/edited-tmh

# COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: March 18, 2010

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With no changes	Mar 18

**SUBJECT:** Repayment Disclosure Changes

**AFFECTED SECTIONS:** 10.7 Disclosing Repayment Terms  
10.7.A Time Frame for Disclosure

**POLICY INFORMATION:** 1172/Batch 166

**EFFECTIVE DATE/TRIGGER EVENT:** August 14, 2008, but no later than disclosures provided on or after July 1, 2010.

## **BASIS:**

§682.205(c)(2)(xii); Final Rules published in the *Federal Register* dated October 29, 2009, p. 55992; Preamble to the Notice of Proposed Rulemaking published in the *Federal Register* dated July 23, 2009, p. 36571.

## **CURRENT POLICY:**

Current policy does not include the requirement that a lender disclose to a borrower that he or she is permitted to select another repayment plan at least annually. Current policy also does not clarify the time frame for a lender to provide the repayment disclosure to a PLUS borrower whose loan enters immediate deferment.

## **REVISED POLICY:**

Revised policy inserts the requirement that a lender disclose to a borrower that he or she is permitted to change his or her repayment plan selection at least annually. Revised policy also clarifies the time frame within which a lender must provide the repayment disclosure to a PLUS borrower whose loan enters immediate deferment.

## **REASON FOR CHANGE:**

This change is made to comply with clarifications provided by the Department in the Preamble to the Notice of Proposed Rulemaking published in the *Federal Register* dated July 23, 2009, and in the Final Rules published in the *Federal Register* dated October 29, 2009.

## **PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Section 10.7, page 13, column 1, paragraph 4, bullet 7, as follows:

### **Repayment Disclosure Formats**

Most guarantors provide . . . This format must include, at a minimum, the following elements:

- . . .
- . . .
- . . .
- . . .
- . . .
- . . .
- 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 at least annually during the repayment period. Details regarding the various repayment schedules are outlined in Section 10.8.

Revise Subsection 10.7.A, page 15, column 1, paragraph 1, as follows:

## PLUS Loans

The lender must notify a PLUS loan borrower of repayment terms no less than 30 days, and no more than 150 days, before the first payment due date. Since the PLUS loan enters repayment when fully disbursed, the 30- and 150-day time frames are based on the repayment start date, regardless of any deferment that might otherwise postpone the first payment due date. See Section 10.7 for repayment disclosure requirements. [\$682.205(c)(1); Preamble to the Notice of Proposed Rulemaking, *Federal Register* dated July 23, 2009, p. 36571]

### PROPOSED LANGUAGE - COMMON BULLETIN:

#### Repayment Disclosure Changes

The *Common Manual* has been revised to include the requirement that the lender disclose to the borrower that he or she is permitted to change his or her repayment plan selection at least annually.

Previously published policy stated that a lender must provide the repayment disclosure for a PLUS loan no less than 30 days, and no more than 150 days, before the date that the first payment that would be due after the loan is considered to have entered repayment. The Department provided guidance regarding repayment disclosures for PLUS borrowers whose loans enter deferment immediately, stating that since a PLUS loan enters repayment when fully disbursed, the 30- and 150-day time frames are based on the repayment start date, i.e., when the loan is considered to be fully disbursed, regardless of any deferment that might otherwise postpone the first payment due date.

### GUARANTOR COMMENTS:

None.

### IMPLICATIONS:

#### *Borrower:*

A borrower will receive repayment information earlier than when a lender provides the disclosure based on the deferment end date.

#### *School:*

None.

#### *Lender/Servicer:*

A lender may need to amend its loan disclosure information and the timing with which it provides those disclosures.

#### *Guarantor:*

The guarantor may be required to amend program review parameters.

#### *U.S. Department of Education:*

The Department may be required to amend program review parameters.

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### To be completed by the Policy Committee

#### POLICY CHANGE PROPOSED BY:

CM Policy Committee

#### DATE SUBMITTED TO CM POLICY COMMITTEE:

November 12, 2009

#### DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

March 18, 2010

#### PROPOSAL DISTRIBUTED TO:

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

**Comments Received From:**

AES/PHEAA, ASA, DACS, FAME, Great Lakes, HESC, MGA, NASFAA, NCHELP, NSLP, OGSLP, OSFA, PPSV, SCSLC, SLND, TG, USA Funds, and VSAC.

**Responses to Comments**

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Most commenters supported this proposal as written. Some commenters provided minor wordsmithing and grammatical suggestions that were considered without a response. 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 the use of the “repayment start date” to more succinctly describe the date on which a PLUS Loan enters repayment for the first time.

**Response:**

The Committee concurs.

**Change:**

The language has been revised to read as follows:

“...enters repayment when fully disbursed, the 30-and 150-day time frames are based on the repayment start date.”

**COMMENT:**

One commenter noted that the Department never described a precise initial triggering event for the effective date and suggested that common policy not attempt to prescribe such an event.

**Response:**

The Committee used the trigger event initially described on NCHELP’s HEOA matrix, to ensure that the provisions relate to the smallest possible population of loans and to give lenders the longest possible period in which to implement the provisions, while creating a consistent audit trail. Also, the proposed trigger is consistent with the provisions that originally implemented the disclosure requirement into the Manual, Policy 1097 in Batch 157. However, as we note that NCHELP’s matrix has been revised, the Committee believes that updating the triggering event is appropriate.

**Change:**

The Committee has removed the initiating event from the published effective date/triggering event.

**COMMENT:**

Two commenters suggested adding into the basis and one suggested a revision to a cite reference in the policy text to include the final rules published October 29, 2009. One of the commenters believes that the *Federal Register* date from July, referring to the NPRM and its preamble is incorrect.

**Response:**

The Committee purposefully included the preamble reference because the preamble discussion related to this provision explicitly provides policy clarification and discussion on which aspects of these revisions are based. Cite references to the Final Rules, however, are not as a rule included in the manual unless the Department provides some substantive clarifications in the preamble text.

**Change:**

The reference to the *Federal Register* that included the final rules is added to the Basis.

bg/edited-tmh

# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: March 18, 2010

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With no changes	Mar 18

**SUBJECT:** Rehabilitation of Defaulted FFELP Loans

**AFFECTED SECTIONS:** 13.7 Rehabilitation of Defaulted FFELP Loans

**POLICY INFORMATION:** 1173/Batch 166

**EFFECTIVE DATE/TRIGGER EVENT:** For Consolidation loan clarification: None.

For notification time frames: Rehabilitation notifications received by the prior holder on or after July 1, 2010.

**BASIS:**

§682.405(b)(3)(ii); *Federal Register* dated October 29, 2009, pp. 55979 and 56000.

**CURRENT POLICY:**

Current policy states that 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.

Current policy states that upon purchase of a loan by an eligible lender, the guarantor or any other holder of the loan that previously reported it as 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.

**REVISED POLICY:**

Revised policy clarifies that a defaulted Consolidation loan that includes a loan previously rehabilitated on or after August 14, 2008, is eligible for rehabilitation because the Consolidation loan is a new loan.

Revised policy states that within 30 days of receiving notification of the rehabilitation from the guarantor, the prior holder of the loan must request that any consumer reporting agency to which the default status or other equivalent record was reported, remove the default status or other equivalent record from the borrower's credit history.

**REASON FOR CHANGE:**

This change aligns the Manual's text with final rules published in the *Federal Register* dated October 29, 2009, pp. 55979 and 56000.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Section 13.7, page 15, 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 a judgment has been obtained or 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. 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. A

defaulted Consolidation loan that includes a loan previously rehabilitated on or after August 14, 2008, is eligible for rehabilitation.  
[HEA § 428F9a)(5); §682.405(a)(1); *Federal Register* dated October 29, 2009, p. 55979; DCL GEN-08-12/FP-08-10]

Revise Section 13.7, page 16, 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 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. Within 30 days of receiving notification of the rehabilitation from the guarantor, the prior holder of the loan must request that any consumer reporting agency to which the default status or other equivalent record was reported, remove the default status or other equivalent record from the borrower's credit history.~~

[HEA §428F(a)(1)(A); §682.405(a); §682.405(b)(3)(ii); 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.

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Loan Rehabilitation – Prior Holder Reporting Requirements**

The *Common Manual* has been revised to clarify that a defaulted Consolidation loan that includes a loan previously rehabilitated on or after August 14, 2008, is eligible for rehabilitation.

Revised policy also states that within 30 days of receiving notification of the rehabilitation from the guarantor, the prior holder of the loan must request that any consumer reporting agency to which the default status or other equivalent record was reported, remove the default status or other equivalent record from the borrower's credit history.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

A borrower is assured that his or her credit history will be updated in a timely manner after the borrower's loan is rehabilitated.

*School:*

None.

*Lender/Service:*

A lender may need to update its processes and procedures to meet the new 30-day time frame.

*Guarantor:*

The guarantor may need to amend its program review procedures to include the time frame within which the lender must ensure the updates are reported to the consumer reporting agency.

*U.S. Department of Education:*

The Department may need to amend its program review procedures to include the time frame within which the lender must ensure the updates are reported to the consumer reporting agency.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

October 26, 2009



**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**

March 11, 2010

**PROPOSAL DISTRIBUTED TO:**

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

**Comments Received From:**

AES/PHEAA, ASA, DACS, FAME, Great Lakes, HESC, MGA, NASFAA, NCHELP, NSLP, OGSLP, OSFA, PPSV, SCSLC, SLND, TG, USA Funds, and VSAC.

**Responses to Comments**

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Most commenters supported this proposal as written. 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 changing “default claim payment” to “default status” in the Basis, Proposed Language, and Bulletin Language.

**Response:**

The Committee agrees.

**Change:**

The change as suggested by the commenter has been made in the Revised Policy statement, Proposed Language, and Bulletin Language.

ma/edited-chh/kk

# COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: March 18, 2010

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	With no changes	Mar 18

**SUBJECT:** Managing Overawards

**AFFECTED SECTIONS:** 8.6 Managing Overawards  
Appendix G

**POLICY INFORMATION:** 1174/Batch 166

**EFFECTIVE DATE/TRIGGER EVENT:** Retroactive to implementation of the *Common Manual*.

**BASIS:**  
1995-1996 FSA Handbook, Chapter 2, pp. 39-56.

**CURRENT POLICY:**  
Current policy states an overaward occurs when a student's total estimated financial assistance (excluding Pell grants) exceeds the student's financial need.

**REVISED POLICY:**  
Revised policy reorganizes and expands on information pertaining to when an overaward occurs. The policy distinguishes between different overaward situations and incorporates those situations into the definition of "overaward." An overaward occurs when any amount of a student's need-based aid exceeds his or her need, or when the student's total estimated financial assistance (EFA) exceeds his or her cost of attendance (COA).

**REASON FOR CHANGE:**  
These changes are necessary to clarify the school's responsibility when an overaward occurs.

## PROPOSED LANGUAGE - *COMMON MANUAL*:

Revise Section 8.6, page 6, column 2, paragraph 2, as follows:

### 8.6 Managing Overawards

An overaward occurs when a student receives need-based aid in excess of his or her financial need or when a student's estimated financial assistance (EFA) exceeds his or her cost of attendance (COA). This often happens when a student's expected family contribution (EFC) increases, or a student receives additional financial assistance after the initial awarding process which may include such as financial assistance other than non-Title IV funds (e.g., a scholarship or an alternative loan), or the student's expected family contribution (EFC) increases, which. Either of these situations may result in a reduction of the student's borrower's eligibility for any previously certified Stafford or Grad PLUS loan. Up to \$300 of Federal Work-Study earnings are excluded from the determination of an overaward. If a school determines that an overaward of loan funds occurs, it must contact the lender or guarantor promptly to request an adjustment to the amount of any remaining loan disbursement. If the school has delivered all loan disbursements to the student before the overaward occurs, the school is not required to adjust the disbursement(s). If the student has been awarded a FFELP or Direct loan and Federal Work-Study, a \$300 tolerance can be applied to reduce the overaward. Also note that to resolve an overaward, the school may be required to adjust campus-based or other aid under its control. However, a school never adjusts a Pell grant to take into account other forms of aid.  
[§682.604(h); 09-10 FSA Handbook, Volume 5, Chapter 1, p. 5-3]

...

~~If a school determines that an overaward exists, it must contact the lender or guarantor promptly to request an adjustment to the amount of each remaining disbursement. If all disbursements of the loan have been delivered to the student before the overaward occurs,~~

~~no adjustment is required under current federal regulations. However, the school may adjust campus-based aid, as appropriate, to offset the student's receipt of Title IV funds.~~  
~~§682.604(h)~~

Revise Appendix G, page 16, column 2, paragraph 6, as follows:

**Overaward:** The Any amount of a student's total estimated financial assistance (excluding Pell grants) need-based aid that exceeds the student's financial need, or the amount of the student's estimated financial assistance (EFA), including any need-based aid, that exceeds the student's COA. See Section 8.6.

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Managing Overawards**

The *Common Manual* has been updated to reorganize and expand on how an overaward is identified and resolved. The new information on overawards expands on how a school resolves an overaward caused by different types of aid.

The *Common Manual's* definition of an overaward has also been updated to distinguish that an overaward occurs when the amount of a student's need-based aid exceeds his or her need, or when the student's estimated financial assistance (EFA) exceeds his or her cost of attendance (COA).

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

None.

*School:*

None.

*Lender/Service:*

None.

*Guarantor:*

None.

*U.S. Department of Education:*

None.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

TG

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

February 28, 2007

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**

March 11, 2010

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

CM Governing Board Representatives

**Comments Received From:**

AES/PHEAA, ASA, DACS, FAME, Great Lakes, HESC, MGA, NASFAA, NCHELP, NSLP, OGSLP, OSFA, PPSV, SCSLC, SLND, TG, USA Funds, and VSAC.

**Responses to Comments**

Most commenters supported this proposal as written. Some commenters provided minor wordsmithing and grammatical suggestions that were considered without a response. 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 ways of reinstating some of the language about how an overaward often occurs in order to improve the clarity of the policy.

**Response:**

The Committee concurs.

**Change:**

Revise Section 8.6, page 6, column 2, paragraph 2, sentence 2, as follows:

This often happens when a student's expected family contribution (EFC) increases, or a student receives additional financial assistance after the initial awarding process, such as financial assistance other than Title IV funds (e.g., a scholarship or an alternative loan) or the student's expected family contribution (EFC) increases.

**COMMENT:**

Three commenters suggested rearranging and clarifying the information about an overaward tolerance for borrowers awarded FWS and loans. The commenters also requested that a clarification be added to show how an overaward is resolved when a Pell grant is awarded.

**Response:**

The Committee concurs.

**Change:**

Revise Section 8.6, page 6, column 2, paragraph 2, sentence 3 as follows:

Either of these occurrences may result in a reduction of the student's eligibility for any previously certified Stafford or Grad PLUS loan. Up to \$300 of Federal Work Study earnings are excluded from the determination of an overaward. If a school determines that an overaward of loan funds occurs exists, it must contact the lender or guarantor promptly to request an adjustment to the amount of any each remaining loan disbursement. If the school has delivered all loan disbursements to the student before the overaward occurs, the school no adjustment to the loan amount(s) is not required to adjust the disbursements. If the student has been awarded a FFEL or Direct loan and Federal Work Study, a \$300 tolerance can be applied to reduce the overaward. However, the school may need to adjust campus-based aid, as appropriate, to offset the student's receipt of excess Title IV funds. Also note that to resolve an overaward, the school may be required to adjust campus-based or other aid under its control. However, a school never adjusts a Pell grant to take into account other forms of aid.

**COMMENT:**

One commenter suggested clarifying the portion of the definition of "overaward" that concerns when EFA exceeds COA.

**Response:**

The Committee concurs.

**Change:**

Revise Appendix G, page 16, column 2, paragraph 6, as follows:

**Overaward:** The Any amount of a student's need-based aid that exceeds the student's financial need, or the amount of the student's estimated financial assistance when the total (EFA), including any need-based aid, exceeds the student's COA. A Pell Grant may exceed the student's need and/or COA without creating an overaward. See Section 8.6.

**COMMENT:**

One commenter requested that parent PLUS loans be included in the list of loans that may have to be reduced to resolve an overaward.

**Response:**

The Committee thanks the commenter but disagrees with the change. Although §682.604(h)(1) refers to PLUS loans in general, the preamble to the final rules published November 1, 2006 in *Federal Register* Vol. 71, No. 211, p. 64391 clarifies that a school is responsible for reducing only student PLUS loans to resolve overawards. In 2007, the industry submitted a request for a technical correction to this regulation and is still awaiting the Department's response. On February 4, 2010, the industry submitted the same technical correction to the Advisory Committee on Student Financial Assistance (ACSFA) and §682.604 has been put on the ACSFA's list of burdensome regulations. Each of these initiatives and the analysis that supports them lead the Committee to believe that the overaward provisions do not apply to parent PLUS loans.

**Change:**

None.

bmf/edited-rrl