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<td>Federal</td>
<td>None. These provisions were implemented and enforced by the Department.</td>
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**COMMON MANUAL - FEDERAL POLICY PROPOSAL**

**Date:** April 21, 2011

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<td>FINAL</td>
<td>Consider at GB meeting</td>
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<td>APPROVED with no changes</td>
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**SUBJECT:** School Misrepresentation

**AFFECTED SECTIONS:** 4.1.E School Code of Conduct

**POLICY INFORMATION:** 1236/Batch 176

**EFFECTIVE DATE/TRIGGER EVENT:** Information provided by a school on or after July 1, 2011.

**BASIS:**
§668.71; Federal Register dated October 29, 2010, pp. 66958-66959.

**CURRENT POLICY:**
The Common Manual does not currently have any policies that specifically address misrepresentation by a school.

**REVISED POLICY:**
Revised policy incorporates new language that prohibits schools from making false, erroneous, or misleading statements to current, prospective, or graduating students.

**REASON FOR CHANGE:**
This proposal incorporates guidance in the final regulations regarding misrepresentation by a school.

**PROPOSED LANGUAGE - COMMON MANUAL:**
Revise Section 4.1.E, page 13, column 1, paragraph 3, by renumbering it as Subsection 4.1.F, and creating a new Subsection 4.1.E, as follows:

**4.1.E School Misrepresentation**

Misrepresentation is defined as any false, erroneous, or misleading statement by an eligible school; one of its representatives; or any ineligible school, organization, or person with whom the eligible school has an agreement to provide educational programs; or marketing, advertising, recruiting, or admissions services, made directly or indirectly to a student, a prospective student, any member of the public, an accrediting agency, a state agency, or the Department. A misleading statement is any communication made in writing, visually, orally, or through another means that has the capacity, likelihood, or tendency to deceive or confuse.

“Substantial misrepresentation” is defined as any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person’s detriment. If the Department determines that an eligible school has engaged in substantial misrepresentation, the Department may:

- Revoke the school’s Title IV program participation agreement;
- Impose limitations on the school’s participation in the Title IV programs;
- Deny a participation application made on behalf of a school; and
- Initiate an LS&T action against the school under §668, Subpart G. [§668.71]

For detailed information on specific activities that constitute substantial misrepresentation, see §668.72, §668.73, §668.74, and §668.75.

**4.1.EF School Code of Conduct**
PROPOSED LANGUAGE - COMMON BULLETIN:
School Misrepresentation

The Common Manual has been updated to include the Department’s definition of misrepresentation and substantial misrepresentation and the actions the Department may take if it determines a school or one of its representatives has engaged in such activities.

GUARANTOR COMMENTS:
None.

IMPLICATIONS:
Borrower:
A borrower will receive consistent viable information from a school regarding a variety of topics.

School:
A school may not make false, erroneous, or misleading statements to prospective, currently enrolled, or graduating students.

Lender/Servicer:
None.

Guarantor:
None.

U.S. Department of Education:
The Department may need 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 30, 2010

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:
April 14, 2011

PROPOSAL DISTRIBUTED TO:
CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others
CM Governing Board

Comments Received from:
AES/PHEAA, ASA, Great Lakes, HESC(NY), MGA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLND, SLSA, TG, TSAC, USA Funds, 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:
Several commenters felt that it is important to include the definition of “substantial misrepresentation” and to add detail to the sub-bullets for clarity.

Response:
The Committee agrees.
Change:
Text has been added to the proposed language to reflect the suggestions made by the commenters.

COMMENT:
One commenter requested that the Committee add to the Federal Register reference in the Basis, “Vol. 75, No. 209.”

Response:
The Committee’s historical convention for Federal Register citations in the Basis does not include the Volume and Federal Register number that the commenter requested.

Change:
None.

COMMENT:
Two commenters felt that most schools do not intentionally misrepresent information to students and the commenters suggested a change to the trigger event to read:

Information provided by a school on or after July 1, 2011.

Response:
The Committee agrees.

Change:
The suggested text was used to revise the effective date/trigger event.
SUBJECT: Foreign School Audited Financial Statements

AFFECTED SECTIONS: 4.3.A General School Financial Responsibility Requirements
                      4.8 Independent Audits

POLICY INFORMATION: 1237/Batch 176

EFFECTIVE DATE/TRIGGER EVENT: Foreign school audited financial statement submissions on or after July 1, 2011.

BASIS: §668.23(h).

CURRENT POLICY: Current policy provides information regarding foreign school requirements for submission of audited financial statements.

REVISED POLICY: Revised policy updates the Manual's policy regarding foreign school requirements for submission of audited financial statements.

REASON FOR CHANGE: This change was made to align the Manual's text with final rules published in the Federal Register on November 1, 2010.

PROPOSED LANGUAGE - COMMON MANUAL:
Revise Subsection 4.3.A, page 17, column 2, paragraph 2, as follows:

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

A foreign school must also submit an audited financial statement of the most recently completed fiscal year, as follows: If the foreign school received less than $500,000 (U.S.) in Title IV program funds during that fiscal year, its audited financial statement for that year may be prepared under the auditing standards and accounting principles of the school’s home country. If the foreign school received $500,000 (U.S.) or more in Title IV program funds during its most recently completed fiscal year, the school must submit its audited financial statement in accordance with U.S. federal regulation and satisfy the general standards of financial responsibility outlined for schools in the United States, or must qualify under an alternate standard of financial responsibility specified in regulation.

- A public or nonprofit foreign school, which is not in its initial provisional period, that has received less than $500,000 (U.S.) in Title IV funds during the most recent fiscal year is
not required to submit an audited financial statement unless requested to do so by the Department.

- A public or private nonprofit foreign school, that has received at least $500,000 but less than $3,000,000 (U.S.) in Title IV funds during the most recent fiscal year, must submit, in English, an audited financial statement that adheres to the generally accepted accounting principles of that school’s home country.

- A public or private nonprofit foreign school, that has received at least $3,000,000 but less than $10,000,000 (U.S.) in Title IV funds during the most recent fiscal year, but less than , must submit, in English, an audited financial statement that adheres to the generally accepted accounting principles of that school’s home country. In addition, every third year, such a school must submit corresponding documents that meet U.S. generally accepted accounting principles, and the requirements of 34 CFR §668.23(d).

An audited financial statement that adheres to the generally accepted accounting principles of that school’s home country must be submitted, in English, on an annual basis, by:

- Any public or private nonprofit foreign school, that has received $10,000,000 (U.S) or more in Title IV funds during the most recent fiscal year.

- Any for-profit foreign school.

- Any foreign school still in its initial provisional status.

In addition, every third year, such schools must submit corresponding documents that meet U.S. generally accepted accounting principles and the requirements of 34 CFR 668.23(d) §668.23(d)(3)(h)(1); §668.175.

The Department may also require a financial audit or additional documentation at any time for research, audit or investigative purposes.

Revise Section 4.8, page 40, column 1, paragraph 1, 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 proceeding the audit period. The Department will notify the school if a decision is made to exercise this waiver authority.

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

- 

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Foreign School Audited Financial Statements**

The Common Manual has been updated to align the Manual’s text with final rules published in the Federal Register on November 1, 2010, regarding a foreign school’s submission of audited financial statements.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

**Borrower:**

None.

**School:**

A foreign school must comply with the requirements for audited financial statements.

**Lender/Servicer:**
None.

Guarantor:
A guarantor that works with foreign schools may need to update its compliance and training tools for those schools.

U.S. Department of Education:
The Department may need to update its financial responsibility standards for foreign schools.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:
January 11, 2011

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:
April 14, 2011

PROPOSAL DISTRIBUTED TO:
CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others
CM Governing Board

Comments Received from:
AES/PHEAA, ASA, Great Lakes, HESC(NY), MGA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLSA, TG, TSAC, USA Funds, 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:
Four commenters suggested that the proposed change to compliance audits would be incorrect regarding foreign schools. The commenters suggested striking the current paragraph in the text that addresses compliance audits. The commenters suggested that the Committee should draft a new proposal about foreign school compliance audits.

Response:
The Committee agrees in part. In this proposal, the Committee added words to an existing paragraph to indicate that the paragraph applied to foreign and domestic schools. The Committee agrees that the current text does not address new foreign school compliance audits. However, if the entire paragraph is stricken, the Manual's text would not address domestic schools and the Committee believes that the current text does apply to domestic schools. The Committee will develop a future proposal to address foreign school compliance audits.

Change:
The proposed changes to compliance audits have been revised to remove a reference to foreign schools as well as a regulatory citation to foreign school compliance audits, as follows:

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

[§668.23(b); §668.23(h)(2)]

COMMENT:
Four commenters suggested revised language regarding foreign financial audits, as follows:

A foreign school must also submit, in English, an audited financial statement of the most recently completed fiscal year in accordance with 34 CFR 668.23(h)(1) as follows:

- A public or non-profit foreign school, which is not in its initial provisional period, who has received less than $500,000 (U.S) in Title IV funds during the most recent fiscal year is not required to submit an audited financial statement unless requested to do so by the Secretary.

- A public or private non-profit foreign school, which has received $500,000 (U.S) or more in Title IV funds during the most recent fiscal year, but less than $3,000,000, must submit, in English, an audited financial statement that adheres to the generally accepted accounting principles of that institutions home country

- A public or private non-profit foreign school, which has received $3,000,000 (U.S) or more in Title IV funds during the most recent fiscal year, but less than $10,000,000, must submit, in English, an audited financial statement that adheres to the generally accepted accounting principles of that institutions home country. In addition, every third year, such institutions must submit corresponding documents that meet U.S. generally accepted accounting principles, and the requirements of 34 CFR 668.23(d)

- The following situations and/or institutional types require that an audited financial statement that adheres to the generally accepted accounting principles of that institutions home country be submitted, in English, on an annual basis:
  - A public or private non-profit foreign school, which has received $10,000,000 (U.S) or more in Title IV funds during the most recent fiscal year or
  - Any for profit foreign school or
  - Any foreign school still in its initial provisional status.

In addition, every third year, such institutions must submit corresponding documents that meet U.S. generally accepted accounting principles, and the requirements of 34 CFR 668.23(d)

[34 CFR 668.23(h)]

The Department may also require financial audits or additional documentation at any time for research, audit or investigative purposes.

If the foreign school received less than $500,000 (U.S.) in Title IV program funds during that fiscal year, its audited financial statement for that year may be prepared under the auditing standards and accounting principles of the school’s home country.

If the foreign school received $500,000 (U.S.) or more in Title IV program funds during its most recently completed fiscal year, the school must submit its audited financial statement in accordance with U.S. federal regulation and satisfy the general standards of financial responsibility outlined for schools in the United States, or must qualify under an alternate standard of financial responsibility specified in regulation.

Response:
The Committee agrees.

Change:
The changes suggested by the commenters have been made with slight modification to conform to Common Manual style and conventions.

COMMENT:
Two commenters suggested changes to Section 4.8, Waiver of Annual Audit Submission, to align with new regulations.
Response:
The Committee agrees with the commenters and notes that these changes were made in the previous comment/response/change statements via bullets 1 and 4.

Change:
Changes were made to Section 4.8, 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 proceeding the audit period. The Department will notify the school if a decision is made to exercise this waiver authority.

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

. . .
COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: April 21, 2011

SUBJECT: Definition of “Module”

AFFECTED SECTIONS: 6.1.B Academic Year Categories
Appendix G

POLICY INFORMATION: 1238/Batch 176

EFFECTIVE DATE/TRIGGER EVENT: Enrollment periods that begin on or after July 1, 2011.

BASIS: §668.22(l)(6); Federal Register dated October 29, 2010, pp. 66897, 66935, and 66951.

CURRENT POLICY: Current policy states that a “module” is a course or group of courses offered for a period of time that is different (usually shorter) than the program’s quarter, trimester, semester, other academic term, or period of enrollment.

REVISED POLICY: Revised policy states that a “module” is a course or courses that do not span the entire length of the payment period or period of enrollment in a program including, for example, an intersession that the school combines with a standard term, or mini-sessions that the school combines to form a summer term.

REASON FOR CHANGE: This change is required to conform to final rule changes published in the October 29, 2010, Federal Register.

PROPOSED LANGUAGE - COMMON MANUAL:

Note: Additional occurrences of the term “mini-session” in Manual text will be corrected through the technical edit process. Final rule changes that impact withdrawal determinations in a modular program are addressed in a separate proposal distributed in Batch 178.

Revise Subsection 6.1.B, page 3, column 1, paragraph 3, as follows:

Credit-Hour Programs Using Standard Terms or Nonstandard Terms That Are SE9W Offered in a Traditional Academic Year Calendar: Using BBAY1

If a program is offered in an SAY, the school may use BBAY1 as an alternative to the SAY for monitoring annual loan limit progression. . .Mini-sessions Modules (summer or otherwise) that are offered consecutively within a term must be combined and treated as a single term.

. . .

. . .

Credit-Hour Programs Using Standard Terms or Nonstandard Terms That Are SE9W Not Offered in a Traditional Academic Year Calendar: Using BBAY2

If a school has a program that is not offered in a traditional academic year calendar (i.e., one that corresponds to an SAY), the school must use BBAY2 . . .Mini-sessions Modules (summer or otherwise) must be combined and treated as a single standard term.

Revise Appendix G, page 15, column 2, paragraph 4, as follows:

Module: A course or group of courses offered for a period of time that is different (usually shorter) than does not span the program’s quarter, trimester, semester, other academic term, or entire length of the payment period or period of enrollment in a program including, for
example, an intersession that the school combines with a standard term, or mini-sessions that
the school combines to form a summer term.
[The Blue Book, October 2005, Appendix A, p. A-54 §668.22(l)(6); Federal Register dated
October 29, 2010, pp. 66897 and 66935]

PROPOSED LANGUAGE - COMMON BULLETIN
Definition of “Module”
The Common Manual has been revised to provide an updated glossary definition of “module,” based on final
rule changes published in the Federal Register dated October 29, 2010. A “module” is a course or group of
courses that do not span the entire length of the payment period or period of enrollment in a program
including, for example, an intersession that the school combines with a standard term, or mini-sessions that
the school combines to form a summer term.

GUARANTOR COMMENTS:
None.

IMPLICATIONS:
Borrower:
A borrower attending a program offered in modules will experience consistent application of loan period,
disbursement scheduling, delivery, and return of Title IV funds rules.

School:
A school will consistently apply loan period, disbursement scheduling, delivery, and return of Title IV funds
rules to students enrolled in a program offered in modules.

Lender/Servicer:
None.

Guarantor:
A guarantor may need to update its compliance and training tools for schools.

U.S. Department of Education:
The Department may be required to update its program review materials for schools.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:
November 18, 2010

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:
April 14, 2011

PROPOSAL DISTRIBUTED TO:
CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others
CM Governing Board

Comments Received from:
AES/PHEAA, ASA, Great Lakes, HESC(NY), MGA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC,
SLND, SLSA, TG, TSAC, USA Funds, and VSAC.

Responses to Comments
Many commenters supported this proposal as written. Others provided wordsmithing suggestions which were
incorporated without comment. We appreciate the review of all commenters and their careful consideration of
this policy.
COMMENT:
One commenter requested that the Committee add to the Federal Register reference in the Basis “Vol. 75, No. 209” and a reference to p. 66894 of the Federal Register.

Response:
The Committee’s historical convention for Federal Register citations in the Basis does not include the Federal Register Volume and No. that the commenter requested.

Change:
None.

jcs/edited-kk
COMMON MANUAL – FEDERAL POLICY PROPOSAL
Date: April 21, 2011

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<td>Consider at GB meeting</td>
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<td>X</td>
<td>APPROVED with no changes Apr 21</td>
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SUBJECT: Certifying Loans in Both the FFELP and the FDLP

AFFECTED SECTIONS: 4.1.A Establishing Eligibility

POLICY INFORMATION: 1239/Batch 176

EFFECTIVE DATE/TRIGGER EVENT: None. These provisions were implemented and enforced by the Department.

BASIS:
Section 2210 of the Health Care and Education Reconciliation Act of 2010 (HCERA), P.L. 111-152.

CURRENT POLICY:
Current policy provides that a school may participate in both the FFELP and the Federal Direct Loan Program (FDLP) simultaneously but that it is not permitted to certify the same type of loan – either Stafford or PLUS – for the same borrower under both programs if the certifications apply to the same loan period.

REVISED POLICY:
Revised policy permits a school, for a specified time period, to certify loans of the same type under both programs for the same borrower even if the certifications apply to the same loan period.

REASON FOR CHANGE:
The HCERA deleted §454(a)(4) of the Higher Education Act of 1965, as previously amended, in order to facilitate the transition to the FDLP.

PROPOSED LANGUAGE - COMMON MANUAL:
Revise Subsection 4.1.A, page 4, column 2, paragraph 1, as follows:

Prior to March 30, 2010, a school was permitted to participate in both the FFELP and the Federal Direct Loan Program (FDLP) simultaneously but was not permitted to certify a loan of the same type (either a Stafford loan or a PLUS loan) under both programs for the same borrower. The school was permitted to certify a Stafford loan under one program and a PLUS loan to benefit the same student under the other program for the same period of enrollment. A school may participate in the FFELP and the Federal Direct Loan Program (FDLP) at the same time.

For the period between March 30, 2010, and June 30, 2010, a school was permitted to certify for the same student or parent borrower loans of the same type – either Stafford or PLUS – under both loan programs even if those loans were for the same period of enrollment. However, a school is prohibited from certifying loans of the same type (be it Stafford or PLUS) under each program for the same student for the same period of enrollment. A school may, though, certify a PLUS loan under either program, and a Stafford loan under the other program, when the loans benefit the same student for the same period of enrollment. For example, the school may certify a Stafford loan under the FFELP and a PLUS loan under the FDLP for the same student for the same period of enrollment.

[HEA §454(a)(4); 09-10 FSA Handbook, Volume 3, Chapter 6, p. 3-96]

PROPOSED LANGUAGE - COMMON BULLETIN:
Certifying Loans in Both the FFELP and the FDLP
The Manual has been corrected to include statutory changes that, for a specified time period, permitted a school to certify loans of the same type – either Stafford or PLUS – under both the FFELP and the FDLP for the same borrower even if the certifications applied to the same loan period.

GUARANTOR COMMENTS:
None.

IMPLICATIONS:
**Borrower:**
For a brief transitional period, a borrower with loans made under the FFELP could obtain additional loans for the same loan period if the additional loans would have been disbursed after the school transitioned to the FDLP.

**School:**
For any loan period that overlapped the transition to full Direct Lending, a school was permitted to ensure that borrowers continued to receive loan funds if the school participated in the FFELP for the first part of any loan period, and subsequently was required to certify loans only in the FDLP.

**Lender/Servicer:**
None.

**Guarantor:**
A guarantor may be required to amend its program review parameters.

**U.S. Department of Education:**
The Department may be required to amend its 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:**
August 4, 2010

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**
April 14, 2011

**PROPOSAL DISTRIBUTED TO:**
CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others
CM Governing Board

**Comments Received from:**
AES/PHEAA, ASA, Great Lakes, HESC(NY), MGA, NASFAA, NCHELPS, NSLP, OGSLP, PPSV, SCSLC, SLND, SLSA, TG, TSAC, USA Funds, and VSAC.

**Responses to Comments**
Most 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 noted that the policy should be categorized as a federal proposal rather than a correction-type proposal because the change is based in federal statute.

**Response:**
The Committee agrees.

**Change:**
The proposal has been revised to categorize this proposal as a “federal” proposal.

**COMMENT:**
One commenter noted that the first sentence of the proposed language is no longer true, because, as written, it provides that a school may certify a loan under either the FFELP or the FDLP. The commenter notes that schools may not certify loans under the FFELP. A second commenter suggested that the Manual retain reference to the historical provision with modifications to show that the previous provision also remained in effect.
Response:
The Committee agrees and has re-crafted the language to indicate the historic progression of the permissibility of certifying loans under the FFELP and FDLP simultaneously.

Change:
The language has been rewritten to put the permissibility of certifying a loan under both programs into a past tense and to clearly define the provisions that briefly overrode the previous prohibitions and permitted a school to certify multiple Stafford loans or multiple PLUS loans under both loan programs for the same student or parent borrower during the same loan period.

COMMENT:
One commenter asked that the Committee add the public law number to the Basis.

Response:
The Committee agrees.

Change:
The public law number is added to the Basis.