

Summary of Changes Approved October 2006 through February 2007

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

Change bars denote the latest policy changes, which were approved February 15, 2007.

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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 4: School Participation			
4.1.A Establishing Eligibility 4.1.C Maintaining Eligibility	Clarifies that, in order to establish or maintain eligibility, schools must submit requests for approval to participate in the Title IV programs and report changes to its current participation agreement to the Department electronically, using the Application for Approval to Participate in Federal Student Financial Aid Programs (E-App).	Applications for recertification, reinstatement, or changes in ownership submitted by the school on or after the publication date of the 1998-1999 <i>Federal Student Aid Handbook</i> . Applications for reporting changes to a current approval submitted by the school on or after the publication date of the 1999-2000 <i>Federal Student Aid Handbook</i> . Applications for initial certification submitted by the school on or after the publication date of the 2000-2001 <i>Federal Student Aid Handbook</i> .	903/134
4.2.B Financial Aid Administrator Training	This policy adds information about the FSA administration training requirement for schools. To participate in any Title IV program, a school is required to send at least two representatives to the Department of Education's Fundamentals of Title IV Administration Training workshop. Also, if a school changes ownership, structure, or governance, the school representatives must attend the training.	Retroactive to the implementation of the <i>Common Manual</i> .	919/137
4.3.A General School Financial Responsibility Requirements	Revised policy includes information about the Department's requirement that schools use the eZ-Audit, for the submission of financial statements and compliance audits, and copies of the A -133 reports.	Audited financial statements and compliance audits submitted by a school on or after June 16, 2003.	920/137
Chapter 5: Borrower Eligibility			
5.2.E Prior Default 5.5 Effect of Exceeding Loan Limits on Eligibility	Revised policy clarifies that, in addition to paper documentation, a school can rely upon information accessed directly from a loan holder's database as documentation that satisfactory repayment arrangements have been made on a defaulted loan, that a loan is no longer in default, or that eligibility problems created by excessive borrowing have been resolved.	Title IV eligibility determinations made by a school on or after June 22, 2006.	924/138

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 6: School Certification			
6.1 Defining an Academic Year Figure 6-1 Statutory Definition of an Academic Year	<p>Revised policy reduces the minimum academic year requirement for clock-hour programs from 30 weeks to 26 weeks in figure 6-1 and in the appendix G definitions of Academic Year and One-Academic-Year Training Program.</p> <p>Revised policy removes language that states that an academic year begins on the first day of classes and ends on the last day of classes or examinations. It adds language that says, for purposes of defining the academic year, a week of instructional time is any consecutive 7-day period in which the school provides at least one day of regularly scheduled classes or examination, or after the last scheduled day of classes for a term or payment period, at least one day of study for final examinations. Instructional time does not include periods of orientation, counseling, vacation, or homework.</p>	The reduction in the minimum number of weeks in an academic year for a clock-hour program is effective for periods of enrollment beginning on or after July 1, 2006. The deletion of the phrase "begins on the first day of classes and ends on the last day of classes or examinations" from the definition of "academic year" is effective September 8, 2006.	925/138
Figure 6-4 Stafford Undergraduate Annual and Aggregate Loan Limits	Revised policy clarifies the content of Figure 6-4 by changing the title to "Stafford Undergraduate Annual and Aggregate Loan Limits," and corrects the numerator of the loan proration formula for a program of study that is less than one academic year in length, to read "number of weeks enrolled in program."	Retroactive to the implementation of the <i>Common Manual</i> .	916/136
6.11.G Effects of a Consolidation Loan on New Stafford Loan Eligibility	The unallocated amount of a Consolidation loan is no longer included in the NSLDS calculation of a student borrower's aggregate outstanding principal balances, and the FAA is no longer required to investigate whether an unallocated amount might impact a student's eligibility for additional Stafford loans. However, if the FAA has conflicting information indicating that the unallocated amount would cause the student to exceed the aggregate limit, the conflict must be resolved and the information derived from that resolution must be used in determining the student's remaining Stafford eligibility.	January 2006.	908/135
6.11.G Effects of a Consolidation Loan on New Stafford Loan Eligibility	Revised policy removes from the third bullet in subsection 6.11.G the requirement for the FAA to investigate whether the unallocated amount of a Consolidation loan reported by NSLDS might impact a student's eligibility for additional Stafford loans.	January 2006.	928/138
Chapter 7: Loan Origination			
7.7 Disbursing the Loan	Revised policy requires a lender that disburses loan proceeds through an escrow agent to make funds available to the escrow agent no earlier than 10 days prior to the date of the scheduled disbursement.	Loan proceeds paid by a lender to an escrow agent on or after July 1, 2006.	913/136

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 9: School Reporting Responsibilities and the Return of Title IV Funds			
9.2 Student Enrollment Status Reporting 9.2.B Reporting Student Enrollment Status Changes to the Lender or Guarantor Ad Hoc Reporting 9.2.C Information Sharing with the Department, a Lender, or a Guarantor	Revised policy states that in addition to submitting regular reports to the NSLDS, a school may be required to report a change in the student's enrollment status that affects the grace period, repayment responsibility, or deferment privileges of a borrower through an ad hoc report. An ad hoc report must be submitted within 30 days unless the school expects to submit a Submittal File within the next 60 days. Revised policy also provides ad hoc reporting methods a school may use. In addition, subsection 9.2.B has been renamed "Ad Hoc Reporting" and a new subsection 9.2.C "Information Sharing with the Department, a Lender, or a Guarantor" has been added.	Enrollment status changes reported by the school on or after March 1, 1997.	909/135
Chapter 10: Loan Servicing			
10.11.E Applying Funds Returned by the School	Clarifies that, if a lender deducted the federal default fee (or guarantee fee), or origination fee from the borrower's loan proceeds, the lender must reduce the fee proportionate to the amount of returned loan funds that a lender receives from a school.	Federal Stafford and PLUS loans guaranteed on or after July 1, 2006.	906/134
Chapter 11: Deferment and Forbearance			
11.2 ACTION Program Deferment 11.3 Armed Forces Deferment 11.4 Economic Hardship Deferment 11.6 In-School Deferment and Summer Bridge 11.7 Internship/Residency Deferment 11.8 Military Deferment 11.9 National Oceanic and Atmospheric Administration Corps Deferment 11.10 Parental Leave Deferment 11.11 Peace Corps Deferment 11.12 Public Health Service Deferment 11.14 Tax-Exempt Organization Volunteer Deferment 11.15 Teacher Shortage Area or Targeted Teacher Deferment 11.18 Working Mother Deferment	Revised policy states that deferment is <i>available to</i> a borrower who is experiencing conditions that qualify the borrower for the deferment.	Retroactive to the implementation of the <i>Common Manual</i> .	917/136
Chapter 13: Claim Filing, Discharge, and Forgiveness			
13.1.A Claim Filing Requirements	Revised policy adds a statement that bankruptcy claims filed by exceptional performers are subject to a review of the lender's compliance with standard bankruptcy policies and requirements. The lender's failure to comply with those requirements may result in the guarantor's return of the bankruptcy claim to the lender, or, if the claim has been purchased, the lender's repurchase of the loan(s).	Bankruptcy notifications received by the lender on or after July 1, 2007, unless implemented earlier by the guarantor.	914/136

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
13.2 Claim Returns	Revised policy adds that a guarantor may not return a claim due to errors in repayment conversion, due diligence, or timely filing for a lender or lender servicer designated as an exceptional performer. However, if the lender is unable to provide a complete claim or if the loan is otherwise ineligible for claim payment (such as ineligibility for claim payment due to a previous, unresolved loss of loan guarantee) the claim file must be returned despite the lender's or servicer's exceptional performer designation.	Claims filed by exceptional performer lenders and lender servicers on or after March 2004.	912/136
13.3 Claim Purchase or Discharge Payment	Revised policy creates consistency between two pieces of text and inserts text to acknowledge the various ways in which a borrower may be determined eligible for false certification loan discharge.	Retroactive to the implementation of the <i>Common Manual</i> .	915/136
13.5 Claim Repurchase	Revised policy adds a statement that bankruptcy claims filed by exceptional performers are subject to a review of the lender's compliance with standard bankruptcy policies and requirements. The lender's failure to comply with those requirements may result in the guarantor's return of the bankruptcy claim to the lender, or, if the claim has been purchased, the lender's repurchase of the loan(s).	Bankruptcy notifications received by the lender on or after July 1, 2007, unless implemented earlier by the guarantor.	914/136
13.7 Rehabilitation of Defaulted FFELP Loans	Revised policy removes references to a borrower first making satisfactory repayment arrangements in order to rehabilitate a defaulted loan. Also, revised policy acknowledges that a borrower who has been convicted of, or has pled <i>nolo contendere</i> or guilty to a crime involving fraud in obtaining a Title IV, HEA program assistance loan may not rehabilitate that loan. Further, revised policy changes the manual's glossary definition of the term "satisfactory repayment arrangements" to delete the reference to loan rehabilitation.	Regarding the disconnection between satisfactory repayment arrangements and loan rehabilitation: Loan rehabilitation eligibility determinations made on or after July 1, 2006. Regarding a borrower who has been convicted of, or has pled <i>nolo contendere</i> or guilty to, a crime involving fraud in obtaining Title IV funds: Loan rehabilitation eligibility determinations made on or after September 8, 2006.	926/138
13.8.B Closed School	This policy states that if the student transfers any amount of academic credits or credit hours to another school in order to pursue the same program of study as the one in which the student was enrolled at the closed school, the student or borrower, in the case of a PLUS Loan, is not eligible for closed school loan discharge.	Retroactive to the implementation of the <i>Common Manual</i> .	921/137
13.8.D False Certification by the School	Revised policy creates consistency between two pieces of text and inserts text to acknowledge the various ways in which a borrower may be determined eligible for false certification loan discharge.	Retroactive to the implementation of the <i>Common Manual</i> .	915/136
13.8.G Unpaid Refund	Revised policy states that a borrower must complete, certify, and submit to his or her lender or guarantor an unpaid refund loan discharge application <i>which includes</i> a sworn statement of several declarations.	Retroactive to the approval of the common Loan Discharge Application: Unpaid Refund.	910/135
13.9.B Teacher Loan Forgiveness Program	Revised policy states that a <i>qualifying school</i> also includes all elementary and secondary schools operated by the Bureau of Indian Affairs (BIA) or operated on Indian reservations by Indian tribal groups under contract with the BIA.	Teacher Loan Forgiveness determinations made by the lender on or after September 8, 2006. Lenders may implement this provision on or after July 3, 2006.	927/138

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 15: Federal Consolidation Loans			
15.2 Borrower Eligibility and Underlying Loan Holder Requirements	Revised policy removes text in section 15.2 regarding Consolidation loan interest rates for applications received by the lender between November 13, 1997, and September 30, 1998, inclusive, as it is no longer relevant to current Consolidation loan interest rate policy.	Upon approval by the Governing Board on January 18, 2007.	923/137
15.2 Borrower Eligibility and Underlying Loan Holder Requirements 15.3.C Reviewing the Loan Verification Certificate	Revised policy allows a borrower to seek consolidation with any consolidation lender, even if the borrower's loans are held by one holder.	Federal Consolidation loan applications received by the lender on or after June 15, 2006.	904/134
Chapter 16: Cohort Default Rates and Appeals			
16.1 Overview of Cohort Default Rates and Terminology	Adds information regarding the electronic process that the Department uses to notify schools of draft and official cohort default rates.	Domestic school's receipt of draft and of official cohort default rate notifications on or after June 1, 2005.	905/134
Appendix B: PLUS/SLS Refinancing			
B.2 Option 2: Refinancing to Secure a Variable Interest Rate	Clarifies that neither the guarantor nor the lender may charge a borrower a federal default fee (formerly guarantee fee) for refinancing loans to secure a variable interest rate.	Federal Stafford and PLUS loans guaranteed on or after July 1, 2006.	906/134
B.2 Option 2: Refinancing to Secure a Variable Interest Rate B.3 Option 3: Refinancing by Obtaining a New Loan	Adds the statutory limitations that define which loans may be refinanced for the purpose of changing a fixed-rate PLUS or SLS Loan to a variable-rate loan.	PLUS or SLS loans first disbursed prior to July 1, 1987.	907/134
Appendix G: Glossary			
Academic Year	<p>Revised policy reduces the minimum academic year requirement for clock-hour programs from 30 weeks to 26 weeks in figure 6-1 and in the appendix G definitions of Academic Year and One-Academic-Year Training Program.</p> <p>Revised policy removes language that states that an academic year begins on the first day of classes and ends on the last day of classes or examinations. It adds language that says, for purposes of defining the academic year, a week of instructional time is any consecutive 7-day period in which the school provides at least one day of regularly scheduled classes or examination, or after the last scheduled day of classes for a term or payment period, at least one day of study for final examinations. Instructional time does not include periods of orientation, counseling, vacation, or homework.</p>	The reduction in the minimum number of weeks in an academic year for a clock-hour program is effective for periods of enrollment beginning on or after July 1, 2006. The deletion of the phrase "begins on the first day of classes and ends on the last day of classes or examinations" from the definition of "academic year" is effective September 8, 2006.	925/138
Default	Revised policy removes the reference to 270 "consecutive" days, and defines "default" in the glossary as the failure of a borrower (or endorser or comaker, if any) to make installment payments when due, provided that this failure persists for the most recent period of 270 days for a loan repayable in monthly installments.	Retroactive to the implementation of the <i>Common Manual</i> .	918/136

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
One-Academic-Year Training Program	<p>Revised policy reduces the minimum academic year requirement for clock-hour programs from 30 weeks to 26 weeks in figure 6-1 and in the appendix G definitions of Academic Year and One-Academic-Year Training Program.</p> <p>Revised policy removes language that states that an academic year begins on the first day of classes and ends on the last day of classes or examinations. It adds language that says, for purposes of defining the academic year, a week of instructional time is any consecutive 7-day period in which the school provides at least one day of regularly scheduled classes or examination, or after the last scheduled day of classes for a term or payment period, at least one day of study for final examinations. Instructional time does not include periods of orientation, counseling, vacation, or homework.</p>	<p>The reduction in the minimum number of weeks in an academic year for a clock-hour program is effective for periods of enrollment beginning on or after July 1, 2006.</p> <p>The deletion of the phrase “begins on the first day of classes and ends on the last day of classes or examinations” from the definition of “academic year” is effective September 8, 2006.</p>	925/138
Satisfactory Repayment Arrangement	<p>Revised policy removes references to a borrower first making satisfactory repayment arrangements in order to rehabilitate a defaulted loan. Also, revised policy acknowledges that a borrower who has been convicted of, or has pled <i>nolo contendere</i> or guilty to a crime involving fraud in obtaining a Title IV, HEA program assistance loan may not rehabilitate that loan. Further, revised policy changes the manual's glossary definition of the term “satisfactory repayment arrangements” to delete the reference to loan rehabilitation.</p>	<p>Regarding the disconnection between satisfactory repayment arrangements and loan rehabilitation: Loan rehabilitation eligibility determinations made on or after July 1, 2006.</p> <p>Regarding a borrower who has been convicted of, or has pled <i>nolo contendere</i> or guilty to, a crime involving fraud in obtaining Title IV funds: Loan rehabilitation eligibility determinations made on or after September 8, 2006.</p>	926/138
Appendix H: History of the FFELP and the <i>Common Manual</i>			
H.4 Statutory and Regulatory Waivers	<p>Revised policy removes references to a borrower first making satisfactory repayment arrangements in order to rehabilitate a defaulted loan. Also, revised policy acknowledges that a borrower who has been convicted of, or has pled <i>nolo contendere</i> or guilty to a crime involving fraud in obtaining a Title IV, HEA program assistance loan may not rehabilitate that loan. Further, revised policy changes the manual's glossary definition of the term “satisfactory repayment arrangements” to delete the reference to loan rehabilitation.</p>	<p>Regarding the disconnection between satisfactory repayment arrangements and loan rehabilitation: Loan rehabilitation eligibility determinations made on or after July 1, 2006.</p> <p>Regarding a borrower who has been convicted of, or has pled <i>nolo contendere</i> or guilty to, a crime involving fraud in obtaining Title IV funds: Loan rehabilitation eligibility determinations made on or after September 8, 2006.</p>	926/138
H.4 Statutory and Regulatory Waivers	<p>Policy in appendix H.4, Statutory and Regulatory Waivers, item #20, is revised by updating the requirements to reflect that a borrower must make nine payments received by the holder within 20 days of the due date during 10 consecutive months.</p>	<p>Loan rehabilitation waivers granted on or after July 1, 2006. A guarantor has the option of considering a borrower to have met the new rehabilitation standard if at least one of the borrower's payments under the rehabilitation agreement is made on or after July 1, 2006.</p>	922/137

Documentation Required to Prove Default Resolution

If the school learns that the borrower has defaulted on a prior loan, the school must obtain, before certifying the borrower's eligibility for a new loan awarding additional Title IV aid, documentation from the NSLDS, the borrower, or the holder of the loan that the borrower has made the required payments on any defaulted loan(s). The documentation must include a certification from the guarantor regarding each defaulted loan either a written certification from the guarantor regarding each defaulted loan or information accessed directly from a loan holder's database that a loan shown on the NSLDS as being in default is no longer in default. Access to loan data directly from a loan holder's database may be facilitated by the use of third-party web-based products that display a loan holder's real-time data. To be used for purposes of determining a borrower's Title IV eligibility, such web-based products must obtain data directly from the relevant guarantor's, lender's or servicer's system and must display the data without any modification. The school must retain an image of the information it obtains from the real-time website that clearly identifies the borrower, the status of the debt, and the source of the data. For a new loan to be guaranteed by a guarantor that is not the guarantor holder of the defaulted loan(s) to guarantee a new loan, the school or the borrower must forward obtain documentation that the default has been resolved (such as a copy of the original promissory note stamped "paid in full," information accessed directly from a loan holder's database, or a letter from the guarantor holding holder of the defaulted loan(s) stating that the borrower has resolved the default with that guarantor). The documentation must be included with the new loan request when it is sent to the guarantor for guarantee processing, unless the information is already available to the guarantor.

[HEA 428F(b); §668.35; §682.200; §682.401(b)(4); April 1996 Supplement to DCL 96-G-287/96-L-186, Q&A #6; NSLDS Newsletter Number 12, June 2006]¹

- ▲ Schools may contact individual guarantors for more information on documenting and submitting information regarding a prior loan default. See section 1.5 for contact information.

5.3 Prior Loan Written Off

A borrower is ineligible for a FFELP loan if he or she has had a prior FFELP loan partially or totally written off by a guarantor (i.e., the guarantor has stopped all collection activity on the written-off portion). To become eligible to receive a new FFELP loan, a borrower must reaffirm the written-off loan, provide confirmation of that reaffirmation to the school, and meet the requirements of subsection 5.2.E. Reaffirmation is the borrower's legally binding acknowledgment of a loan repayment obligation that has been partially or totally written off and agreement to the reinstatement of the borrower's repayment obligation. A borrower whose prior FFELP loan has been partially or totally written off by a lender is not required to reaffirm the written-off loan as a condition of eligibility for a new FFELP loan.

The reaffirmation may include, but is not limited to, the following:

- Making a payment on the loan. [§682.201(a)(4)(ii)(B)]
- Signing a new repayment agreement or promissory note that includes the original terms and conditions applicable to the loan being reaffirmed. [§682.201(a)(4)(ii)(A)]

The reaffirmed amount must include all principal and interest accrued on the written-off portion of the loan through the date on which the borrower reaffirms his or her commitment to repay the loan. It may also include collection costs, late charges, and legal costs. Any outstanding charges, such as interest, collection costs, late charges, or legal costs, may be capitalized as of the date the loan is reaffirmed.

[§682.201(a)(4)(i) and (b)(1)(vi); DCL 96-L-186/96-G-287, Q&A #4, #7, #8, #9, and #11]

¹ Policy 924 (Batch 138), approved February 15, 2007

5.5 Effect of Exceeding Loan Limits on Eligibility

The school may not, under any circumstances, ~~certify~~ ~~award~~ additional Title IV funds for a student who has exceeded applicable annual or aggregate loan limits. If the school determines that the student inadvertently violated the annual or aggregate loan limits, the school must give the student an opportunity to ~~repay~~ ~~resolve~~ the excess ~~amount~~ ~~borrowing~~ before making a final determination on the student's eligibility for additional Title IV assistance. To resolve eligibility problems created by the NSLDS reporting of excessive borrowing by a student, a school can rely upon either paper documentation or information it accesses directly from a loan holder's database. Access to information directly from a loan holder's database may be facilitated by the use of third-party web-based products that display a loan holder's real-time data. The school must be able to verify that the loan being reviewed is the problematic loan. The school must retain an image of the information it obtains from the real-time website that clearly identifies the borrower, the status of the debt, and the source of the data. (See [subsection 6.11.E](#)) [[§668.35\(d\)](#); [NSLDS Newsletter Number 12, June 2006](#)]¹

5.6 Effect of Bankruptcy on Eligibility

The [Bankruptcy Reform Act of 1994](#) prevents a school or lender from denying a federal loan or grant to an applicant solely because he or she has filed a bankruptcy petition. Thus, a FFELP applicant is eligible for new loan funds despite the filing of a bankruptcy petition. [[DCL GEN-95-40](#)]

Loan Certification and Professional Judgment

If the [school](#) has information about a previous or pending [bankruptcy](#) action by a Stafford or PLUS loan applicant, the school may not refuse to certify the loan if the applicant is otherwise eligible. Also, the school may not, solely because of the bankruptcy action, certify a loan for an amount that is less than the amount for which the applicant would otherwise be eligible. If circumstances other than the bankruptcy exist that would cause the school to reduce the [borrower's](#) loan amount, the [financial aid administrator \(FAA\)](#) may use [professional judgment](#) to refuse to certify a loan or to lower the loan amount. (See [subsection 6.15.E](#)) [[§682.603\(d\)](#)]

Reaffirmation

A Stafford or PLUS loan applicant who has had education loans previously [discharged](#) in bankruptcy is not required to reaffirm those loans to regain [Title IV](#) eligibility. If a borrower [defaulted](#) before the bankruptcy action was filed, and the debt has been [discharged](#) or has been determined to be dischargeable in a bankruptcy action, the borrower is eligible for additional [funds](#) without [reinstatement](#) and without reaffirming the debt. [[DCL GEN-95-40](#)]

5.7 Effect of Fraud on Eligibility

A student or parent borrower who has been convicted of, or has pled guilty or *nolo contendere* to, a crime involving fraud in obtaining Title IV financial assistance is not eligible for additional Title IV funds until the student or parent borrower, as applicable, repays in full the funds that were obtained fraudulently. Title IV grant funds that were obtained fraudulently must be repaid to the Department; Title IV loan funds that were obtained fraudulently must be repaid to the holder of the loan. The student or parent borrower's eligibility under this provision is based on the certification provided in the Master Promissory Note (MPN). Regardless of the borrower's certification on the MPN, if either the school or the lender has conflicting information regarding the eligibility of the student or parent borrower, this discrepancy must be resolved before additional Title IV funds may be disbursed or delivered.

5.8 Effect of Drug Conviction on Eligibility

A student who is convicted of a state or federal offense involving the possession or sale of an illegal drug that occurred while the student was enrolled in school and receiving Title IV aid, is not eligible for [Title IV](#) funds. [An illegal drug is a controlled substance as defined by [section 102\(6\) of the Controlled Substance Act](#) and does not include alcohol and tobacco.] The Department determines the borrower's eligibility under this section based on the student's self-certification on the [Free Application for Federal Student Aid \(FAFSA\)](#). The school is notified of the student's eligibility on the [Institutional Student Information Record \(ISIR\)](#). However, if the school has conflicting information regarding a drug conviction that affects the student's eligibility, this discrepancy must be resolved. [[HEA 484\(r\)\(1\)](#); [§668.40\(a\)](#); [DCL GEN-06-05](#)]

¹ Policy 924 (Batch 138), approved February 15, 2007

The school plays a key role in determining the amount of funds for which the student or borrower is eligible, whether those funds should be subsidized, and how the funds should be disbursed. The school provides this information to the lender and guarantor via its certification of the loan, either in a paper or electronic format. Chapter 6 describes the data a school is required to obtain or calculate and the certifications it must make to fulfill its role in the origination of a student's FFELP loan.

6.1 Defining an Academic Year

To determine and certify the appropriate loan amount, the school must first define the program's **academic year** for which the funds are intended.

For purposes of defining the academic year, a week of instructional time is any consecutive 7-day period in which the school provides at least one day of regularly scheduled classes or examination, or after the last scheduled day of classes for a term or payment period, at least one day of study for final examinations. Instructional time does not include periods of orientation, counseling, vacation, or homework.

[§668.3(b)]

Undergraduate Program of Study Measured in Clock Hours

•—For an undergraduate program of study measured in **clock hours**, an academic year is a period of at least 26 weeks of instructional time ~~that begins on the first day of classes and ends on the last day of classes or examinations.~~ During this period, a full-time student is expected to complete a minimum of 900 clock hours.

[HEA 481(a)(2); §668.3]

Undergraduate Program of Study Measured in Credit Hours

•—For an undergraduate program of study measured in credit hours, an academic year is a period of at least 30 weeks of instructional time ~~that begins on the first day of classes and ends on the last day of classes or examinations.~~ During this period, a full-time student is expected to complete a minimum of 24 semester or trimester hours, or 36 quarter hours.

[§668.3(a)]

~~A school may define an academic year that is longer than 30 weeks. In some cases, the school may define an academic year that is shorter than the required 30 weeks.~~

The **Department** may allow a credit-hour program to have an academic year that is shorter than the 30-week minimum if the following criteria are met:

- The program results in a two-year associate degree or four-year bachelor's degree.
- The school obtains the approval of its **accrediting agency** and state licensing agency for the reduced academic year.
- The school submits a written request to the Department for a reduced academic year that is not less than 26 weeks. The request must include information identifying the program to which the reduced year will be applied and the number of weeks that will be included in the proposed reduced year. The school must demonstrate good cause for the requested reduction and provide any other information requested by the Department.

[§668.3(c)(1)]

If the Department approves the reduced academic year, that approval terminates when the school's Program Participation Agreement expires. The school may request an extension of the approval as part of the re-certification process.

[§668.3(c)(3)]

Graduate or Professional Program of Study

For a graduate or professional program of study, an academic year is a period of at least 30 weeks of instructional time ~~that begins on the first day of classes and ends on the last day of classes or examinations.~~ While the Department regulates the amount of coursework that an undergraduate student is expected to complete in an academic year, it does not regulate the amount of coursework that a graduate or professional student is expected to complete in an academic year. For graduate and professional programs, the school is expected to establish academic standards to determine the amount of work that a full-time graduate or professional student is expected to complete within an academic year.

[§668.3(c)(1) and (2)]¹

¹ Policy 925 (Batch 138), approved February 15, 2007

Typically, there are two categories of academic year:

- A **scheduled academic year (SAY)** is a “fixed” academic period as published in a school’s printed materials that generally begins and ends at about the same time each year according to an established schedule. ~~The year begins on the first day of classes and ends on the last day of classes or examinations.~~¹
- A **borrower-based academic year (BBAY)** is an academic year that begins with a student’s start date and tracks the student’s progress until the required number of weeks and credit or clock hours have been completed.

Both the SAY and BBAY must meet the statutory requirements of an academic year as defined by the Department. Schools with clock-hour and non-term-based credit-hour programs must use a BBAY. Schools with term-based, credit-hour programs may use either a SAY or a BBAY.

[2006-2007 *Federal Student Aid Handbook, Volume 3, Chapter 4, pp. 3-66 to 3-71*]

Term-Based, Credit-Hour Programs

A school with term-based, credit-hour programs using a **SAY** must designate the summer term as either a “**leader**” (precedes the **academic year**) or a “**trailer**” (follows the **academic year**). The school has the following options:

- The school may consistently designate the summer term as either a leader or a trailer with no exceptions.
- The school may consistently designate the summer term as either a leader or a trailer with some exceptions that are determined by the school on a case-by-case basis.
- The school may make all decisions regarding the use of the summer term as a leader or a trailer on a case-by-case basis.

If a **BBAY** is used, the school must include the same number of terms in the BBAY as it includes in its SAY. Mini-sessions (summer or otherwise) must be combined and treated as a single term. The borrower is not required to attend the entire BBAY but the **loan period** must coincide with the student’s attendance. The BBAY must begin with a term in which the student actually is enrolled but may include a term in which the student is not enrolled.

A school may use a BBAY for all students, for students enrolled in certain programs, or on a student-by-student basis. The school may also alternate between a BBAY and a SAY for the same student. However the school must ensure that it does not establish overlapping academic years for a student.

[2006-2007 *Federal Student Aid Handbook, Volume 3, Chapter 4, p. 3-67*]

Clock-Hour and Non-Term-Based Credit-Hour Programs

At a school with clock-hour or non-term-based credit hour programs, the BBAY begins when the student enrolls and does not end until the student completes both the required number of weeks and the required number of clock or credit hours in the academic year. A student who does not attend on a full-time basis will take longer to complete the academic year than a full-time student.

These types of programs frequently allow a student to complete the program at his or her own pace. As a result, one student may complete 900 **clock hours** in 28 weeks while another may complete 900 clock hours in 32 weeks. If the average student completes the program in 30 weeks, the school is not required to prorate the loan amount for the occasional student who completes the program in less than 30 weeks.

[2006-2007 *Federal Student Aid Handbook, Volume 3, Chapter 4, p. 3-69*]

¹ Policy 925 (Batch 138), approved February 15, 2007

Transfer Students

If a student borrows Stafford funds to attend one school and then transfers to a new school, the new school is not permitted to certify a loan until it determines whether the student's new loan period will overlap with the loan period at the prior school. This requires the new school to determine the student's academic year at the prior school. The school may use either of the following methods to make this determination.

- Obtain documentation from the prior school about its academic year.
- Make assumptions about the prior school's academic year based on information obtained from the [National Student Loan Data System \(NSLDS\)](#). Schools that use this method must determine that the academic year at the prior school ended on the *later* of the following:

- 30 weeks after the first day of the most recent loan period listed.
- The end date of the loan period for all loans made in the academic year.

If the loan periods overlap, the new school must subtract the gross amount of the loan (less any refunds or cancellations for that loan period) that the student received at the prior school from the student's current [annual loan limit](#) to determine the amount that the student is eligible to borrow. If the loan periods do not overlap, the new school may process a loan up to the amount of the student's current annual loan limit.

[Dear Guaranty Agency Director Letter March 16, 1994; NCHelp Q&A Frequency of Annual Loan Limits June 15, 1994]

Statutory Definition of an Academic Year

Figure 6-1

Method used to measure academic progress	Number of hours a student enrolled full time is expected to complete in a full academic year	Minimum Instructional Time Requirement
Semester hours	24 semester hours	30 weeks
Trimester hours	24 trimester hours	30 weeks
Quarter hours	36 quarter hours	30 weeks
Clock hours	900 clock hours	30 26 weeks ¹

Adapted from: *Trainee Guide: 1995-96 Delivery System Training Workshop*, U.S. Department of Education, December 22, 1994, page TG2-23.

¹ Policy 925 (Batch 138), approved February 15, 2007

- An underlying Health and Human Services (HHS) loan that is included in the Consolidation loan. HHS loans are not reported to the NSLDS and are not, therefore, automatically excluded from the aggregate calculations. ~~If the FAA determines that all or a portion of the unallocated amount reported by the NSLDS represents an underlying HHS loan, the FAA may deduct that portion from the reported aggregate amounts.¹~~
- An underlying loan that is from the borrower's spouse that is included in the Consolidation, in the case of a joint Consolidation loan. ~~If the FAA determines that all or a portion of the unallocated amount reported by the NSLDS represents an underlying loan that is from the borrower's spouse, the FAA may deduct that portion from the reported aggregate amounts.²~~
- An underlying FFELP or FDLP loan that has not yet been added to the NSLDS because of an edit condition that occurred when the information was sent to the NSLDS, but that is included in the Consolidation loan. ~~If the FAA determines that all or a portion of the unallocated amount reported by the NSLDS represents an underlying Stafford loan that does not yet appear on the NSLDS, the FAA must add that portion to the reported aggregate amounts.~~

~~After identifying the underlying subsidized and unsubsidized Stafford loans, including amounts previously identified as unallocated, those outstanding principal balance amounts must be allocated to the proper aggregate loan limit for each Stafford loan type (subsidized or unsubsidized) when determining new Stafford loan eligibility. If the FAA has included or excluded all or a portion of an unallocated amount, the school must document its findings and calculations for audit purposes.~~

A school is ~~only~~ responsible for the financial aid history information that is available from the NSLDS at the time it ~~delivers aid to the~~ certifies a loan for a student. The FAA is not required to investigate whether an unallocated amount of a Consolidation loan might impact a student's eligibility for additional Stafford loan funds unless the FAA has information that conflicts with the data reported in the NSLDS. The FAA must resolve any conflicting information prior to certifying the eligible loan amount and, if it has received conflicting financial aid information between the date the loan was certified and the date the loan funds are delivered, the school must resolve any conflict prior to delivering the loan funds. The school must include the

result of that resolution in the school's certification of the student's eligible loan amount. If the school receives written documentation that confirms that a student is eligible for additional aid, the school may deliver the aid without waiting for the NSLDS to be updated. [[§668.16\(f\)](#); [DCL GEN-96-13, Q&A #13 and #14](#); [DCL GEN-03-12, Q&A #20](#); [NSLDS Newsletter Number 11, February 2006](#)]³

6.12 Determining the Eligible Loan Amount

The maximum loan amount a school may certify for each academic year is the lesser of:

- The amount certified by the school—whether that amount is calculated as the estimated **cost of attendance** (COA) minus any **estimated financial assistance** (EFA) (and, for a subsidized Stafford loan, minus the **expected family contribution** [EFC]) or a reduced eligibility amount determined by the school. [[§682.603\(d\)\(2\)](#)]
- The applicable **annual loan limit** for the loan type, program length, and **grade level**. [[§682.603\(d\)\(1\)](#)]
- The remaining eligibility under the applicable **aggregate loan limit**. [[§682.603\(d\)\(1\)](#)]
- The loan amount requested by the borrower. [[§682.206\(c\)\(2\)](#)]

A **lender** may, at its discretion, approve a loan amount that is less than the amount for which the borrower might otherwise qualify.

6.13 Determining the Loan Amount at Schools with Credit-Hour Programs

A school must apply the appropriate formula (see [subsection 4.1.C](#)) to determine the amount of Stafford funds that a student who is enrolled in the program is eligible to receive. Based on this calculation, the school must determine whether the student's educational program constitutes a full **academic year**, at least two thirds of an academic year, at least one third of an academic year, or less

¹ Policy 908 (Batch 135), approved November 16, 2006

² Policy 928 (Batch 138), approved February 15, 2007

³ Policy 908 (Batch 135), approved November 16, 2006

strongly encouraged to file a default claim on or after the 360th day of delinquency and may not file a default claim before the 331st day of delinquency.

The last day a lender may file a default claim and remain within the timely filing guidelines for a loan with monthly installments is the 360th day of delinquency. For a delinquent account scheduled for repayment in installments less frequent than monthly (e.g., quarterly), the lender must file the default claim by the 420th day of delinquency. Failure to submit a default claim by the 360th day, or 420th day if applicable, will result in a timely filing violation and the [cancellation](#) of the [guarantee](#) on the loan. [[§682.406\(a\)\(5\)](#)]

A [lender](#) may attempt to [cure](#) a timely filing violation; if successful, the lender is entitled to resubmit the [claim](#) (see [subsection 14.5.D](#)). However, the claim will be subject to an [interest](#) penalty, and the lender will be required to repay all [interest benefits](#) and [special allowance](#) payments for amounts received or otherwise payable after the 330th day of [delinquency](#).

13.6.B Ineligible Borrower Claims

A loan for which the borrower is ineligible due to the borrower's or student's error (see [subsection 5.16.A](#)) is treated as a default if the borrower fails to repay the full amount due within 30 days after the [final demand](#) letter is mailed.

[[§682.412\(e\)](#)]

A lender must file an [ineligible borrower](#) claim for the entire outstanding loan amount on or after the 30th day, and no later than the 120th day, after the date it mailed the final demand letter.

[[§682.412\(e\)\(2\)](#)]

Because a loan for which a borrower is determined to be ineligible loses eligibility for interest benefits, the amount of interest refunded to the [Department](#) becomes borrower accrued interest and may be capitalized. For claim payment purposes, this interest is treated like any other delinquent interest.

[[§682.412\(e\)\(1\)](#)]

For information on claim documentation, see [subsection 13.1.D](#).

If an ineligible borrower claim is filed after 120 days from the date a timely final demand letter is mailed, the guarantor will purchase the claim with an interest penalty.

13.7 Rehabilitation of Defaulted FFELP Loans

To be eligible to [rehabilitate](#) a defaulted FFELP loan, a borrower must ~~first make satisfactory repayment arrangements~~ [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 ~~with a defaulted loan on which a judgment has been obtained~~ may not include ~~that loan~~ 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.](#)¹ [[§682.405\(a\)\(1\)](#)]

To rehabilitate a FFELP loan, a borrower must make nine, on-time (i.e., received within 20 days of the due date), full monthly payments to the guarantor or its contracted vendor during a period of 10 consecutive months. Payments must be made voluntarily by the borrower and must be equal to or greater than the amount determined to be reasonable and affordable. Payments obtained by state offsets or federal Treasury offsets, wage garnishment, trustee payments, or income or asset execution will not satisfy requirements for rehabilitation.

[[HEA 428F\(a\)\(1\)\(A\)](#); [§682.405\(a\)\(2\)](#)]

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

The nine payments must be received during the 10-month period immediately preceding the rehabilitation of the defaulted loan. Payments will be considered voluntary if made directly by the borrower. A lump sum prepayment of future installments cannot be used to satisfy the requirement that the borrower make nine payments during a period of 10 consecutive months. If the borrower fails to send nine payments on time during the 10-month period in which payments are required for rehabilitation, he or she must begin the entire cycle again. A new cycle will begin from the time a new, on-time, voluntary, reasonable and affordable payment is received—regardless of any prepayments of future installments the borrower may have made.

¹ Policy 926 (Batch 138), approved February 15, 2007

- The loan for which forgiveness is sought must have been made before the end of the 5th year of qualifying teaching service.
[§682.215(a) and (c)(8)]

Interruptions in Qualifying Teaching Service

A lender should not consider the time that a **borrower** is on active duty as a result of a military mobilization as an interruption in the borrower's qualifying teaching service. This applies to a borrower who is a member of a reserve component of the Armed Forces and is called or ordered to active duty for more than 30 days, and to a borrower who is a regular active duty member of the Armed Forces and is reassigned to a different duty station for more than 30 days.

Completion of one-half of an academic year is considered to be one academic year if the borrower's employer considers the borrower to have fulfilled his or her contract requirements for the academic year for the purposes of salary increases, tenure, and retirement, and the borrower is unable to complete the academic year due to any one of the following:

- A return to postsecondary education on at least a half-time basis in a program directly related to the borrower's teaching service.
- A condition covered under the [Family and Medical Leave Act of 1993](#).
- An order to active duty status for more than 30 days as a member of a reserve component of the Armed Forces.

An interruption in the borrower's teaching service for any one of the above reasons (even if not counted as part of an eligible academic year for the purpose of the forgiveness), along with the time required to return to qualifying teaching service at the beginning of the next regularly scheduled academic year, is not considered an interruption in the required 5 consecutive years of service.

[§682.215(c)(5)]

Loan Forgiveness Amounts

The total amount of loan forgiveness applicable to a borrower's outstanding eligible loans depends on when the **borrower** begins his or her period of teaching service and the type of teaching service the borrower performs.

For a borrower who begins a period of qualifying teaching service prior to October 30, 2004, the borrower may be eligible for loan forgiveness of a maximum of up to \$5,000 if he or she is either:

- A full-time elementary school teacher who demonstrates knowledge and teaching skills in reading, writing, mathematics, and other areas of the elementary school curriculum.
- A full-time secondary school teacher teaching in a subject area that is relevant to his or her academic major.

For a borrower who begins a period of qualifying teaching service prior to October 30, 2004, the borrower may be eligible for up to \$17,500 in loan forgiveness (less any forgiveness amount received under the previous criteria) if the borrower has completed the period of qualifying teaching service as a highly qualified full-time mathematics or science teacher in a qualifying secondary school or as a highly qualified special education teacher.

For a borrower who began a period of teaching service on or after October 30, 2004, his or her loans may be eligible for loan forgiveness of either:

- A maximum of \$5,000 for teaching as a highly qualified, full-time teacher in an eligible elementary or secondary school.
- A maximum of \$17,500 for teaching as a highly qualified full-time mathematics or science teacher in an eligible secondary school or as a highly qualified special education teacher.

[§682.215(d); GEN-05-02/FP-05-02]

Definitions Applicable to Teacher Loan Forgiveness

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

- *A qualifying school is an elementary or secondary school operated by the Bureau of Indian Affairs (BIA) or operated on an Indian reservation by an Indian tribal group under contract with the BIA, or ~~one~~ a school that meets all of the following criteria:*¹
 - Is in a school district that qualifies for funds under [Title I of the Elementary and Secondary Education Act of 1965](#), as amended.

¹ Policy 927 (Batch 138), approved February 15, 2007

A

Ability-to-Benefit: (ATB) Basis on which a student without a high school diploma, a recognized equivalent, or a General Education Development (GED) Certificate may qualify for federal student aid. The Department maintains a list of approved tests for measuring a student’s ability to benefit from the educational program the student seeks. The test must be administered before the school admits the student. See [subsection 5.10](#).

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

Academic Year: For the purposes of determining a borrower’s Title IV aid eligibility, a period ~~that begins on the first day of classes and ends on the last day of classes or examinations and that consists of at least 30 weeks of instructional time~~ during which an undergraduate, full-time student is expected to complete either of the following:

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

Upon written request from a school, the Department may, at its option, reduce the minimum number of weeks in an academic year to between 26 and 29 weeks of instructional time for a credit-hour program that leads to an associate degree or a bachelor’s degree.¹

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

The Department publishes a list of nationally recognized accrediting agencies that the Department has determined to be reliable authorities as to the quality of education or training offered. If the Department determines that there is no nationally recognized accrediting agency qualified to accredit schools in a particular category, the Secretary of Education shall appoint an advisory committee, composed of persons specially qualified to evaluate training provided

by schools in such category, to prescribe the standards a school must meet in order to participate in Title IV programs and to determine whether an individual school meets those standards.

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

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

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

Additional Unsubsidized Stafford Loan: The additional amount of a student’s eligibility for unsubsidized Federal Stafford loans. This amount is available only to independent undergraduate students, graduate/professional students, and dependent undergraduate students whose parents are unable to obtain a PLUS loan. See [section 6.11](#) for more information.

Administrative Forbearance: A temporary suspension of, a reduction of, or an extension of time for making principal and/or interest payments on a Federal Stafford, SLS, PLUS, or Consolidation loan that is granted by the holder or lender, upon notice to the borrower or endorser, and that does not require a written request from the borrower or an agreement signed by the borrower before the forbearance is granted. See [chapter 11](#).

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

Aggregate Loan Limit: The borrower’s maximum allowable unpaid principal amount throughout the student’s academic career. Principal outstanding is calculated by adding the total outstanding amount guaranteed, after subtracting any refunds, payments to comply with the requirements for the return of Title IV funds, prepayments, payments, cancellations, funds discharged, or any other reductions to the principal. Capitalized interest or any collection costs that may have been added to the principal balance are not included in the borrower’s aggregate loan limit. See [subsection 6.11.B](#).

¹ Policy 925 (Batch 138), approved February 15, 2007

One-Academic-Year Training Program: A program that is at least at least 30 weeks in length during which the student earns at least includes:

- At least 30 weeks of instructional time and 24 semester or trimester hours or units, or 36 quarter hours or units at a school in a program using credit hours or units to measure academic progress.
- At least 26 weeks of instructional time and 900 clock hours of supervised training at a school in a program using clock hours to measure academic progress.
- At least 26 weeks of instructional time and 900 clock hours in a correspondence program.¹

Origination Fee: A fee charged to offset the cost of interest, special allowance, and reinsurance payments by the federal government on a FFELP loan. This fee, if charged to the borrower, may be subtracted from the borrower's loan proceeds. See [section 7.9](#).

Out-of-School Date: The date the student ceases to be enrolled on at least a half-time basis at an eligible school.

Overaward: Any amount of a student's total financial assistance (excluding Pell Grants) that exceeds the student's financial need. See [section 8.6](#).

P

Parent: For purposes of PLUS loan eligibility, a student's natural or adoptive mother, father, or the spouse of a parent who remarried if the spouse's income and assets would have been taken into account when calculating a dependent student's expected family contribution.

Parent PLUS Loan: A PLUS loan made to the parent of a dependent undergraduate student.

Partial Cancellation: Cancellation of a disbursement or a portion of a disbursement rather than of an entire loan.

Participating School: An eligible school that meets the standards for participation in Title IV programs in [subpart B](#), has a current Program Participation Agreement with the Department, and is eligible to receive funds under these programs.

Payment Period: The basis on which a school must schedule and deliver disbursements for a particular loan period. The payment period begins on the first day of

regularly scheduled classes. A payment period is determined based on the structure of the school's academic program. At a school that does not use standard terms, a payment period is measured in credit or clock hours completed by the student in relation to the length of the student's program of study. The payment period requirement does not eliminate the multiple disbursement requirement for a school to deliver loan proceeds in substantially equal installments, with no installment exceeding one-half of the loan amount. See [section 6.3](#).

Pell Grant: A federal need-based grant.

Period of Enrollment: As defined by federal regulation, the period for which a Stafford or PLUS loan is intended. The period of enrollment must coincide with a bona fide academic term established by the school for which the school's charges are generally assessed, i.e., semester, trimester, quarter, length of the student's program or the school's academic year. The period of enrollment is also referred to as the loan period (see [section 6.2](#)). In addition, the term "period of enrollment" is commonly used by the financial aid community to refer to the period of time during an academic year when a student is enrolled at the school.

[§682.200(b); §682.603(f)(1) and (2)]

Permanent Resident of the United States: A person who meets certain requirements of the U.S. Immigration and Naturalization Service (INS). Valid documentation of permanent residency includes the following: I-551, I-151, I-181, I-94, or a passport stamped processed for I-551, "Temporary evidence of lawful admission for permanent residence."

PLUS MPN: See [Federal PLUS Loan Application and Master Promissory Note](#)

Post-Deferment Grace Period: A 6-month period following a deferment during which payments are not required. The 6-month post-deferment grace period applies only to loans disbursed before October 1, 1981, and, in some cases, to loans for borrowers who participated on active-duty status in certain emergency military mobilizations, such as Operations Desert Shield/Desert Storm. See [subsection 11.1.H](#).

Post-Withdrawal Disbursement: A disbursement made when the calculations for the school's return of Title IV funds result in the student being eligible to receive more Title IV aid than was disbursed or delivered prior to his or her withdrawal. A post-withdrawal disbursement must meet certain conditions for late disbursement. See [subsection 9.5.A](#).

¹ Policy 925 (Batch 138), approved February 15, 2007

Rolling Delinquency: A delinquency that occurs whenever the delinquent status of a loan is increased or reduced but not completely eliminated as result of a payment, the reversal of a payment, a deferment or forbearance, or the receipt of a new out-of-school date. See [subsection 12.3.E](#).

Rule of 78s: A procedure for calculating the outstanding principal balance of a loan that is prohibited for loans made to a borrower who entered repayment on or after June 26, 1987. Seventy-eight is the sum of the digits from one to twelve (the number of months in a one-year installment contract).

S

SAP: See [Satisfactory Academic Progress](#)

SAR: See [Student Aid Report](#)

SAY: See [Scheduled Academic Year](#)

Satisfactory Academic Progress: (SAP) The level of academic progress required of a student by the Higher Education Act in order to receive Title IV aid, including Federal Stafford, PLUS, or SLS loans. Each school must establish a standard for evaluating a student's efforts to achieve an educational goal within a given period of time. In making this evaluation, the school must establish the normal time frame for completion of the course of study in which the student is enrolled, and a method, such as grades or work projects completed, to measure the quality of the student's performance. Students enrolled in an undergraduate program who are enrolled beyond the school's maximum time frame for program completion are not eligible for additional Title IV assistance. A school's maximum time frame for program completion cannot exceed 150% of the published program length.

Satisfactory Repayment Arrangement: A specified number of consecutive, on-time, voluntary, reasonable and affordable full monthly payments made by a borrower to the holder of any loan or loans in default. Satisfactory repayment arrangements may be established by a borrower either to regain eligibility for Title IV funds, ~~to rehabilitate a defaulted loan,~~ or to consolidate a defaulted loan. The loan holder's determination of a "reasonable and affordable" payment amount is based on the borrower's total financial circumstances. "Voluntary" payments are payments made directly by the borrower, and do not include payments obtained by state offsets or federal Treasury offset, garnishment, or income or asset execution. An "on-time" payment is a payment received by the guarantor within 15 days before or after the scheduled due date. See [subsection 5.2.E](#) for more information on regaining

eligibility for Title IV funds. ~~See [section 13.7](#) for more information on rehabilitating a defaulted loan.~~ See [section 15.2](#) for more information on consolidating a defaulted loan.¹

Scheduled Academic Year: (SAY) The "fixed" academic period, as published in a school's printed materials, that generally begins and ends at the same time each year according to an established schedule. The SAY is the academic period to which the statutory definition of an academic year must be applied and must meet the statutory requirements of an academic year as defined by the Department. Schools may not use a SAY for borrowers enrolled in clock-hour and non-term-based credit-hour programs of study. The summer term may be treated as an add-on at the beginning (leader) or end (trailer) of the SAY. For additional information, see [section 6.1](#) and the *2006-2007 Federal Student Aid Handbook, Volume 3, Chapter 4, p. 3-67*.

School: An institution of higher education, a proprietary institution of higher education, or a postsecondary vocational school declared eligible by the U.S. Department of Education to participate in one or more Title IV programs. Some guarantors may require schools to complete a separate agency-specific participation agreement. See [Participating School](#).

School Lender: A school, other than a correspondence school, that has been approved as a lender under the FFELP and has entered into a contract of guarantee with the Department or a similar agreement with a guarantor.

Secondary Market: An entity that purchases education loans from eligible lenders in order to increase the amount of funds available for education loans. The secondary market obtains funds from investors and uses those funds to purchase existing education loans from lenders. The lenders then use the proceeds of those sales to make new education loans.

Servicer (or Third-Party Servicer): An entity that enters into a contract with a program participant to administer any aspect of its participation in a Title IV program.

Shortage Area: See [Teacher Shortage Area](#)

Skip Tracing: Diligent efforts to locate a borrower's telephone number or address when such information is unknown. See [section 12.8](#) for telephone skip tracing requirements and [section 12.7](#) for address skip tracing requirements. See also [Effective Commercial Skip Tracing](#).

¹ Policy 926 (Batch 138), approved February 15, 2007

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

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

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

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

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

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

the required sequence of qualifying payments may resume at the point they were discontinued as a result of the borrower's status.²

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

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

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

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

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

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

¹ Policy 926 (Batch 138), approved February 15, 2007

² Policy 922 (Batch 137), approved January 18, 2007