

## Summary of Changes Approved October 2006 through March 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 March 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	#
<b>Chapter 4: School Participation</b>			
<p>4.1.A Establishing Eligibility</p> <p>4.1.C Maintaining Eligibility</p>	<p>Clarifies that, in order to establish or maintain eligibility, schools must submit requests for approval to participate in the Title IV programs and report changes to its current participation agreement to the Department electronically, using the Application for Approval to Participate in Federal Student Financial Aid Programs (E-App).</p>	<p>Applications for recertification, reinstatement, or changes in ownership submitted by the school on or after the publication date of the 1998-1999 <i>Federal Student Aid Handbook</i>. Applications for reporting changes to a current approval submitted by the school on or after the publication date of the 1999-2000 <i>Federal Student Aid Handbook</i>. Applications for initial certification submitted by the school on or after the publication date of the 2000-2001 <i>Federal Student Aid Handbook</i>.</p>	<p>903/134</p>
<p>4.2.B Financial Aid Administrator Training</p>	<p>This policy adds information about the FSA administration training requirement for schools. To participate in any Title IV program, a school is required to send at least two representatives to the Department of Education's Fundamentals of Title IV Administration Training workshop. Also, if a school changes ownership, structure, or governance, the school representatives must attend the training.</p>	<p>Retroactive to the implementation of the <i>Common Manual</i>.</p>	<p>919/137</p>
<p>4.3.A General School Financial Responsibility Requirements</p>	<p>Revised policy includes information about the Department's requirement that schools use the eZ-Audit, for the submission of financial statements and compliance audits, and copies of the A -133 reports.</p>	<p>Audited financial statements and compliance audits submitted by a school on or after June 16, 2003.</p>	<p>920/137</p>
<b>Chapter 5: Borrower Eligibility</b>			
<p>5.2.D Prior Overpayment</p>	<p>Revised policy clarifies that if the return of Title IV funds calculation for a withdrawn student shows that the student owes an original grant overpayment amount of \$50 or less, the student remains eligible to receive Title IV, HEA program assistance. Revised policy also clarifies that this \$50 "de minimus" amount is applied on a program-by-program basis.</p> <p>Finally, the ACG, SMART Grant, and Grad PLUS programs are included in the order in which unearned funds must be returned to Title IV programs.</p>	<p>Withdrawals that occur on or after July 1, 2006.</p>	<p>929/139</p>

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
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
<b>Chapter 6: School Certification</b>			
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
6.15.C PLUS Loan Certification	Revised policy adds that if the school participates in both FFEL and Direct Loan Programs, the school must determine the student's maximum Stafford loan eligibility under the program in which the school is participating for Stafford loan purposes.	Loans certified by the school on or after December 1, 2006.	930/139

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<b>Chapter 7: Loan Origination</b>			
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
<b>Chapter 8: Loan Delivery</b>			
8.2.B School Notice of Credit to Student Account	Revised policy provides additional information about a school's time frame for providing a post-withdrawal disbursement confirmation notice to a student or parent borrower, the content of that notice, the time frame for the borrower's timely response to the notice, and the actions a school must take based on the borrower's timely or untimely response.	For post-withdrawal disbursement confirmations, withdrawals that occur on or after September 8, 2006.  For aid types to be included in the return of Title IV funds calculation, withdrawals that occur on or after July 1, 2006.	931/139
8.7.E Late Delivery	Revised policy clarifies that a school <i>must</i> offer a late delivery of Stafford or PLUS loan funds the student or parent borrower was eligible to receive while the student was still enrolled during a payment period or period of enrollment that the student successfully completed, but <i>may</i> offer a late delivery of Stafford or PLUS loan funds to the student or parent borrower if the student drops to less than half-time enrollment but does not withdraw.  Revised policy also deletes the requirement for the school to contact the borrower, obtain confirmation that the borrower still requires the loan funds, and explain the borrower's obligation to repay any loan funds that the school delivers late.	Late delivery of FFELP loan proceeds by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may have implemented these provisions no earlier than November 1, 2002.	935/139
<b>Chapter 9: School Reporting Responsibilities and the Return of Title IV Funds</b>			
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
9.5.A Return Amounts for Title IV Grant and Loan Programs	Revised policy provides additional information about a school's time frame for providing a post-withdrawal disbursement confirmation notice to a student or parent borrower, the content of that notice, the time frame for the borrower's timely response to the notice, and the actions a school must take based on the borrower's timely or untimely response.	For post-withdrawal disbursement confirmations, withdrawals that occur on or after September 8, 2006.  For aid types to be included in the return of Title IV funds calculation, withdrawals that occur on or after July 1, 2006.	931/139

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
9.5.A Return Amounts for Title IV Grant and Loan Programs 9.5.B Processing Returned Funds	<p>Revised policy clarifies that if the return of Title IV funds calculation for a withdrawn student shows that the student owes an original grant overpayment amount of \$50 or less, the student remains eligible to receive Title IV, HEA program assistance. Revised policy also clarifies that this \$50 "de minimus" amount is applied on a program-by-program basis.</p> <p>Subsection 9.5.B has been updated with the 45-day deadline for a school's timely return of unearned FFELP funds, and clarifies that if funds are returned by check, the check must be endorsed by the lender's bank no more than 60 days after the date the school determined that the student withdrew.</p> <p>Finally, the ACG, SMART Grant, and Grad PLUS programs are included in the order in which unearned funds must be returned to Title IV programs.</p>	Withdrawals that occur on or after July 1, 2006.	929/139
<b>Chapter 10: Loan Servicing</b>			
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
<b>Chapter 11: Deferment and Forbearance</b>			
11.1.A General Deferment Eligibility Criteria	Revised policy describes a comaker, in the context of a Consolidation loan, as one of two married individuals who jointly borrowed a Federal Consolidation loan made from an application received by the consolidating lender prior to July 1, 2006.	Consolidation loan applications received by the lender on or after July 1, 2006.	936/139
Figure 11-1 Deferment Eligibility Chart	Revised policy updates the Deferment Eligibility Chart, Figure 11-1 with the military deferment which is available to cover a borrower's loan(s) that is first disbursed on or after July 1, 2001. In addition, the chart has been revised to indicate that all deferments are borrower-based, except for the military deferment that is loan-based.	Military deferments granted on or after July 1, 2006, for loans for which the first disbursement is made on or after July 1, 2001.	937/139

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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
11.19.B Documentation Required for Authorized Forbearance	Revised policy adds the requirement that the lender must send a notice confirming the terms of a forbearance agreement to the borrower within 30 days of when the verbal agreement was made between the lender and the borrower.	Borrower requests processed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may have implemented this provision no earlier than November 1, 2002.	932/139
<b>Chapter 12: Due Diligence in Collecting Loans</b>			
Introduction	Revised policy describes a comaker, in the context of a Consolidation loan, as one of two married individuals who jointly borrowed a Federal Consolidation loan made from an application received by the consolidating lender prior to July 1, 2006.	Consolidation loan applications received by the lender on or after July 1, 2006.	936/139
<b>Chapter 13: Claim Filing, Discharge, and Forgiveness</b>			
13.1.A Claim Filing Requirements	Revised policy adds a statement that bankruptcy claims filed by exceptional performers are subject to a review of the lender's compliance with standard bankruptcy policies and requirements. The lender's failure to comply with those requirements may result in the guarantor's return of the bankruptcy claim to the lender, or, if the claim has been purchased, the lender's repurchase of the loan(s).	Bankruptcy notifications received by the lender on or after July 1, 2007, unless implemented earlier by the guarantor.	914/136
13.2 Claim Returns	Revised policy adds that a guarantor may not return a claim due to errors in repayment conversion, due diligence, or timely filing for a lender or lender servicer designated as an exceptional performer. However, if the lender is unable to provide a complete claim or if the loan is otherwise ineligible for claim payment (such as ineligibility for claim payment due to a previous, unresolved loss of loan guarantee) the claim file must be returned despite the lender's or servicer's exceptional performer designation.	Claims filed by exceptional performer lenders and lender servicers on or after March 2004.	912/136
13.3 Claim Purchase or Discharge Payment	Revised policy creates consistency between two pieces of text and inserts text to acknowledge the various ways in which a borrower may be determined eligible for false certification loan discharge.	Retroactive to the implementation of the <i>Common Manual</i> .	915/136

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
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 Discharge	Revised policy describes a comaker, in the context of a Consolidation loan, as one of two married individuals who jointly borrowed a Federal Consolidation loan made from an application received by the consolidating lender prior to July 1, 2006.	Consolidation loan applications received by the lender on or after July 1, 2006.	936/139
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 an eligible borrower may combine eligible periods of teaching service at an eligible elementary school with teaching service at an eligible secondary school, and that the aggregate service at the two types of schools may qualify the borrower for loan forgiveness.	Teacher loan forgiveness determinations made by the lender on or after October 30, 2004.	933/139
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

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<b>Chapter 15: Federal Consolidation Loans</b>			
15.2 Borrower Eligibility and Underlying Loan Holder Requirements	Revised policy clarifies that a borrower who has either a Federal or Direct Consolidation loan may obtain a subsequent Federal or Direct Consolidation loan if the borrower is consolidating an existing Consolidation loan with at least one other eligible loan, including another eligible Consolidation loan.	Consolidation applications received on or after December 1, 2006, unless implemented earlier by the guarantor.	934/139
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
<b>Chapter 16: Cohort Default Rates and Appeals</b>			
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
16.2 Calculation of Cohort Default Rates	Revised policy clarifies that the cohort for a fiscal year consists of all former students who, during that fiscal year, entered repayment on any Federal Stafford loan, Federal SLS loan, or Direct Stafford loan that they received, or on the portion of a loan made under the Federal Consolidation Loan Program or the Federal Direct Consolidation Program that is used to repay those loans.	Retroactive to the implementation of the <i>Common Manual</i> .	938/139
<b>Appendix B: PLUS/SLS Refinancing</b>			
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

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<b>Appendix G: Glossary</b>			
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>	<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.</p>	925/138
Cohort Default Rate	<p>Revised policy clarifies that the cohort for a fiscal year consists of all former students who, during that fiscal year, entered repayment on any Federal Stafford loan, Federal SLS loan, or Direct Stafford loan that they received, or on the portion of a loan made under the Federal Consolidation Loan Program or the Federal Direct Consolidation Program that is used to repay those loans.</p>	<p>Retroactive to the implementation of the <i>Common Manual</i>.</p>	938/139
Comaker	<p>Revised policy describes a comaker, in the context of a Consolidation loan, as one of two married individuals who jointly borrowed a Federal Consolidation loan made from an application received by the consolidating lender prior to July 1, 2006.</p>	<p>Consolidation loan applications received by the lender on or after July 1, 2006.</p>	936/139
Default	<p>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.</p>	<p>Retroactive to the implementation of the <i>Common Manual</i>.</p>	918/136
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. 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

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

## 5.2.D Prior Overpayment

A borrower is ineligible for a FFELP loan if he or she is liable for an overpayment to any Title IV program. By certifying a Stafford or PLUS loan, a school certifies that the student borrower—or the parent and dependent student, in the case of a **parent PLUS loan**—does not, to its knowledge, owe an grant overpayment with an original balance of more than \$50 to a grant program resulting from a return of Title IV funds calculation, or of \$25 or more under the Federal Perkins Loan Program or under a Title IV grant program that resulted from a circumstance other than a return of Title IV funds calculation. The less than \$25 tolerance does not apply to the remaining balance of an original overpayment amount of \$25 or more that is has been reduced by payments received to less than \$25 the applicable tolerance amount based on payments received. In this case, even though the remaining balance of the original overpayment is less than \$25 the applicable tolerance amount, the borrower is responsible for repaying the overpayment in full or making satisfactory arrangements to repay it before the borrower can regain Title IV eligibility.

[§668.22(h)(3)(ii)(B); §668.32(g)(4); §668.35(e)(3)]

A school must not certify a loan for a borrower who owes an grant overpayment for which the original balance exceeded the applicable tolerance amount of \$25 or more unless one of the following occurs:<sup>1</sup>

- The school makes an adjustment to correct the overpayment in the same award year.
- The borrower repays the overpayment in full. [§668.35(e)(1)]
- The borrower makes satisfactory arrangements with the school or the Department for the repayment of the overpayment. [§668.35(e)(2)]

The school must retain documentation that clearly substantiates its determination that any overpayment has been resolved. Documentation stating that the reporting entity has “no record” of the student’s overpayment is not considered adequate.

[DPL GEN-00-18]

## 5.2.E Prior Default

A prospective Stafford or PLUS loan borrower is ineligible for a FFELP loan if he or she, or the student for whom a parent borrower is seeking a PLUS loan, has an outstanding, unresolved default on any Title IV loan (a FFELP loan, FDLP loan, Federal Perkins loan, or Federal Insured Student Loan) obtained for attendance at any school.

In determining whether the student or parent borrower has ever defaulted on any Title IV loan, a school may rely on the information provided by the student or parent borrower during the loan process and on National Student Loan Data System (NSLDS) financial aid history information, unless the school receives conflicting information. The school must reconcile all conflicting information before delivering any funds, and must retain documentation that clearly substantiates its determination that the student or parent borrower’s prior default was resolved. Documentation stating that the reporting entity has “no record” of the student or parent borrower’s default is not considered adequate.

[§668.19; DCL GEN-96-13; DPL GEN-00-12; DPL GEN-00-18]

A student or parent borrower who has defaulted on any Title IV loan is eligible for a new FFELP loan only if each defaulted loan has been resolved. A defaulted FFELP loan may be resolved in one of the following ways:

- The defaulted loan has been paid in full. [§668.35(a)(1)]
- The defaulted loan has been **discharged** or determined to be dischargeable in a **bankruptcy** action. [§668.35(h)]
- The borrower’s eligibility for Title IV **funds** has been reinstated as a result of the borrower making satisfactory repayment arrangements with the loan holder (see “Reinstatement of Title IV Eligibility after Default” later in this subsection). [§668.35(a)(2)]
- The defaulted loan has been rehabilitated as a result of the borrower making nine voluntary, on-time, full monthly payments of a reasonable and affordable amount, during a period of 10 consecutive months, and each loan has been purchased by a **lender**. For more information on loan **rehabilitation**, see **section 13.7**. [HEA 428F(a)(1)(A); §682.405(a)(2)]

<sup>1</sup> Policy 929 (Batch 139), approved March 15, 2007

The school must document in the student's file the reason it did not certify a Stafford loan.

[HEA 428(b)(1)(A) and (B); §682.201(a)(1) and (2)]

## 6.15.C PLUS Loan Certification

PLUS loans are available both to parent borrowers who wish to borrow on behalf of their dependent undergraduate students, and to graduate and professional student borrowers. A school that participates in the Federal PLUS Loan Program and offers both undergraduate and graduate or professional programs must offer PLUS loans both to parents and to the school's graduate and professional students. Schools are not permitted to exclude either category of borrower from participation in the Federal PLUS Loan Program.

[DCL FP-06-05]

### Parent Borrowers

A school may certify a [parent PLUS loan](#) only if both the parent borrower and the student for whom the loan is being obtained meet the eligibility criteria outlined in [subsection 5.1.A](#). In addition, the student must meet the eligibility criteria outlined in [subsection 5.1.B](#) and the parent borrower must meet the eligibility criteria outlined in [subsection 5.1.C](#).

A school determines a parent borrower's maximum eligibility for a parent PLUS loan by subtracting from the [cost of attendance \(COA\)](#) the estimated financial assistance (EFA) that both the student, and the parent on behalf of the student, are expected to receive for the [loan period](#).

A school is not required to perform [need analysis](#) to determine a parent's eligibility for a PLUS loan. Likewise, a school is not required to determine a student's eligibility for a Pell grant or a subsidized or unsubsidized Stafford loan prior to certifying a parent PLUS loan or disbursing parent PLUS loan funds. A parent may choose to borrow the entire amount of the COA minus the EFA for an eligible dependent student regardless of whether the student is eligible to receive other Title IV aid—including a [Pell grant](#), a subsidized Stafford loan, or an unsubsidized Stafford loan. However, if the student is seeking such aid, the school must include that aid in the EFA when determining the parent's PLUS loan eligibility. [2006-2007 *Federal Student Aid Handbook*, Volume 3, Chapter 6, p. 3-78]

## Graduate and Professional Student Borrowers

A school may certify a [Grad PLUS loan](#) for a graduate or professional student only if the student meets the eligibility criteria for both a student and a PLUS loan borrower. These eligibility criteria are outlined in [subsections 5.1.A, 5.1.B, and 5.1.C](#).

A school determines a student borrower's maximum eligibility for a Grad PLUS loan by subtracting from the cost of attendance (COA) the estimated financial assistance (EFA) that the student is expected to receive for the loan period.

Before applying for a Grad PLUS loan, a student is required to submit a completed Free Application for Federal Student Aid (FAFSA) and the school is required to determine the student's maximum eligibility for subsidized and unsubsidized Stafford loan funds in the program (FFELP or Direct) in which the school is participating for Stafford loan purposes. However, the student may decline the Stafford loan funds and the school may not require the student to accept Stafford loan funds as a condition of applying for a Grad PLUS loan.

[§682.201(b)(3); DCL GEN-06-02/FP-06-01; DCL FP-06-05]<sup>1</sup>

## 6.15.D Additional Unsubsidized Stafford Loan Certification

If a [dependent student's parent](#) is unable to obtain a PLUS loan at a school that participates in the PLUS Loan Program due to exceptional circumstances documented by the financial aid administrator (FAA)—such as adverse credit history, incarceration, parental whereabouts unknown, or family income limited to public assistance or disability benefits—and the student's family is otherwise unable to provide the [expected family contribution \(EFC\)](#), the school may certify additional unsubsidized Stafford loan funds for the student not to exceed the student's maximum additional unsubsidized Stafford loan limit. See [Figure 6-4](#).

Other exceptional circumstances—if properly documented—that an FAA may use to certify additional unsubsidized Stafford loan funds for an otherwise eligible dependent student may include, but are not limited to:

<sup>1</sup> Policy 930 (Batch 139), approved March 15, 2007

## 8.2 Required Notices

The school is required to provide certain notices to the borrower, or in the case of a [parent PLUS loan](#), to the borrower and the dependent student, regarding certain aspects of the loan process and characteristics of the loans themselves. The timing of these notices is generally prescribed in regulation to coincide with specific events related to loan delivery.

### 8.2.A Initial Notice of Funds

Prior to delivering any [Title IV funds](#) to the student or [parent borrower](#), the school is required to send a notice to the student providing information about the amount of funds that the student or his or her parent can expect to receive under each Title IV program. Regulations require this notice (i.e., award letter) to be sent only to the student. The notice must include:

- The amount of proceeds the student or his or her parent can expect to receive for each loan type. For Stafford loans made using a [Master Promissory Note \(MPN\)](#), the school's award letter may include proposed loan amounts and loan types. It may also include instructions to the borrower either to accept the aid offered by responding to the school or to take action only if requesting a cancellation or reduction of the loan amount offered (see [subsection 8.2.D](#) for Notification and Confirmation requirements).
- When the proceeds will be delivered and by what method.
- Which proceeds are from subsidized and unsubsidized Stafford loans, PLUS loans, and other Title IV programs.  
[§668.165(a)(1); DCL GEN-98-25; DCL GEN-99-9]

## 8.2.B School Notice of Credit to Student Account

Except in the case of a post-withdrawal disbursement made as a result of the return of Title IV funds calculation, (see [subsection 9.5.A](#)), ~~(The school must notify the student or parent borrower if the school credits a student's school account with Stafford or PLUS loan proceeds to~~ outstanding school charges. This notice must be issued no earlier than 30 days before and no later than 30 days after the school credits the student's account. The notice may be written or electronically transmitted and must include: [\[§668.165\(a\)\(2\)\]](#)<sup>1</sup>

- The date and amount of the [disbursement](#).  
[§668.165(a)(2)(i)]
- For proceeds disbursed by [EFT](#) or [master check](#), a statement explaining the student or parent borrower's right to cancel all or a portion of the loan or loan disbursement and have the proceeds returned to the [lender](#).  
[§668.165(a)(2)(ii)]
- The method and date by which the student or parent borrower must notify the school that he or she wishes to cancel all or a portion of the loan or loan disbursement.  
[§668.165(a)(2)(iii)]

### 8.2.C Borrower Notice to Cancel Loan

A student or parent borrower must inform the school if he or she wishes to cancel all or a portion of a loan or loan disbursement. The school must return the loan proceeds, cancel all or a portion of the loan or loan disbursement as applicable, or do both if the school receives a [cancellation](#) request in either of the following time frames:  
[§668.165(a)(4)]

- Within 14 days after the date the school sends the notification advising the student or parent borrower the school has credited the student's account at the school.  
[§668.165(a)(4)(ii)(A)]
- By the first day of the [payment period](#), if the school sends the notification more than 14 days prior to the first day of the payment period.  
[§668.165(a)(4)(ii)(B)]

<sup>1</sup>. Policy 931 (Batch 139), approved March 15, 2007

## 8.7.E Late Delivery

After the end of the loan period or the date on which a student ceases to be enrolled at least half time, a student borrower, or in the case of a parent PLUS loan, a parent borrower, may be eligible to receive a late delivery of Stafford or PLUS loan funds, provided certain conditions are met (see subheading “Conditions for Late Delivery” later in this subsection).

A school may deliver must offer a late delivery of Stafford or PLUS loan funds to a that the student or parent borrower was eligible to receive while the student was still enrolled during a payment period or period of enrollment that the student successfully completed, after the end of the loan period or the date on which the student ceased to be enrolled at least half time, provided that: The school may credit the student’s account to pay for current and allowable charges as described in section 8.7, but must pay or offer any remaining amount to the borrower.

[\[§668.164\(g\)\(3\)\(ii\)\]](#)

If a student ceases to be enrolled at least half time but does not withdraw, a school may, but is not required to, offer a late delivery of Stafford or PLUS loan funds to the student or parent borrower to pay for educational costs the student incurred for the period in which the student was eligible.

[\[§668.164\(g\)\(3\)\(iii\)\]](#)

### Conditions for Late Delivery

Before making a late delivery of Stafford or PLUS loan funds, a school must ensure that:

- The school certified the loan before the earlier of the end of the loan period or the date on which the student ceased to be enrolled at least half time.  
[\[§668.164\(g\)\(2\)\(ii\); §682.207\(f\)\(1\)\]](#)
- Except in the case of a parent PLUS loan, the Department processed a Student Aid Report (SAR) or an Institutional Student Information Record (ISIR) with an official expected family contribution (EFC) before the date the student became ineligible.  
[\[§668.164\(g\)\(2\)\(i\)\]](#)
- ~~Prior to delivering the disbursement, the school contacted the borrower and obtained confirmation that the borrower still required the loan funds. In making this contact, the school must explain the borrower’s obligation to repay any loan funds that the school delivers. The school must document in the student’s file the result of the contact and the final determination~~

~~made concerning the late disbursement.  
[HEA 484B(a)(4)(A); DCL GEN 06-05]~~

- In the case of a first-year, first-time borrower whose loan is subject to delayed delivery (see subsection 8.7.D), the student completed the first 30 days of his or her program of study.  
[\[§668.164\(g\)\(4\)\(iii\); §682.207\(f\)\(2\)\]](#)
- In the case of a second or subsequent disbursement, the student graduated or successfully completed the period of enrollment for which the loan was intended. ~~In this circumstance, the school must offer the borrower the amount of Stafford or PLUS funds the student (or parent) was eligible to receive while the student was enrolled at the school. The school may credit the student’s account to pay for current and allowable charges as described in section 8.7, but must pay or offer any remaining amount to the student or, in the case of a parent PLUS loan, to the parent.~~  
[\[§668.164\(g\)\(4\)\(ii\); §682.207\(f\)\(3\)\]](#)
- The loan funds will only be used to pay educational costs that the school determines the student incurred for the period in which the student was enrolled and eligible.
- The school delivers the funds no later than 120 days after the school determines the student withdrew (for additional information on post-withdrawal disbursements, see subsection 9.5.A; for additional information on required notices, see subsection 8.2.E), or, if the student did not withdraw, 120 days after the earlier of the end of the loan period or the date on which the student ceased to be enrolled at least half time.  
[\[§668.164\(g\)\(4\)\(i\)\]](#)

On an exception basis, and with the approval of the Department, the school may make a late delivery of loan funds after the applicable 120-day period, if the reason the late delivery was not made within the 120-day period ~~was is~~ not the fault of the student.  
[\[§668.164\(g\)\(4\)\(i\)\]](#)

—The borrower is not required to sign the Master Promissory Note (MPN) prior to the end of the loan period or the date on which the student ceased to be enrolled at least half time (or lost eligibility for a reason other than a withdrawal) to be eligible for a late delivery of Stafford or PLUS loan funds, as applicable. However, the borrower must sign the MPN before a lender may make a late disbursement.

[\[DCL GEN-05-16\]<sup>1</sup>](#)

<sup>1</sup> Policy 935 (Batch 139), approved March 15, 2007

### Aid That Could Have Been Disbursed

Title IV aid that could have been disbursed includes aid the school awarded to the student for the payment period or period of enrollment, but was not credited to the student's account or delivered to the student as of the date the school became aware the student withdrew. The student is required to have met all eligibility requirements for each applicable Title IV program in order for the Title IV aid for that program to be included as aid that could have been disbursed.

[2006-2007 *Federal Student Aid Handbook*, Volume 5, Chapter 2, pp. 5-49 to 5-50]

The school may include FFELP funds as aid that could have been disbursed in its [return of Title IV funds](#) calculation even if the school was prohibited from delivering the funds on or before the day that the student withdrew. This includes loan funds for a first-year, first-time undergraduate Stafford loan borrower who withdraws before completing the 30th day of his or her [program of study](#). However, in all cases, the following conditions for making a [late disbursement](#) must be met in order for the school to include FFELP funds as aid that could have been disbursed in the return of Title IV funds calculation:

- Except in the case of a [parent PLUS loan](#), the Department processed a valid [Student Aid Report \(SAR\)](#) or [Institutional Student Information Record \(ISIR\)](#) with an official [expected family contribution \(EFC\)](#) on or before the date of the student's withdrawal.
- The school certified the loan on or before the date of the student's withdrawal.
- The borrower signed the Master Promissory Note (MPN) prior to the date the school completes the return of Title IV funds calculation.  
[DCL GEN-05-16]

If a school is completing the return of Title IV funds calculation on a [payment period](#) basis, FFELP funds scheduled for disbursement in a subsequent payment period may not be included as aid that could have been disbursed.  
[DCL GEN-04-03]

A school may be prohibited under late delivery provisions from making a [post-withdrawal disbursement](#) of FFELP funds even if the funds are included as aid that could have been disbursed in the return of Title IV funds calculation. Before making a post-withdrawal disbursement of FFELP funds, the school must determine that the borrower is eligible for a late delivery under the provisions in

[subsection 8.7.E](#). (See also [subsection 7.7.G](#) for the late disbursement provisions applicable to lenders.)  
[§668.164(g); DCL GEN 00-24; DCL GEN-04-03; 2006-2007 *Federal Student Aid Handbook*, Volume 5, Chapter 2, p. 5-50]

#### *Inadvertent Overpayments*

An inadvertent overpayment exists when a school delivers Title IV funds to a student who is no longer in attendance. For purposes of completing a return of Title IV funds calculation, an inadvertent overpayment must be included as aid that could have been disbursed. The student must qualify for a late disbursement to be eligible to retain funds that were delivered as an inadvertent overpayment. If the student is ineligible for all or a portion of the inadvertent overpayment, the school must return the ineligible amount to the lender within 45 days of the date of the school's determination that the student withdrew.

[HEA 484B(b)(1); DCL GEN-06-05; DCL GEN-04-03; 2006-2007 *Federal Student Aid Handbook*, Volume 5, Chapter 2, p. 5-52]

### Aid Types to Be Included in the Return Calculations

When calculating the return of Title IV funds, the school must include the following Title IV funds, as applicable:

- [Federal Perkins Loan](#)
- [Direct Loan](#)
- [FFELP](#)
- [Federal Pell Grant](#)
- [Academic Competitiveness Grant](#)
- [National SMART Grant](#)
- [FSEOG \(not including the nonfederal share of an FSEOG award if the school meets its matching share by the individual recipient method or the aggregate method\).](#)

[§668.22(a)(2)]<sup>1</sup>

<sup>1</sup> Policy 931 (Batch 139), approved March 15, 2007

### Aid Types to Be Excluded from the Return Calculations

When calculating the return of Title IV funds, the school must exclude amounts from the following Title IV programs, as applicable:

- Federal Work-Study.
- Leveraging Educational Assistance Partnership (LEAP).
- Special Leveraging Educational Assistance Partnership (SLEAP).
- Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP).
- Student Support Services (SSS).
- The nonfederal share of an FSEOG award if the school meets its matching share by the individual recipient method or the aggregate method.

[HEA 484B(a)(3)(C)(i); §668.22(a); DCL GEN-06-05]

### Percentage of Title IV Aid Earned

The percentage of Title IV loan and grant aid earned by the student is equal to the percentage of the payment period or period of enrollment that the student completed as of the date of the student's withdrawal. (See the explanation of this calculation under the subheading "Determining the Percentage of the Payment Period/Period of Enrollment Completed" earlier in this subsection.) ~~The percentage of the period completed is determined as follows:~~

- ~~• In a term-based or non-term-based program that is measured in credit hours, by dividing the number of calendar days completed (as of the day the student withdrew) in the payment period or period of enrollment for which assistance is awarded by the total number of calendar days in that same period.~~
- ~~• In a program that is measured in clock hours, by dividing the total number of clock hours scheduled to be completed (as of the day the student withdrew) in the payment period or period of enrollment for which assistance is awarded by the total number of clock hours in that same period. For more information on withdrawal dates, see section 9.4.~~

~~If the student completes more than 60% of the payment period or period of enrollment for which aid is awarded, the student is considered to have earned 100% of the aid awarded.~~

~~[HEA 484B; §668.22(e)(2)(i)(B); DCL GEN-06-05; 2006-2007 Federal Student Aid Handbook, Volume 5, Chapter 2, pp. 5-70 to 5-72]<sup>1</sup>~~

### Amount of Title IV Aid Earned by the Student

The amount of **Title IV** loan and grant aid earned by the student equals the amount of aid that was delivered to the student plus the amount of aid that could have been disbursed or delivered during the **payment period** or **period of enrollment**, multiplied by the calculated percentage of Title IV aid earned.

$$\text{Percentage of Title IV aid earned} \times (\text{Total Title IV aid delivered} + \text{total Title IV aid that could have been disbursed or delivered}) = \text{Title IV aid earned}$$

[2006-2007 *Federal Student Aid Handbook*, Volume 5, Chapter 2, p. 5-73]

### Determining the Amount of Unearned Aid to be Returned

If the total amount of disbursed aid is greater than the amount of Title IV aid earned by the student, the amount of Title IV loan and grant aid that is unearned and must be returned is calculated as follows:

$$\text{Total Title IV disbursed aid} - \text{Title IV aid earned} = \text{Title IV loan and grant aid to be returned}$$

Monetary amounts may be rounded normally, to the nearest cent. Return amounts, for both the school and the student, may be rounded to the nearest dollar.

When calculating the amount of loan funds to be returned to the lender, the school should use the net amount that was received from the lender (the gross amount minus the **guarantee** and **origination fees**) as the basis. The lender will adjust the guarantee and origination fees.

<sup>1</sup> Policy 931 (Batch 139), approved March 15, 2007

*Aid to Be Returned by the School*

The school is responsible for returning ~~must return the~~ portion of unearned Title IV aid for which the school is responsible. The amount the school must return is the lesser of the following amounts to applicable Title IV programs:

- The total amount of unearned aid.
- The amount that is equal to the total institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of unearned aid. The percentage of unearned aid is calculated by subtracting the percentage of funds earned from 100%.  
[2006-2007 *Federal Student Aid Handbook, Volume 5, Chapter 2, p. 5-80*]

*Institutional Charges*

The charges incurred by the student may include tuition, fees, room and board, and other educationally related charges assessed by the school.

The institutional charges used in the [return of Title IV funds](#) calculation are always the institutional charges that were initially assessed the student for the payment period or period of enrollment, unless the school adjusted the student's institutional charges before the student withdrew (e.g., tuition was adjusted for a change in enrollment status).

[§668.22(g)(1)(ii) and (2)]

If the school waives all or some of the tuition and fees for certain students, the waiver of tuition and fees under the return of Title IV funds requirements must be consistent with the required treatment of the waiver for purposes of calculating the student's [cost of attendance \(COA\)](#) for Title IV purposes. (See [section 6.5](#))  
[DCL GEN-00-24]

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

The school should calculate the [return of Title IV funds](#) based upon the period for which it is charging. If a school chooses to calculate the amount of Title IV assistance on a payment period basis, for a non-term program or for a nonstandard term program, but the school charges for a period of enrollment longer than the payment period, the total charges incurred by the student are the greater of the following:

- The prorated amount of charges for the longer period.

- The amount of Title IV aid retained for charges as of the student's withdrawal date.

~~A school must return to the appropriate program its share of Title IV funds. The amount that must be returned is the lesser of:~~

- ~~• The amount of Title IV funds that the student did not earn.~~
- ~~• The amount of institutional charges incurred by the student for the payment period or period of enrollment multiplied by the percentage of funds not earned. (This amount is calculated by subtracting the percentage of funds earned from 100%.)~~

*Aid Delivered to a Student before Institutional Charges Are Paid*

School policy may result in Title IV funds being delivered to a student to assist him or her with living expenses with the expectation that institutional charges will be covered in a second or subsequent [disbursement](#) of Title IV aid. However, if the student withdraws before the school receives the second or subsequent disbursement, and the [return of Title IV funds](#) calculation indicates that the school must return funds, the school is still required to return the funds to the appropriate Title IV loan or grant program.  
[§668.22(g); 2006-2007 *Federal Student Aid Handbook, Volume 5, Chapter 2, p. 5-80*]

*Aid to Be Returned by the Student*<sup>1</sup>

If the amount of unearned aid exceeds what the school must return, the student is responsible for returning unearned Title IV loan and grant aid. If there are unearned loan funds that must be repaid to a Title IV loan program, the student (or parent, in the case of a [parent PLUS loan](#)) returns those funds by normal repayment of the loan according to the terms and conditions of the promissory note. If there are unearned grant funds that must be repaid to a Title IV grant program, the student is obligated to return the grant overpayment amount that exceeds 50% of the total Title IV grant funds that the student received for the payment period or period of enrollment. The student is not required to return a grant overpayment for which the original balance was ~~of \$50 or less. The \$50 tolerance applies on a program-by-program basis.~~<sup>2</sup>

[HEA 484B(b)(2); §668.22(h); DCL GEN-06-05]

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

<sup>1</sup> Policy 931 (Batch 139), approved March 15, 2007

<sup>2</sup> Policy 929 (Batch 139), approved March 15, 2007

## Death of a Student

If a student dies during the loan period, the school must perform a return of Title IV funds calculation and must return all Title IV funds for which it is responsible. However, the student's estate is not responsible for returning any unearned funds that would be the responsibility of the student to repay. A school may not under any circumstances make a late disbursement or a post-withdrawal disbursement of Title IV funds on behalf of a student who has died.

[2006-2007 *Federal Student Aid Handbook, Volume 5, Chapter 2, p. 5-79*]

## Post-Withdrawal Disbursements

A post-withdrawal disbursement is a disbursement made to a student who has withdrawn but who has earned more aid than has been disbursed. If the student ~~has earned more Title IV aid than has been disbursed and is otherwise eligible to receive a post-withdrawal disbursement of funds,~~ the school must offer to deliver a post-withdrawal disbursement to the student (or parent, in the case of a parent PLUS loan). Neither the school nor the student is required to return funds when the student is eligible to receive a post-withdrawal disbursement. ~~If the post-withdrawal disbursement is composed of loan funds, prior to delivering the disbursement, the school must contact the borrower and obtain confirmation that the borrower still requires the loan funds. In making this contact, the school must explain the borrower's obligation to repay any loan funds that the school delivers. The school must document in the student's file the result of the contact and the final determination made concerning the post-withdrawal disbursement.~~

[§668.22(a)(4)]

~~No return of funds is required when the student is eligible to receive a post-withdrawal disbursement. The school may credit all or a portion of the post-withdrawal disbursement to the student's account, up to the amount of outstanding authorized charges. To assist schools, the Department has provided a Post-Withdrawal Disbursement Tracking Sheet. [HEA 484B(a)(4)(A); §668.22(a)(3) and (4)(i)(A); DCL GEN 06-05]~~

A post-withdrawal disbursement is different from a late disbursement (as described in [subsection 7.7.G](#)) in the following ways:

- A late disbursement may be made if a student ceases to be enrolled at least half time but has not withdrawn. A post-withdrawal disbursement must be offered and, if accepted, must be made after an eligible student

withdraws from all classes for the payment period or period of enrollment, as applicable.

[§668.164(g)(3)(i), (ii), and (iii)]

- ~~A~~ The post-withdrawal disbursement must be made from exhaust available Title IV grant funds before utilizing available loan funds. A late disbursement has no such requirement.  
[§668.22(a)(5)(i)]
- A late disbursement must be delivered within 120 days from the earlier of the end of the loan period or the date on which the student ceased to be enrolled at least half time. The 120-day period for the school to ~~disburse~~ deliver the post-withdrawal disbursement is calculated from the date of the school's *determination* that the student withdrew ~~rather than from the student's withdrawal date.~~  
[§668.164(g)(4)]

### Post-Withdrawal Disbursement of Loan Funds

If the post-withdrawal disbursement includes ~~Before delivering a post-withdrawal disbursement of loan funds,~~ the school must first determine that the borrower is eligible for a late delivery under the provisions in [subsection 8.7.E](#). (See also [subsection 7.7.G](#) for the late disbursement provisions applicable to lenders.) A student may receive all or a portion of an ~~initial~~ disbursement as a post-withdrawal disbursement provided that all of the following conditions are met:

- The student is not a first-year, first-time undergraduate Stafford loan borrower subject to delayed delivery requirements who withdrew prior to the completion of the first 30 days of his or her program of study.
- Except in the case of a parent PLUS loan, the Department processed a valid SAR or ISIR with an official EFC on or before the date of the student's withdrawal.
- The school certified the loan on or before the date of the student's withdrawal.  
[DCL GEN-04-03]
- The borrower signed the Master Promissory Note (MPN) for the loan subject to return of Title IV funds prior to the date the return of Title IV funds calculation was completed.  
[DCL GEN-05-16]<sup>1</sup>

<sup>1</sup> Policy 931 (Batch 139), approved March 15, 2007

- The disbursement is not a second or subsequent FFELP loan disbursement, even if it was included in the return of Title IV funds calculation as aid that could have been disbursed.
- Within 30 days of the date of the school's determination that the student withdrew and prior to delivering the loan disbursement, the school must contact-notified the borrower in writing to: prior to delivering the disbursement and obtain confirmation that the borrower still requires the loan funds. In making this contact, the school must explain the borrower's obligation to repay any loan funds that the school delivers. The school must document in the student's file the result of the contact and the final determination concerning the post-withdrawal disbursement.  
[HEA 484B(a)(4)(A); DCL GEN 06-05]
- = Request confirmation for any post-withdrawal disbursement of loan funds that the school wishes to credit to outstanding school charges, identifying the type and amount of those loan funds and explaining that the borrower may accept or decline some or all of those funds.
- = Request confirmation for any post-withdrawal disbursement of loan funds that can be delivered directly to the borrower, identifying the type and amount of loan funds and explaining that the borrower may accept or decline some or all of those funds.
- = Explain that if the borrower does not confirm that loan funds may be applied to outstanding school charges, the borrower may not receive the direct delivery of any loan funds unless the school concurs.
- = Explain the obligation of the borrower to repay any loan funds he or she chooses to have applied to outstanding school charges or delivered directly to the borrower.
- = Explain that, if the borrower does not respond within 14 days of the date the notice was sent (or a later deadline set by school policy), the school will not deliver the loan funds, unless the school chooses to deliver the funds based on a late response.

The deadline for a borrower to accept a direct delivery of a post-withdrawal disbursement and the deadline to accept the delivery of a post-withdrawal disbursement to cover outstanding school charges must be the same. If the borrower submits a timely response that confirms that the loan funds may be credited to outstanding charges, or that he or she wishes to receive all or a portion of a direct delivery of funds, the school must deliver all loan funds, not only those used to pay school charges. If the borrower submits a late response, the school may deliver the funds as requested (provided the school delivers *all* of the funds accepted by the borrower), or the school may decline to deliver any funds. A post-withdrawal disbursement may not be delivered later than 120 days after the date of the school's determination that the student withdrew, unless an exception is granted by the Department. If the borrower submits a late response and the school opts *not* to deliver the post-withdrawal disbursement, the school must notify the borrower in writing of that decision. If the borrower does not respond to the notice of the availability of the post-withdrawal disbursement, no portion of the disbursement may be delivered. The school must document in the student's file the result of the post-withdrawal disbursement notification, and the final determination made concerning the disbursement.  
[§668.22(a)(5)(iii) and (iv); §668.164(g)(4)(i)]

- ~~The borrower signed the Master Promissory Note (MPN) prior to the date the return of Title IV funds calculation is completed.~~  
[DCL GEN 05-16]

A first-year, first-time undergraduate Stafford loan borrower who is subject to delayed delivery and withdraws before completing the 30th day of his or her program of study is prohibited from receiving any Stafford loan funds as a post-withdrawal disbursement even if the amount of the initial disbursement was included in the return of Title IV funds calculation as aid that could have been disbursed. In addition, when a student withdraws prior to completing the period for which the loan is intended, no portion of any second or subsequent FFELP loan disbursement may be delivered as a **post-withdrawal disbursement** even if the amount of the second or subsequent disbursement was included in the return of Title IV funds calculation as aid that could have been disbursed.

[DCL GEN 00-24; DCL GEN-04-03; 2006-2007 *Federal Student Aid Handbook*, Volume 5, Chapter 2, p. 5-98]<sup>1</sup>

<sup>1</sup> Policy 931 (Batch 139), approved March 15, 2007

After delivery of a post-withdrawal disbursement of funds, the school is *not* required to provide the notice to the borrower that is outlined in subsection 8.2.B.

[\\$668.165(a)(2)]

If any amount of a post-withdrawal disbursement remains after the student's charges are paid, the school must offer that amount to the borrower within 30 days of determining that the student withdrew. The school must provide a written notice to the borrower indicating the following:  
[\\$668.22(a)(4)(ii)(A)]

- ~~The type and amount of aid that has been credited to the student's account.~~  
[\\$668.22(a)(4)(ii)(A)(1)]
- ~~That the borrower has the right to cancel all or a portion of a post-withdrawal disbursement of loan funds.~~  
[\\$668.22(a)(4)(ii)(A)(2)]
- ~~The amount of the post-withdrawal disbursement(s) that will be applied to charges and the amount that will be provided to the student (or parent) as a credit balance, if applicable.~~  
[\\$668.22(a)(4)(ii)(A)(1)]
- ~~That the school may not make the post-withdrawal disbursement of the credit balance, if applicable, if the borrower does not respond within 14 days of the date the school sends the notice.~~  
[\\$668.22(a)(4)(ii)(A)(3)]

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

~~If the borrower responds to the notice within 14 days and instructs the school to make all or a portion of the post-withdrawal disbursement, the school must make the post-withdrawal disbursement of the credit balance within 120 days of determining that the student withdrew and in the manner specified by the borrower. If the borrower does not respond to the notice, the post-withdrawal disbursement of the credit balance cannot be made. If the borrower responds to the school's notice after the 14 days have expired, the school may, but is not required to, make the post-withdrawal disbursement of the credit balance to the borrower. If the school chooses not to make the post-withdrawal disbursement of the credit balance, it must provide written or electronic notice to the borrower of the outcome of his or her post-withdrawal disbursement request.~~

~~[\\$668.22(a)(4)(ii)(B)]~~

~~The school must have written permission from the student or parent borrower to automatically apply a post-withdrawal disbursement to charges other than current institutional charges or minor prior year charges. Permission obtained from the borrower while the student was enrolled is acceptable, or the school may obtain the permission with the post-withdrawal disbursement notice.~~  
[\\$668.164(g)]<sup>1</sup>

## 9.5.B Processing Returned Funds

The following requirements apply for a school's processing of Stafford and PLUS loan funds to be returned:

- The school's portion of the funds to be returned that are attributable to a FFELP loan must be sent to the lender. If the ownership or servicing of the borrower's loan has been transferred, and the school knows the identity of the new holder or servicer, the returned funds must be paid to that entity instead of the original lender.  
[\\$682.607(a)(1)(i) and (ii)]
- The school must return funds to the lender no later than 45 days after determining that the student withdrew.  
[HEA 484B(b)(1); DCL GEN-06-05]
- The school must provide to the borrower written notice that funds are being returned to the borrower's lender(s). Evidence of this written notice should be documented in the student's file.  
[\\$682.607(a)(2)]

[Refunds](#) allocable to FFELP loans because of policies that the school must follow for non-Title IV aid programs or for regulatory agencies, such as a state agency or an [accrediting agency](#), must also be made within their prescribed time frames.

The school's return of FFELP funds is considered timely if, ~~no later than 30~~ within 45 days after of the date the school determines that the student withdrew, the school does one of the following:  
[\\$668.173(b)]<sup>2</sup>

- Deposits or transfers the amount of funds to be returned into an account the school maintains for federal funds (see [section 8.1](#)).  
[\\$668.173(b)(1)]

<sup>1</sup> Policy 931 (Batch 139), approved March 15, 2007

<sup>2</sup> Policy 929 (Batch 139), approved March 15, 2007

- Initiates an [electronic funds transfer](#) (EFT) for the amount of returned funds.  
[§668.173(b)(2)]
- Initiates an electronic transaction that informs the lender to adjust the borrower's loan account for the amount of returned funds.  
[§668.173(b)(3)]
- Issues a check for the returned funds. In this case, the school's records must show that the lender's bank endorsed that check ~~no more than 45~~ within 60 days ~~after~~ of the date the school determined that the student withdrew.  
[§668.173(b)(4)]

For more information on sufficient cash reserve requirements to make required returns of unearned [Title IV](#) funds, see [subsection 4.3.C](#). For more information on determining the student's [withdrawal date](#), see [section 9.4](#). For more information on determining the amount of the Title IV funds to be returned, see [subsection 9.5.A](#).

A school may be assessed financial liability for the late return of Title IV funds or willful nonpayment of applicable refunds. A school must ensure that all funds that must be returned for Stafford and PLUS loans are paid to lenders within the required time frame.  
[§668.173(c); §682.607]

Guarantors recommend that the school's notice accompanying the return of funds to lenders include the following information:

- The student's name and Social Security number (SSN).
- The parent's name and SSN (for PLUS loan funds).
- The check number, if applicable.
- The amount of the returned funds.
- The loan type (subsidized Stafford, unsubsidized Stafford, or PLUS).
- The [loan period](#).
- The student's withdrawal date, graduation date, or last date of attendance as at least a half-time student.
- The most recent address that the school has on file for the student.

- The [disbursement](#) number, if applicable.
- The reason for the return of funds (such as withdrawal, [overaward](#), [leave of absence](#)).
- Whether or not subsequent disbursements should be cancelled or rescheduled.

### Applying Returned Funds

The Higher Education Act and federal regulations specify the order in which unearned funds must be returned to the Title IV programs. ~~The~~ Sschools must ensure that returned funds are applied to eliminate outstanding balances on loans and grants for the [payment period](#), or [period of enrollment](#), in the following order:

- ~~FFELP~~ Unsubsidized Stafford loans.
- ~~FFELP~~ Subsidized Stafford loans.
- Direct ~~U~~ Unsubsidized Stafford loans.
- Direct ~~S~~ Subsidized Stafford loans.
- Federal Perkins ~~L~~ Loans.
- ~~FFELP parent or Grad PLUS loans received on behalf of the student.~~
- Direct ~~parent or Grad PLUS loans received on behalf of the student.~~
- Federal ~~Pell~~ Ggrants.
- ~~Academic Competitiveness Grants.~~
- ~~National SMART Grants.~~
- Federal SEOG Program aid.
- ~~Other Title IV grant or loan assistance.~~<sup>1</sup>

The school may calculate and make refunds for non–Title IV federal, state, private, or institutional student assistance programs according to the applicable policies.  
[§668.22(i); DCL GEN-98-28]

<sup>1</sup> Policy 929 (Batch 139), approved March 15, 2007

Chapter 11 describes borrower eligibility criteria and lender processing requirements for deferment and forbearance of FFELP loans. The information presented in this chapter applies to Stafford, PLUS, and SLS loans. Where noted, provisions also apply to Consolidation loans. Other requirements specific to Consolidation loans are covered in [chapter 15](#).

Servicing activities associated with processing [deferments](#) and [forbearances](#) include:

- Determining borrower eligibility for deferments and forbearances.
- Applying deferments and forbearances to an account.
- Establishing repayment after deferment or forbearance.
- Reporting transactions to the [guarantor](#).
- Reporting the loan status or a deferment or forbearance to a [national credit bureau](#) (see [subsection 3.5.C](#)).
- Responding to a [borrower](#) or [endorser](#) inquiry within 30 days of receiving the inquiry. Such inquiries may include requests for deferments, forbearances, and other information.  
[§682.208(c)(1)]

## 11.1 Authorized Deferment

Deferment is a tool available to borrowers to help them meet their loan repayment obligations. Once the [repayment period](#) has begun, the [borrower](#) is entitled to defer principal payments on a FFELP loan when applicable eligibility criteria are met. In the case of a Stafford loan, the borrower may not be granted a [deferment](#) until after the loan's [grace period](#) has expired. However, the borrower may—and in some cases may be required to—request that the grace period be waived or shortened in order to be eligible for the deferment (see [section 10.3](#)).

A [lender](#) is not required to grant a deferment if it has information indicating that the borrower is ineligible for the deferment. If the lender denies the borrower the deferment, it must clearly document the reason for the denial in the loan file or servicing history.

A lender's failure to act on any borrower request for deferment within 30 days of its receipt may result in a returned or rejected [claim](#), if the loan is later submitted as a claim.

[§682.208(c)(1)]

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

### 11.1.A General Deferment Eligibility Criteria

There are several conditions under which borrowers qualify for deferment. In granting a deferment, the lender should be aware of the following general characteristics of deferments:

- Deferments are entitlements. Generally, if a borrower demonstrates eligibility for a deferment and provides the lender with the necessary [documentation](#) required to establish eligibility, the borrower may not be denied the deferment.
- The borrower's eligibility for a deferment depends on the borrower's meeting specific criteria, the type of loan for which the deferment is being sought, and the date on which the borrower received his or her first FFELP loan.
- If the dependent student for whom a parent borrower obtained one or more PLUS loans meets the conditions required for the in-school or rehabilitation training deferment, the parent borrower may qualify for deferment for all of his or her PLUS loans. See [section 11.6](#) for information regarding the eligibility criteria.
- If a PLUS loan is made to two parents as [comakers](#) (as applicable to a PLUS loans made prior to April 16, 1999), or a Consolidation loan is made to two spouses as comakers (as applicable to a Consolidation loan made from an application received by the consolidating lender prior to July 1, 2006), the loan may not be deferred unless each comaker requests deferment and satisfies applicable eligibility requirements for deferment. If each comaker qualifies under a separate deferment provision, the lender may defer the loan under one of those deferment types.<sup>1</sup>
- [Endorsers](#) are not entitled to deferment. If an endorser is repaying the loan and has temporary difficulty in continuing repayment, he or she may request a [forbearance](#).  
[§682.210(a)(11)]

<sup>1</sup> Policy 936 (Batch 139), approved March 15, 2007

## Deferment Eligibility Chart

## Figure 11-1

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

Form	Deferment Type	Time Limit	Stafford and SLS Loans			PLUS Loans				Consolidation Loans	
			Pre 7/1/87 Borrower	New <sup>1</sup> Borrower 7/1/87 to 6/30/93	New <sup>2</sup> Borrower 7/1/93	Loans Before 8/15/83	Pre 7/1/87 Borrower	New <sup>1</sup> Borrower 7/1/87 to 6/30/93	New <sup>2</sup> Borrower 7/1/93	Pre 7/1/93 Borrower <sup>3</sup>	New Borrower 7/1/93 <sup>9</sup>
<b>Borrower-Based Deferments</b>											
SCH	In-School: Full Time	None	•	•	•	•	•	•	•	•	•
	In-School: Half Time <sup>7</sup>	None		•	•			•	•	•	•
EDU	Graduate Fellowship	None	•	•	•	•	•	•	•	•	•
	Rehabilitation Training	None	•	•	•	•	•	•	•	•	•
	Teacher Shortage	3 Years		•							
	Internship/ Residency Training	2 years	•	•		•					
TDIS	Temporary Total Disability <sup>3</sup>	3 Years	•	•		•	•	•		•	
PUB	Armed Forces or Public Health Services <sup>4</sup>	3 Years	•	•		•					
	National Oceanic and Atmospheric Administration Corps <sup>4</sup>	3 Years		•							
	Peace Corps, ACTION Program and Tax-Exempt Organization Volunteer	3 Years	•	•		•					
UNEM	Unemployment	2 years	•	•		•	•	•		•	
	Unemployment	3 Years			•				•		•
PLWM	Parental Leave <sup>5</sup>	6 Months	•	•							
	Mother Entering/Reentering Work Force	1 Year		•							
HRD	Economic Hardship	3 Years			•				•		•
PLUS <sup>6</sup>	In-School: Full Time	None						•			
	In-School: Half Time	None						•			
	Rehabilitation Training	None				•	•	•			
<b>Loan-Based Deferments</b>			<b>Stafford Loans</b>			<b>PLUS Loans</b>				<b>Consolidation Loans</b>	
	<u>Military Deferment</u>	<u>3 years</u>	<u>Loans first disbursed on or after 7/1/2001</u>			<u>Loans first disbursed on or after 7/1/2001</u>				<u>All underlying Title IV loans must have been first disbursed on or after 7/1/2001*</u>	

\* [Policy 937 \(Batch 139\)](#), approved March 15, 2007

<sup>1</sup> "New Borrower" 7/1/87 to 6/30/93: A borrower whose first FFELP loan was made on or after July 1, 1987, and before July 1, 1993, or who had an outstanding balance on a loan obtained on or after July 1, 1987, and before July 1, 1993, when he or she obtained a loan on or after July 1, 1993, or who had no outstanding balance on a Federal Consolidation loan made before July 1, 1993, that repaid a loan first disbursed before July 1, 1987.

<sup>2</sup> "New Borrower" 7/1/93: A borrower whose outstanding FFELP loans were all made on or after July 1, 1993, and when his or her first FFELP loan was made on or after July 1, 1993, had no outstanding FFELP loans that were made before July 1, 1993.

<sup>3</sup> A deferment may be granted during periods when the borrower is temporarily totally disabled or during which the borrower is unable to secure employment because the borrower is caring for a dependent (including the borrower's spouse) who is temporarily totally disabled.

<sup>4</sup> Borrowers are eligible for a combined maximum of 3 years of deferment for service in NOAA, PHS, and Armed Forces.

<sup>5</sup> A parental leave deferment may be granted to a borrower in periods of no more than 6 months each time the borrower qualifies.

<sup>6</sup> Deferment for parent borrower during which the dependent student for whom the parent obtained a PLUS loan meets the deferment eligibility requirements.

<sup>7</sup> A borrower who received a Federal Consolidation loan before July 1, 1993, that repaid a loan made before July 1, 1987, or who had an outstanding balance on a FFELP loan obtained prior to July 1, 1987, when the Federal Consolidation loan was obtained, is eligible for in-school deferment only if the borrower attends school full time.

<sup>8</sup> A borrower with a Federal Consolidation loan made before July 1, 1993, or a borrower who receives a Consolidation loan on or after July 1, 1993, who has any outstanding FFELP loan(s) at the time of consolidation that was first disbursed before July 1, 1993.

<sup>9</sup> A borrower who receives a Federal Consolidation loan made on or after July 1, 1993, who has no outstanding FFELP loans at the time of consolidation that were made on or before July 1, 1993.

if the principal payments have been deferred, but the **Department** does not pay **interest benefits** on the borrower's behalf.

The terms of a forbearance agreement between a lender and borrower or endorser may require the borrower or endorser to make reduced payments during the forbearance. For more information on reduced-payment forbearance, see [subsection 11.21.A](#).

If two individuals are jointly liable for repayment of a PLUS loan or Consolidation loan, a lender may grant forbearance on repayment of the loan only if the ability of each individual to make scheduled payments has been impaired based on the same or differing conditions. [[§682.210\(a\)\(3\)](#)]

If a lender denies a borrower's request for forbearance, the lender must document the reason for denial in the borrower's file or the servicing history of the loan (see [subsection 3.4.A](#)).

A lender may not charge an administrative or other fee in connection with granting forbearance on a loan. A lender also is prohibited from reporting to credit bureaus any adverse information regarding the repayment status of a loan solely as a result of granting forbearance to the borrower. [[§682.211](#)]

A lender should use **forbearance** as a tool to bring a delinquent or **defaulted** loan current. The lender should not grant any discretionary forbearance that will result in the **borrower** remaining delinquent. However, this restriction does not apply if, for example, the loan exits the forbearance with a delinquent status due to a nonsufficient funds (NSF) payment that was made before the forbearance was granted. For more information on granting a forbearance on a delinquent or defaulted loan, see [subsections 11.19.F and 11.19.G](#). [[HEA 428\(c\)](#)]

## 11.19.A Forbearance Types

There are four types of forbearance available to borrowers and, in some cases, endorsers:

- **Administrative forbearance** (see [section 11.20](#)).
- **Discretionary forbearance** (see [section 11.21](#)).
- **Mandatory administrative forbearance** (see [section 11.22](#)).

- **Mandatory forbearance** (see [section 11.23](#)).

[Figure 11-2](#), the Forbearance Eligibility Chart, may help schools and lenders identify general information about discretionary, administrative, mandatory, and mandatory administrative forbearances, including situations in which these forbearance types may be used by a borrower and an endorser, if applicable. The chart also provides information about the length of the forbearance and general information about required documentation. For detailed information about each forbearance, see the applicable section.

## 11.19.B Documentation Required for Authorized Forbearance

In cases where a forbearance agreement is required, a lender and a borrower may agree to the terms of the forbearance verbally or in writing. A lender that grants a forbearance based on a written agreement with the borrower may use any form or format that is acceptable to the **guarantor**, and the lender must retain a copy of the agreement. A lender that grants a forbearance based on a verbal agreement with the borrower must send a notice confirming the terms of the forbearance agreement to the borrower within 30 days of the date that agreement was made ~~confirming the terms of the forbearance agreement~~ and record the forbearance terms in the borrower's file. In order to grant a forbearance after the date of default based on either a verbal or a written agreement with the borrower, the lender must also obtain a new signed agreement to repay the debt (see [subsection 11.19.G](#)). For each forbearance period, regardless of whether an agreement is required, the lender must document in the borrower's file or the loan's servicing history the forbearance beginning and ending dates and the reason for granting forbearance. [[HEA 423\(c\)\(3\)\(A\) and \(c\)\(10\)](#); [§682.211\(b\)\(1\)](#); [§682.211\(d\)](#); [§682.414\(a\)\(4\)\(ii\)\(G\)](#)]<sup>1</sup>

## 11.19.C Forbearance Length

With the exception of administrative and mandatory forbearances that are not subject to a maximum time frame or are subject to other regulatory time frames (see [sections 11.20, 11.22, and 11.23](#)), a lender may grant a single **forbearance** for up to one year at a time if both the **borrower** or **endorser** and the lender agree. This one year includes any past and future forbearance months. For example, a forbearance that is granted for 3 months retroactively may extend only 9 months into the future.

<sup>1</sup> Policy 932 (Batch 139), approved March 15, 2007

Chapter 12 identifies the minimum **due diligence** requirements to which **lenders** must adhere in order to retain the guarantee on the loan. Due diligence is the term used to describe the required activities and timelines applicable to the collection of FFELP loans.

Compliance with due diligence requirements is crucial; failure to meet these requirements within their respective time frames may result in an inability to collect the loan, rejection of a lender's claim, **cancellation** of the **guarantee** on the loan, or a reduction of the interest that would normally be paid at the time of claim purchase. Except as detailed in **subsection 12.4.B** and as noted otherwise throughout this chapter, due diligence requirements described in this chapter are for loans with monthly repayment obligations. Lenders with loans with repayment obligations less frequent than monthly should contact their guarantor with questions regarding the unique servicing requirements for these loans. (See **section 1.5** for guarantor contact information.)  
[§682.401(b)(19)]

The lender must adhere to the federal requirements to ensure prompt collection of any past due loan payments and to preserve the guarantee on the loan. These requirements preempt any **state** law—including state statutes, regulations, or rules—that would conflict with or hinder a lender's satisfaction of the requirements or frustrate the purposes of these requirements.  
[§682.411(o)]

Any reference to a borrower in this chapter also refers to any applicable comaker—one of two PLUS borrowers who are jointly and severally liable for repayment (as applicable to a PLUS loans made prior to April 16, 1999) or one of two Consolidation loan borrowers who are held jointly and severally liable for repayment (as applicable to a Consolidation loan made from an application received by the consolidating lender prior to July 1, 2006). Therefore, due diligence activities required for the borrower are also required for the comaker. For example, if the lender is required to send a letter at a certain point of delinquency, it must send the same letter to both borrowers. Failure to perform collection activities on one or both comakers is a violation of due diligence provisions and will result in **interest** penalties or the loss of the loan's **guarantee**.  
[§682.507(a)(2)]<sup>1</sup>

Endorser requirements differ from those for borrowers and comakers, and are identified in each applicable section and highlighted in **subsection 12.4.E**.

## 12.1 Collection Philosophies, Goals, and Minimum Standards

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

## 12.2 Situations Requiring Collection Activities

The collection activities that are known as “due diligence” in the FFELP must be performed in the following situations:

- A **borrower** is delinquent in making payments.
- A lender is unable to determine the address of a borrower whose loan is delinquent.
- A borrower is determined to be ineligible for a loan (due to the borrower's or student's error).

A loan is considered delinquent if the lender has not received a borrower's payment by the day after the payment due date. A **lender** must ensure that the due date of the first payment is established according to the requirements described in **section 10.5**.  
[§682.411(b)]

<sup>1</sup> Policy 936 (Batch 139), approved March 15, 2007

## 13.8 Discharge

A loan discharge is a release of a borrower's or any comaker's obligation to repay his or her loan, either in whole or in part. There are several circumstances under which a borrower's or comaker's loan may be discharged. Each of these circumstances and its corresponding borrower eligibility criteria are outlined in this section.

In certain circumstances, a lender that discharges all or a portion of an eligible borrower's loan may be reimbursed by the guarantor by filing a claim. For information about claim filing procedures, see [section 13.1](#).

### Comakers

If a PLUS loan was obtained by two [parents as comakers](#) (as applicable to PLUS loans made prior to April 16, 1999), or a Consolidation loan was obtained by ~~a married couple~~ two spouses as comakers (as applicable to a Consolidation loan made from an application received by the consolidating lender prior to July 1, 2006), and one of the borrowers is eligible for [discharge](#), the other borrower remains obligated to repay the loan. However, if each comaker on a loan meets the eligibility criteria for a discharge—under the same type or a different discharge type—the loan holder may grant a discharge ~~can be granted~~ on the loan. [\[§682.402\(a\)\(2\) and \(3\)\]](#)<sup>1</sup>

### Credit Bureau Reporting

As required under [subsection 3.5.C](#), the lender must report to at least one [national credit bureau](#) the date a borrower's loan is [discharged](#) due to the [disability](#), [bankruptcy](#), or the death of the borrower or [dependent student](#), as applicable. For closed [school](#) and false [certification](#) claims, the current loan [holder](#) must, within 30 days of the date the lender is notified that a loan is [discharged](#), notify all credit reporting agencies to which any adverse credit has been reported that the loan obligation has been discharged and that the adverse credit information must be corrected. [\[§682.208\(b\)\]](#)

Some guarantors have additional or alternate discharge documentation requirements. These requirements are noted in [appendix C](#).

## 13.8.A Bankruptcy

The bankruptcy discharge is intended for certain borrowers who have filed a petition for relief under the [Bankruptcy Code](#). Bankruptcy is a judicial action to halt the normal collection of debts against the petitioner, and cause those debts to be satisfied at the direction of the court. Generally, student loans may not be discharged due to bankruptcy. However, if a borrower qualifies for the bankruptcy discharge, the loan holder is reimbursed for the unpaid principal and interest on the borrower's loan(s), but the borrower is not reimbursed for any payments made on the loan(s) prior to discharge.

A lender may be advised of a borrower's [bankruptcy](#) by the borrower, but must make its determination to file a claim based on the receipt of the Notice of the First Meeting of Creditors (the Notice) or other proof of filing from the borrower's attorney or the bankruptcy court (either directly from the court or from another source). [\[§682.402\(f\)\(3\)\]](#)

If a borrower [defaults](#) on a loan and then files a bankruptcy petition, the lender must file a default claim on the loan no later than the 360th day of [delinquency](#). The lender must clearly note its receipt of bankruptcy [documentation](#) in the claim file. Before filing the default claim, the lender—as [holder](#) of the loan—is responsible for performing any and all bankruptcy activity required by the court and responding to all bankruptcy correspondence.

If the bankruptcy action requires the lender to file a claim with the guarantor, the lender must file a bankruptcy claim within the applicable timely filing deadlines defined in this subsection. The lender must file the claim for the balance outstanding on the date that the lender receives the bankruptcy notice, less any funds returned by the school prior to the date on which the claim is filed. (If a lender holds loans that are not yet disbursed or are partially disbursed at the time the lender is notified of the borrower's bankruptcy filing, see [subsection 7.7.I](#) for processing information related to subsequent disbursements.) If, after claim filing, the lender receives funds returned from the school, the lender must credit those amounts to the borrower's loan and notify the guarantor of the revised claim amount.

Some guarantors have different requirements regarding the treatment of disbursements when a lender is notified of a borrower's filing for bankruptcy. These requirements are noted in [appendix C](#).

<sup>1</sup> Policy 936 (Batch 139), approved March 15, 2007

borrower a [forbearance](#) unless the borrower qualifies for a [deferment](#).

[HEA 428K(d)(1) and (f)]

Receipt of a benefit under this program does not entitle the borrower to a refund of payments made on the loan.

[HEA 428K(d)(2); *Federal Register* dated August 29, 2002]

## 13.9.B Teacher Loan Forgiveness Program

The Teacher Loan Forgiveness Program is intended to encourage individuals to enter and continue in the teaching profession in certain eligible elementary and secondary schools that serve low-income families. The amount of loan forgiveness for which a [borrower](#) is eligible depends on all of the following criteria:

- When the borrower begins his or her qualifying teaching service.
- The borrower's qualifications.
- The subject area in which the borrower teaches.

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

[§682.215(a) and (c)(9); GEN-05-02/FP-05-02]

A borrower who completes the qualifying teaching service may request loan forgiveness by completing a Teacher Loan Forgiveness Application and forwarding it to the lender or [guarantor](#). The lender must forward the borrower's completed loan forgiveness application, including any supporting [documentation](#), to the guarantor no later than 60 days after its receipt. The guarantor determines the borrower's eligibility for loan forgiveness and advises the lender of its determination. The lender must notify the borrower of the guarantor's determination within 30 days of receiving that determination. If loan forgiveness is granted and the borrower has an outstanding loan balance, the lender also must provide the borrower with information regarding any new repayment terms.

[§682.215(f)(2) and (4)]

Unless instructed otherwise by the borrower, the lender must apply a teacher loan forgiveness payment received on the borrower's behalf first to any outstanding unsubsidized Federal Stafford loan balances, next to any outstanding subsidized Federal Stafford loan balances, and then to any eligible outstanding Federal Consolidation loan balances.

[§682.215(f)(5)]

Receipt of a benefit under this program does not entitle the borrower to a [refund](#) of any payments made on the loan(s).

[§682.215(d)(3)]

### Eligibility Criteria

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

- The borrower must have had no outstanding balance on a [FFELP](#) or FDLP loan on October 1, 1998, or had no outstanding balance on a FFELP or a FDLP loan on the date he or she obtained a loan after October 1, 1998.
- The borrower must have been employed as a full-time teacher for 5 consecutive, complete academic years at a qualifying school (see definition of *qualifying school* below) or a combination of qualifying schools, as certified by the chief administrative officer(s) at ~~that~~ the school(s).<sup>1</sup>

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

- If the school where the borrower is employed meets the eligibility criteria of a *qualifying school* for any year of the borrower's employment, all subsequent years continue to qualify the borrower even if the school does not meet the criteria. However, if the borrower is initially employed by a school that does not meet the criteria and the school later qualifies, the borrower's 5 qualifying years of service begin when the school meets the eligibility criteria.
- At least one of the borrower's 5 years of qualifying service must be performed after the 1997-1998 [academic year](#).
- A borrower who is in [default](#) on a loan(s) for which the borrower seeks forgiveness must have made [satisfactory repayment arrangements](#) on the defaulted loan(s) to reinstate [Title IV](#) aid eligibility. See [subsection 5.2.E](#).

<sup>1</sup> Policy 933 (Batch 139), approved March 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.

A borrower may also complete the 5-year teaching service requirement by combining years of full-time service at qualifying elementary and secondary schools in order to qualify for teacher loan forgiveness, provided that he or she is otherwise eligible.

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]

A borrower may also complete the 5-year teaching service requirement by combining years of full-time service at qualifying elementary and secondary schools in order to qualify for teacher loan forgiveness, provided that he or she is otherwise eligible.<sup>1</sup>

<sup>1</sup> Policy 933 (Batch 139), approved March 15, 2007

- ~~If a borrower has FFELP loans held by multiple lenders, A borrower may request consolidation may be requested from any participating consolidation lender, regardless of whether the consolidating lender is a holder of any of the borrower's loans. [HEA 428C(b)(1)(A); §682.102(d); §682.201(c)(1)(iv)(B)(1)]~~
- ~~A borrower whose FFELP loans are held by a single lender must request consolidation from that lender. A borrower who requests consolidation from a lender that is not the borrower's sole FFELP loan holder must certify one of the following:~~
  - ~~That the borrower sought and was unable to obtain a Federal Consolidation loan through the holder of the borrower's FFELP loans.~~
  - ~~That the holder declined to provide a Consolidation loan to the borrower with an income sensitive repayment schedule. [HEA 428C(b); §682.102(d); §682.201(e)(2)(iii)]<sup>1</sup>~~
- A guarantor will guarantee a Consolidation loan only if the borrower has one or more active loans currently held or guaranteed by that guarantor, except as otherwise agreed on a case-by-case basis by the lender and guarantor. The borrower may choose not to include the active loan that was issued under that guarantee in the Consolidation loan.

For purposes of this policy, an active loan is any loan that has not been paid in full, canceled, discharged (e.g., due to death, disability, closed school, or false certification), or subrogated by the Department. However, a subrogated loan may be included in a Consolidation loan if the borrower has another active loan guaranteed or held by the consolidating guarantor that has not been subrogated. A defaulted loan that is still held by the consolidating guarantor is an active loan.

If a Consolidation loan is guaranteed and the guarantor later determines that it was not the guarantor or holder of at least one of the borrower's active loans, the guarantor reserves the right to notify the lender that the guarantee on the Consolidation loan is not valid. The lender may attempt to transfer the loan to an appropriate guarantor or the guarantee may be revoked. If the guarantee is revoked, all interest benefits and special allowance collected on that loan from the date of disbursement must be refunded.

<sup>1</sup> Policy 904 (Batch 134), approved October 19, 2006

Some guarantors have additional eligibility requirements and restrictions on Consolidation loans. These requirements and restrictions are noted in [appendix C](#).

### Obtaining a Subsequent Consolidation Loan

A borrower who currently has either a Federal or a Direct Consolidation loan is not eligible for a subsequent Federal or Direct Consolidation loan unless the borrower meets one of the following conditions:

- The borrower has obtained a new eligible loan after the date the existing Consolidation loan was made.
- The borrower is consolidating an existing Consolidation loan with at least one other eligible loan, including another eligible Consolidation loan, regardless of whether ~~it~~ that eligible loan was made before or after the date the existing Consolidation loan was made. [HEA 428C(a)(3) and (a)(4); §682.201~~(d)~~(e)(2) and (3); [DCL GEN-06-20/FP-06-16](#)]<sup>2</sup>

A borrower who currently has a Federal Consolidation loan and does not meet one of the above conditions is not eligible for a subsequent Federal Consolidation loan, but may be eligible for a subsequent Direct Consolidation loan if the borrower's consolidation loan holder has requested default aversion assistance from the guarantor, and the borrower is seeking an income-contingent repayment schedule.

[HEA 428C(a)(3)(B)(1)]

If the borrower meets all eligibility requirements, any or all outstanding eligible loans may be consolidated, including existing Consolidation loans and loans made before or after any existing Consolidation loan. [§682.201(d)(3)]

### Loans That May Be Consolidated

A borrower may consolidate one or more of the following types of federal education loans:

- FFELP loans (Stafford, PLUS, SLS, and Consolidation loans<sup>3</sup>).
- FDLP loans (Stafford, PLUS, and Consolidation loans<sup>1</sup>).
- FISL loans.

<sup>2</sup> Policy 934 (Batch 139), approved March 15, 2007

<sup>3</sup> A borrower may not reconsolidate a single Consolidation loan.

## 16.2 Calculation of Cohort Default Rates

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

- A Federal Stafford loan, Federal SLS loan, or Direct Stafford loan.
- The portion of a Federal Consolidation loan or Federal Direct Consolidation loan used to repay a Federal Stafford loan, Federal SLS loan, or Direct Stafford loan.<sup>1</sup>

A FFELP cohort default rate is calculated for each school participating in the FFELP or FDLP at the beginning of the fiscal year, whether or not the school actually had student borrowers entering repayment on Stafford or SLS loans during that fiscal year.

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

[*Cohort Default Rate Guide*]

A [dual-program cohort default rate](#) is calculated when a school has student borrowers who entered repayment on both FFELP and FDLP loans in the same fiscal year. Although the same basic formulas are used to calculate FFELP, FDLP, and dual-program cohort default rates, slightly different definitions of default are used to determine which FFELP and FDLP student borrowers are included in the numerator of the formulas. For all schools, a FFELP loan is considered to be in default on the date the [guarantor](#) pays a default [claim](#), and a FDLP loan is considered to be in default after 360 days of [delinquency](#). For proprietary non-degree-granting schools only, the definition of default also includes student borrowers with FDLP loans that are in repayment for at least 360 days

under the [income-contingent repayment plan](#) with scheduled payments that are less than \$15 per month and less than the [interest](#) accruing on the loan. These conditions must have occurred before the end of the fiscal year following the year in which the loan entered repayment. [[§668.183\(c\)\(i\) and \(ii\)](#)]

In some cases, the [Department](#) calculates an “unofficial cohort default rate” for a school. An “unofficial rate” is applicable if a school had fewer than thirty borrowers who entered repayment during the fiscal year for which the rate is being calculated, and no cohort default rate was calculated by the Department for the school for either or both of the two previous fiscal years. An “unofficial cohort default rate” cannot be used to determine sanctions or benefits for a school because it does not meet the definition of an official cohort default rate.

[*Cohort Default Rate Guide*]

<sup>1</sup> Policy 938 (Batch 139), approved March 15, 2007

included in the numerators of that year’s cohort default rate calculations for each school at which the borrower obtained those loans and defaulted.

A loan made under the [Lender of Last Resort \(LLR\)](#) provisions that defaulted within the applicable time frame is included in the numerator of a school’s cohort default rate calculation. In addition, any [FFELP](#) loan that has defaulted and been rehabilitated by the borrower by the end of the fiscal year following the year in which the loan entered repayment—or any [FDLP](#) loan that would be considered in default but on which a borrower has made 12 consecutive, monthly, voluntary, on-time payments—is not considered in default ([section 13.7](#)).

[[Cohort Default Rate Guide](#)]

For a student borrower whose loan was fully discharged due to death, [disability](#), [bankruptcy](#), closed school, false certification, unpaid refund, or teacher loan forgiveness provisions after default, the borrower will be included in the numerator of the cohort default rate calculation that contains the same loan in the denominator, if the default occurred within the applicable time frame. For a student borrower whose loan was fully discharged due to death, disability, bankruptcy, closed school, false certification, unpaid refund, or teacher loan forgiveness provisions without a previous default, the borrower will *not* be included in the numerator of the cohort default rate calculation that contains the same loan in the denominator if the [guarantor](#) was notified of the condition in a timely manner. For a student borrower who paid a defaulted loan in full, the borrower will be included in the numerator of the cohort default rate calculation that contains the same loan in the denominator (provided the loan was not rehabilitated by the borrower by the end of the following fiscal year), if the default occurred within the applicable time frame.

[[Cohort Default Rate Guide](#)]

*A loan will be considered to be in default if a payment is made by the school or its owner, agent, contractor, employee, or any other entity or individual affiliated with the school in order to avoid default.*

[§668.183(c)(1)(iii)]

### Data Source

Cohort default rates are calculated based on data from the [National Student Loan Data System \(NSLDS\)](#). This data is transmitted to the NSLDS by guarantors, who received the data from lenders and servicers.

[[Cohort Default Rate Guide](#)]

### Types of Loans Included in Cohort Default Rates

Cohort default rates for fiscal years 1993 and beyond include Stafford ~~or~~ [and](#) [SLS](#) loans, including underlying loans that are included in a Consolidation loan.

[§668.183(b)]<sup>1</sup>

### Schools That Change Status

Detailed information regarding the calculation of cohort default rates for schools that change status—due to acquisitions or mergers, acquisitions of branches or locations, or branches or locations becoming separate schools, affecting federal school identification numbers—can be found in federal regulation, as well as the Department’s [Cohort Default Rate Guide](#).

[§668.184]

### Change of Ownership Resulting in a Change of Control

If a school undergoes a change of ownership, and the school’s new owner establishes eligibility for the school, the consequences of the school’s previous cohort default rates continue to apply to the school.

[§668.184(b) and (c); §668.188]

## 16.3

### Draft Cohort Default Rates and Challenges

Generally, the [Department](#) notifies each school of its draft [cohort default rate](#) annually in February or March. The Department’s notification to the school includes the loan record detail report that supports the draft cohort default rate calculation. The draft rate is not considered public information and is provided only to the school. A school may challenge its draft cohort default rate based on criteria specified in federal regulations and must use a format that is acceptable to the Department. The format for a cohort default rate challenge is detailed in the Department’s [Cohort Default Rate Guide](#). If the school’s challenge does not comply with the requirements detailed in the Guide, the challenge may be denied.

[§668.185(a)(3) and (4)]

The following is a brief explanation of the basic steps of the draft cohort default rate process. A school that intends to challenge its cohort default rate should refer to the detailed instructions for these activities in federal regulations and in the Department’s [Cohort Default Rate Guide](#).

<sup>1</sup> Policy 938 (Batch 139), approved March 15, 2007

parent corporation; when schools merge or divide; when a company is retained to manage a school; or when a school transfers assets or liabilities to the parent corporation.

**Check:** A draft (drawn on a financial institution) that is payable on demand and that requires the personal endorsement or other written approval of the borrower to be cashed.

**Citizen/Eligible Noncitizen:** An eligibility requirement that must be met by Federal Stafford, PLUS, and SLS loan borrowers and recipients. See [subsection 5.2.A](#).

**Claim:** The process by which the lender (or lender's servicer) requests reimbursement from the guarantor for its losses on a Federal Stafford, SLS, PLUS, or Consolidation loan due to the borrower's default or eligibility for loan discharge or forgiveness.

**Clock Hour:** A time period consisting of one of the following:

- 50–60 minutes of class, lecture, or recitation in a 60-minute period.
- 50–60 minutes of faculty-supervised laboratory, shop training, or internship in a 60-minute period.
- 60 minutes of preparation in a correspondence course.

**COA:** See [Cost of Attendance](#)

**Code of Federal Regulations: (CFR)** The collection of federal regulations promulgated by the U.S. government. The Department's regulations are codified in [Volume 34](#).

**Cohort Default Rate:** The percentage of Stafford and SLS loan borrowers who default before the end of the fiscal year following the fiscal year in which they entered repayment on their loans. This includes borrowers whose underlying Stafford and SLS loans have been included in a Consolidation loan. The Department calculates this rate annually to determine the default experience of students who attended a particular school during a particular period of time. Unless otherwise noted, the cohort default rate pertains to the FFELP cohort default rate or the dual-program cohort default rate. See [chapter 16](#) of this manual for a discussion of cohort default rates and the process for challenges, adjustments, and appeals.<sup>1</sup>

**Collection Costs:** Costs incurred in the collection of the loan by the loan holder and charged to the borrower. These costs may include, but are not limited to, attorney's fees,

court costs, and telegrams; they may not include routine costs associated with preparing letters or notices or making telephone calls to the borrower.

**Comaker:** One of two ~~married individuals~~ spouses who jointly borrowed a Federal Consolidation loan made from an application received by the consolidating lender prior to July 1, 2006, each of whom ~~is was~~ is eligible and is ~~held~~ held jointly and severally liable for the loan's repayment, regardless of future marital status. The term also refers to one of two parents who ~~were jointly borrowed~~ are of a PLUS loan made prior to April 16, 1999. [[§682.200\(b\)](#)]<sup>2</sup>

**Commercial Paper Rate:** Commercial paper includes short-term, unsecured promissory notes issued primarily by large, well-known corporations and finance companies. The average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in the quarter is a factor in determining the amount of special allowance paid to a lender by the Department for eligible Stafford and PLUS loans first disbursed on or after January 1, 2000, and eligible Consolidation loans made from applications received by lenders on or after January 1, 2000. See [section A.2](#) and [subsection A.2.A](#).

**Commissioned Salesperson:** A person who receives compensation related to, or calculated on the basis of, student applications for enrollment, actual student enrollments, or student acceptances for enrollment.

**Common Form:** A standardized form for the administration of the FFELP that is developed and maintained by FFELP participants and approved by the Department. For more information and a list of the common forms, see [subsection 2.3.C](#).

**Confirmation (as it relates to the Stafford MPN):** A process by which the school, lender, or guarantor (on behalf of the school or lender) advises the borrower of the proposed loan types and amounts. The borrower must take action to confirm the loan type or request a specific loan amount. A school, lender, or guarantor (on behalf of the school or lender) may establish confirmation for the entire loan or may request that the borrower confirm each disbursement of the loan.

**Consummated Loan:** A loan for which a disbursement check has been negotiated or EFT or master check funds have been delivered to the borrower. For example, the loan would be considered consummated if the borrower had cashed the check, if an individual check, or the school had

<sup>1</sup> Policy 938 (Batch 139), approved March 15, 2007

<sup>2</sup> Policy 936 (Batch 139), approved March 15, 2007