

Summary of Changes Approved September through October 2007

This summary lists changes made since the 2007 Annual Update of the *Common Manual* was printed.

Change bars denote the latest policy changes, which were approved October 18, 2007.

Changes made before the 2007 Annual Update was printed are shown in appendix H of the manual.

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 2: About the FFELP			
2.3.C Common Forms	Deletes reference to the Ad Hoc Standardization Committee, adds that NCHelp developed and updates the common default aversion and claim forms, and updates the listing of common forms.	September 20, 2007	967/142
Chapter 5: Borrower Eligibility			
5.1.B Student Eligibility Requirements	Clarifies that the student must be enrolled or accepted for enrollment on at least a half-time basis to be eligible for a Stafford or PLUS loan.	Retroactive to the implementation of the <i>Common Manual</i> .	968/142
5.1.C Graduate or Professional Student and Parent PLUS Loan Borrower Eligibility Requirements	States that each PLUS borrower must certify a statement of educational purpose, which is fulfilled by the borrower's certification of the PLUS MPN. Revised policy also corrects the regulatory citation for this requirement.	Retroactive to the implementation of the <i>Common Manual</i> .	969/142
Chapter 6: School Certification			
6.2 Determining the Loan Period	States that a school may include a retroactive period in a loan period when certifying a Stafford or PLUS loan if the student completed the retroactive period on at least a half-time basis. Requires the school to ensure that a loan period that includes a retroactive period does not exceed the maximum allowable loan period as currently described in this section, and that it meets applicable criteria for determining the frequency of Stafford annual loan limits. Adds cross-references to other pertinent sections and text.	Publication date of the 03-04 FSA Handbook.	976/143

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.11.A Stafford Annual Loan Limits Figure 6-4 Stafford Undergraduate Annual and Aggregate Loan Limits	States that a dependent student who is taking preparatory coursework necessary for enrollment in an undergraduate program is eligible to borrow the base Stafford annual loan limit of \$2,625. An independent student, or a dependent student whose parent is not eligible for a PLUS loan, who is taking preparatory coursework necessary for enrollment in an undergraduate program is eligible to borrow a combined subsidized and unsubsidized Stafford annual loan limit of up to \$6,625, of which no more than \$2,625 may consist of subsidized Stafford loan funds. Updates Figure 6-4 to include the additional unsubsidized Stafford annual loan limit for an independent student, or a dependent student whose parent is not eligible for a PLUS loan, who is enrolled in preparatory coursework necessary for enrollment in an undergraduate program.	Loans first disbursed on or after July 1, 2007.	964/142
6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students	States that a health profession student must be enrolled at least half time to be eligible for increased unsubsidized Stafford loan limits.	Loan periods beginning on or after May 1, 1999.	965/142
6.11.F Prorated Loan Limits	States that loan proration is not required for a student completing coursework necessary for a professional credential or certification from a state if that credential or certification is required for employment as a teacher in an elementary or secondary school in that state.	Retroactive to the implementation of the <i>Common Manual</i> .	977/143
6.15.B Stafford Loan Certification 6.15.C PLUS Loan Certification	Clarifies that the student must be enrolled or accepted for enrollment on at least a half-time basis to be eligible for a Stafford or PLUS loan.	Retroactive to the implementation of the <i>Common Manual</i> .	968/142
6.15.D Additional Unsubsidized Stafford Loan Certification for a Dependent Student	Clarifies that a dependent student enrolled in a school that participates in the PLUS loan program whose parent is unable to obtain a PLUS loan is eligible to borrow additional unsubsidized Stafford loan funds, not to exceed the student's maximum additional unsubsidized Stafford loan limit. A school does not have the option of denying the additional funds to an otherwise eligible student, unless the school's refusal to certify is based on a documented reason.	Retroactive to the implementation of the <i>Common Manual</i> .	970/142
Chapter 8: Loan Delivery			
Figure 8-6 Delivery or Return of Loan Funds	Adds a footnote clarifying that the required authorization for the school to deliver loan funds received by EFT or master check is included on the MPN. However, if the MPN is signed by a third party with power of attorney for the borrower, the school must obtain a separate authorization from the borrower, except in the case of a study-abroad student.	Retroactive to the implementation of the Federal Stafford Loan Master Promissory Note.	971/142
Chapter 11: Deferment and Forbearance			
11.3.A Eligibility Criteria—Armed Forces 11.3.C Length of Deferment—Armed Forces	Moves text concerning Operations Desert Shield/Desert Storm to the history appendix.	September 20, 2007	974/142

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
11.4.A Eligibility Criteria—Economic Hardship	States that a borrower who is receiving a payment or benefit under a federal or state public assistance program, such as Aid to Families with Dependent Children, Supplemental Security Income, Food Stamps, or state general public assistance is eligible to receive an economic hardship deferment.	Economic hardship deferments granted by the lender on or after January 1, 2008, unless implemented earlier by the lender.	944/143
Chapter 13: Claim Filing, Discharge, and Forgiveness			
13.8 Discharge	Adds information about the Request For Reimbursement Due to Partial Discharge of a Federal Consolidation Loan form that a lender may use to request a partial discharge of the portion of the Consolidation loan that represents any underlying loans that are eligible for discharge due to disability (only for comade Consolidation loans), closed school, death, or false certification discharge. Incorporates a new chart that helps lenders determine what information must be provided on this form.	Lenders may have begun using the Request For Reimbursement Due to Partial Discharge of a Federal Consolidation Loan form upon the applicable publication date.	963/142
Chapter 15: Federal Consolidation Loans			
15.1.A Agreement to Guarantee Federal Consolidation Loans	Clarifies that any failure on the part of a lender to fulfill due diligence requirements on a Consolidation loan may also result in a loss of eligibility for any special allowance payments that might otherwise apply to that Consolidation loan.	Retroactive to the implementation of the <i>Common Manual</i> .	978/143
Appendix G: Glossary			
Post-Deferment Grace Period	Adds a reference in the appendix G entry entitled "Post-Deferment Grace Period" to additional information in the history appendix on a post-deferment grace period for military personnel who served in Operations Desert Shield/Desert Storm.	September 20, 2007	974/142
Appendix H: History of the FFELP and the <i>Common Manual</i>			
H.4 History of Statutory and Regulatory Waivers	Moves text concerning Operations Desert Shield/Desert Storm to the history appendix.	September 20, 2007	974/142

6.2 Determining the Loan Period

The loan period is the period of enrollment for which a Stafford or PLUS loan is intended. The loan period must coincide with a bona fide academic term established by the school for which school charges are generally assessed (i.e., semester, trimester, quarter, length of the student's program, or the school's [academic year](#)).
[§682.200(b)]

The minimum loan period that a school may certify is:

- An academic term (e.g., a semester or quarter) for schools that measure academic progress in credit hours and use a semester, trimester, or quarter system.
[§682.603(f)(1)(i)]
- The length of the student's program at the school, the school's academic year, or the student's remaining period of enrollment for the program of study at the school, whichever is less, for schools that measure academic progress in [clock hours](#) (or in credit hours, but that do not use a semester, trimester, or quarter system).
[§682.603(f)(1)(ii)]

The maximum loan period that a school may certify is:

- An academic year.
[§682.603(f)(2)(ii)]
- A period longer than an academic year—not to exceed 12 months—that corresponds to the period to which annual loan limits are applied.
[§682.603(f)(2)(i)]

Defaulted Borrowers

The maximum loan period that the school may certify for a defaulted borrower whose Title IV eligibility is reinstated (see [Subsection 5.2.E](#)) is the academic year during which the borrower regains eligibility.
[§682.603(f)(2)(ii)]

Including a Retroactive Period in a Loan Period

Generally, a school may certify a borrower's eligibility for a Stafford or PLUS loan retroactive to the beginning of the current period of enrollment for a student or parent borrower, as applicable, who meets conditions that include, but are not limited to, the following:

- The student or parent borrower, as applicable, regains eligibility during the period of enrollment after an earlier loss of eligibility due to, for example:
 - = Failure to meet satisfactory academic progress (see [Section 8.4](#)).
 - = Failure to meet citizenship requirements (see [Subsection 5.2.A](#)).
 - = A prior default or overpayment in a Title IV program (see [Subsections 5.2.D](#) and [5.2.E](#)).
[§682.603(f)(2)(ii)]
 - = Inadvertent borrowing in excess of the Stafford annual or aggregate loan limit (see [Subsection 6.11.E](#)).
- The student or parent borrower, as applicable, requests a loan in the second or subsequent payment period in the period of enrollment.
- The student regains eligibility after a loss of eligibility due to a conviction for drug possession or sale (see [Section 5.8](#)).

However, a school may include a retroactive portion of the current enrollment period in a Stafford or PLUS loan period only if the student attended and completed that retroactive period on at least a half-time basis. For example, a school may certify a loan in the spring term for a fall/spring period of enrollment and include the costs for the fall term in the student's cost of attendance for the loan period, provided that the student completed the fall term on at least a half-time basis. The school must ensure that a loan period including a retroactive period does not exceed the maximum allowable loan period as described above, and meets applicable criteria for determining the frequency of Stafford annual loan limits (see [Section 6.1](#) and [Figure 6-2](#)). If a student attended during a retroactive period on a less-than-half-time basis, a school must not include the retroactive period in the loan period or that retroactive period's costs in the cost of attendance for the loan period. [07-08 FSA Handbook, Volume 1, Chapter 1, pp. 1-10, 1-13, and 1-14, and Volume 4, Chapter 2, p. 4-44]¹

¹ Policy 976 (Batch 143), approved October 18, 2007

Loan **proration** is not required for a student completing coursework necessary for a professional credential or certification from a state if that credential or certification is required for employment as a teacher in an elementary or secondary school, or for a student completing preparatory coursework necessary for admission into either an undergraduate or a graduate **program of study**. (For information on **Stafford annual** loan limits for these categories of students, see **Subsection 6.11.A.**)¹

If a student who received a prorated loan amount because the remainder of his or her program of study was less than a full academic year changes the number of hours for which the student is enrolled, the school need not recalculate the amount of the loan. However, the following principles apply:

- If the student drops hours after the loan has been certified, the student must continue to be enrolled at least half time to be eligible for the loan.
- If the student increases hours after the loan has been certified so that the student is attending the full academic year, the student may be eligible for additional loan funds. If the student requests and is eligible for an increased loan amount, the school may certify the increased loan amount without requiring the student to complete a new Federal Stafford Loan Master Promissory Note (Stafford MPN). For more information on increased loan amounts, see **section 6.20**.
[§682.603(f)(4); DCL GEN-98-25; DCL GEN-99-9]

6.11.G Effects of a Consolidation Loan on New Stafford Loan Eligibility

When certifying a new Stafford loan, the **financial aid administrator (FAA)** must consider the effects, if any, that a student's Consolidation loan will have on his or her eligibility for the new loan. Portions of a Consolidation loan that are attributed to subsidized and unsubsidized Stafford loans must be included when calculating the student's aggregate loan balance. The FAA should use the **National Student Loan Data System (NSLDS)** or loan records provided by the student to determine the portion of the Consolidation loan that should be applied to the subsidized Stafford loan limit and the portion that should be applied to the unsubsidized Stafford loan limit.
[§682.204(j)]

The NSLDS identifies the underlying loans of the Consolidation loan and uses those loan amounts to allocate the current outstanding **principal balance** between subsidized Stafford, unsubsidized Stafford, and combined aggregate Stafford amounts, excluding Perkins and PLUS loans from the aggregate computations. The NSLDS then subtracts the total of the calculated subsidized and unsubsidized outstanding balance amounts from the actual outstanding balance of the Consolidation loan. Any remaining balance is considered to be "unallocated." Unallocated amounts occur when, with the information that has been provided by data providers, the NSLDS is unable to account for the full amount of the outstanding balance of the Consolidation loan. The NSLDS does not include unallocated amounts when calculating aggregate combined subsidized and unsubsidized outstanding principal balances. However, the NSLDS will report aggregate subsidized amounts, unsubsidized amounts, combined subsidized and unsubsidized amounts, and unallocated amounts on Web pages and on Institutional Student Information Reports (ISIRs).

Unallocated amounts may represent any of the following:

- **Capitalized interest** that is included in the Consolidation loan. Capitalized interest does not count toward a borrower's aggregate limits.
- An underlying Health and Human Services (HHS) loan that is included in the Consolidation loan. HHS loans are not reported to the NSLDS and are not, therefore, automatically excluded from the aggregate calculations.
- An underlying loan that is from the borrower's spouse that is included in the Consolidation, in the case of a joint Consolidation loan.
- An underlying FFELP or FDLP loan that has not yet been added to the NSLDS because of an edit condition that occurred when the information was sent to the NSLDS, but that is included in the Consolidation loan.

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

¹ Policy 977 (Batch 143), approved October 18, 2007

A borrower must request the deferment and provide the lender with documentation establishing that he or she is serving a period of full-time active duty status in the U.S. Armed Forces. Documentation may include:

- A written statement from the borrower’s commanding officer or personnel officer certifying the date on which the borrower’s service began and the date on which it is expected to end.
- A copy of the borrower’s official military orders and a copy of the borrower’s active duty military identification card.

~~Several statutory and regulatory provisions were introduced in 1991 to provide additional benefits to borrowers who served on active duty in connection with Operations Desert Shield/Desert Storm. For additional information on these provisions, refer to *Dear Colleague Letters* GEN 91-11 and GEN 91-19 and the *Federal Register* dated September 16, 1991.¹~~

11.3.B Deferment Documentation—Armed Forces

If a borrower requests an Armed Forces deferment, the lender must forward to the borrower the following common deferment form:

PUB
Public Service Deferment Request

11.3.C Length of Deferment—Armed Forces

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends no later than 3 years after the date on which it began, or the date on which the borrower’s qualifying service is certified to end or actually ends, whichever is earlier. A borrower may be granted a maximum of 3 years of deferment for any combination of service in the U.S. Armed Forces, U.S. Commissioned Corps of Public Health, and National Oceanic and Atmospheric Administration Corps (NOAA).
[§682.210(i)]

~~For active duty status in connection with military mobilizations, the lender is permitted to accept, during specific emergency periods, the borrower’s request for the deferment and the supporting documentation from a close family member or an individual in a position to know the~~

¹ Policy 974 (Batch 142), approved September 20, 2007

~~borrower’s military status (such as the borrower’s commanding officer). In the case of a deferment on behalf of a borrower serving in Operations Desert Shield/Desert Storm, the lender was permitted to grant the deferment retroactive to the date the borrower was mobilized—even if that resulted in backdating the deferment more than 6 months. Furthermore, if a borrower had used the entire 36-month Armed Forces deferment eligibility before being mobilized, the borrower or a close family member had the option of requesting an emergency administrative forbearance.~~

~~[DCL GEN 01-13; DCL GEN 03-06]²~~

11.4 Economic Hardship Deferment

An economic hardship deferment is available to a borrower who earns less than minimum wage or exceeds a federally defined debt-to-income ratio.

11.4.A Eligibility Criteria—Economic Hardship

This deferment is available only if the borrower had no outstanding balance on a FFELP loan as of the date he or she obtained a loan on or after July 1, 1993.

To qualify for this deferment, a borrower must request it and provide the lender with documentation that he or she meets at least one of the following eligibility criteria:

1. The borrower has been granted an economic hardship deferment under either the FDLP or Federal Perkins Loan Program for the period of time for which the borrower has requested an economic hardship deferment for his or her FFELP loan.
2. The borrower is receiving payment or benefit under a federal or state public assistance program, such as Aid to Families with Dependent Children, Supplemental Security Income, Food Stamps, or state general public assistance.
[*Federal Register* dated June 29, 1994]³
3. The borrower is working full time and has a monthly income that does not exceed the greater of (a) the minimum wage rate described in section 6 of the Fair Labor Standards Act of 1938 or (b) an amount equal to 100% of the poverty line for a family of two, as determined in accordance with section 673(2) of the

² Policy 974 (Batch 142), approved September 20, 2007

³ Policy 944 (Batch 143), approved October 18, 2007

Chapter 15 highlights policies and procedures specific to Federal Consolidation loans. A **borrower** may obtain a Consolidation loan to merge several types of federal student loans with varying repayment terms into a single loan.

15.1 Lender Participation

To participate in the Federal Consolidation Loan Program, a **lender** must meet the following requirements:

- The lender must be an **eligible lender** under the **FFELP** (**secondary markets** may also be considered eligible lenders).
- The lender must sign an **agreement to guarantee** Federal Consolidation loans with a **guarantor** (this agreement may be a separate agreement or included as part of other agreements between the lender and the guarantor).
- The lender must maintain a certificate of comprehensive insurance coverage with the guarantor providing such coverage. [\[HEA 428C\(b\)\]](#)

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

- ▲ Lenders may contact individual guarantors for information on whether Consolidation loan agreements are separate from other lender agreements. See [section 1.5](#) for contact information.

15.1.A Agreement to Guarantee Federal Consolidation Loans

The agreement to guarantee Federal Consolidation loans defines the terms and conditions under which the lender may make guaranteed Consolidation loans. This agreement is similar to the agreement that the lender must sign to participate in other loan programs with a guarantor (see [subsection 3.3.A](#)).

The lender must meet specific requirements in the agreement for Consolidation loan guarantees to remain in effect. By signing the agreement, the lender agrees to meet the following requirements:

- To exercise reasonable care and diligence in the making, servicing, and collecting of Consolidation loans.
- To comply with all applicable federal and **state** laws and regulations—as well as procedures required in federal regulations, this manual, guarantor bulletins, and Consolidation loan forms, **applications**, and agreements.
- To use an approved Consolidation loan application and **promissory note**. [\[§682.206\(b\)\]](#)
- To secure information on the outstanding balance of each eligible loan to be consolidated before including it in the Consolidation loan. [\[§682.206\(f\)\]](#)
- To pay the full proceeds of each outstanding loan to the appropriate **holder(s)**.
- To pay a 0.5% **origination fee** to the **Department** on each Consolidation loan made. This fee may not be charged to the borrower. [\[HEA 438\(d\)\]](#)
- To promptly provide reports on other information that may be requested by the guarantor.
- To pay the Department a monthly rebate fee on Consolidation loans made on or after October 1, 1993, and held by the lender at month end (see [section 15.7](#)). [\[HEA 428C\(f\)\]](#)
- To make Consolidation loans without discriminating against an applicant. See below for information concerning nondiscrimination provisions. [\[HEA 428C\(b\)\(6\); DCL GEN-98-7/98-L-201/98-G-307\]](#)

Lenders must diligently service Consolidation loans in accordance with provisions applicable to other **FFELP** loans. Any failure to fulfill those requirements may result in a loss of the **guarantee** on the loan and a loss of eligibility for any **interest subsidy** and **special allowance** payments that might otherwise apply (see ~~section 15.6~~ [Sections 12.4 and 15.6](#)).¹

¹ Policy 978 (Batch 143), approved October 18, 2007