

Summary of Changes Approved August through October 2008

This summary lists changes made since the 2008 Annual Update of the *Common Manual* was printed.

Change bars denote the latest policy changes, which were approved October 16, 2008.

Changes made before the 2008 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			
2.2.C Repayment	Adds the crime of identity theft to the list of eligible circumstances for which a lender may be eligible for claim payment for discharge in the FFELP overview in Chapter 2. Updates the definition of the term 'discharge' to include the crime of identity theft.	False Certification as a result of identity theft loan discharge claims processed by the lender on or after September 8, 2006.	1060/152
Chapter 3: Lender Participation			
3.5.G NSLDS Reporting	Incorporates the directive from the Department that strongly encourages monthly reporting of NSLDS data by a lender or servicer, while retaining the minimum quarterly reporting requirement.	Publication date of NSLDS Technical Update 2000-01.	1050/151
Chapter 5: Borrower Eligibility			
5.2.D NSLDS Data Match	Clarifies that an individual who is in default on any Title IV loan is ineligible to receive any Title IV aid, including the benefit of a parent PLUS loan, until the default is resolved. However, a parent's unresolved default on a Title IV loan, including a PLUS loan, does not adversely impact a dependent student's eligibility for other Title IV aid.	Retroactive to the implementation of the <i>Common Manual</i> .	1056/151
5.2.D NSLDS Data Match	Adds the crime of identity theft to the list of eligible circumstances for which a lender may be eligible for claim payment for discharge in the FFELP overview in Chapter 2. Updates the definition of the term 'discharge' to include the crime of identity theft.	False Certification as a result of identity theft loan discharge claims processed by the lender on or after September 8, 2006.	1060/152
5.11 Student Enrollment Requirements	Includes new standards for determining full-time enrollment status for a student enrolled in a nonstandard term-based, credit hour program or in correspondence coursework. Deletes obsolete formulas for determining full-time enrollment status for students enrolled in a program using both credit and clock hours. Clarifies that noncredit and reduced-credit remedial courses must be included when determining a student's enrollment status, if the student qualifies for aid for the remedial courses.	Loans first disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1051/151
5.16 Ineligible Borrowers 5.16.A Ineligibility Based on Borrower Error 5.16.B Ineligibility Based on School Error	Aligns the Manual guidance regarding a borrower whose failure to begin attendance results in the school being required to return loan funds to the lender.	School determinations that a student did not begin attendance on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1041/150

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 6: School Certification			
6.9 Defining Enrollment Status	Includes new standards for determining full-time enrollment status for a student enrolled in a nonstandard term-based, credit hour program or in correspondence coursework. Deletes obsolete formulas for determining full-time enrollment status for students enrolled in a program using both credit and clock hours. Clarifies that noncredit and reduced-credit remedial courses must be included when determining a student's enrollment status, if the student qualifies for aid for the remedial courses.	Loans first disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1051/151
6.11 Loan Limits	Revises text to state explicitly that there is no annual or aggregate loan limit for a parent or Grad PLUS loan. A PLUS loan may not exceed the cost of attendance minus estimated financial assistance for the student.	Retroactive to the implementation of the <i>Common Manual</i> .	1057/151
6.11.A Stafford Annual Loan Limits Figure 6-4 Stafford Annual and Aggregate Loan Limits for Undergraduate Students 6.11.B Stafford Aggregate Loan Limits	Incorporates increases in the unsubsidized Stafford annual loan limits, and the combined Stafford aggregate loan limits, for undergraduate students authorized by the ECASLA.	Stafford loans first disbursed on or after July 1, 2008, for loan periods that include or begin on or after July 1, 2008.	1052/151
6.11.C PLUS Loans for Graduate and Professional Students	Revises text to state explicitly that there is no annual or aggregate loan limit for a parent or Grad PLUS loan. A PLUS loan may not exceed the cost of attendance minus estimated financial assistance for the student.	Retroactive to the implementation of the <i>Common Manual</i> .	1057/151
6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students	Incorporates the increase in the Stafford aggregate loan limit for graduate and professional health profession students who are eligible for increased unsubsidized Stafford loans, from \$189,125 to \$224,000.	Effective on April 18, 2008.	1053/151
6.15.C PLUS Loan Certification	Revises text to state explicitly that there is no annual or aggregate loan limit for a parent or Grad PLUS loan. A PLUS loan may not exceed the cost of attendance minus estimated financial assistance for the student.	Retroactive to the implementation of the <i>Common Manual</i> .	1057/151
Chapter 8: Loan Delivery			
8.7 Delivering Loan Funds at Eligible Schools	Clarifies that there are three exceptions to the general rule that a student must maintain continuous eligibility for the loan period certified, and provides cross-references to explanations of those exceptions.	Retroactive to the implementation of the <i>Common Manual</i> .	1058/151
8.7.G Delivery to Transfer Students	Incorporates a regulatory change regarding a school's examination of a transfer student's financial aid history, made by the HERA Interim Final Rule, published July 3, 2006. The school must determine the amount of any ACG or National SMART grants awarded and delivered during the award year for the transfer student prior to the delivery of FFELP funds.	Eligibility determinations made on or after July 1, 2007, unless implemented earlier by the school.	1054/151
8.9.B Return of Ineligible Borrower Loan Funds	Aligns the Manual guidance regarding a borrower whose failure to begin attendance results in the school being required to return loan funds to the lender.	School determinations that a student did not begin attendance on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1041/150

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 12: Due Diligence in Collecting Loans			
12.4.A Due Diligence Requirements for Loans with Monthly Repayment Obligations	Specifies that a diligent effort is one successful contact or two attempts to contact the borrower or endorser by telephone. Each effort consists of one successful contact or two attempts to contact the borrower or endorser on different days and at different times.	Retroactive to the implementation of the <i>Common Manual</i> .	1059/151
12.4.B Due Diligence Requirements for Loans with Repayment Obligations Less Frequent Than Monthly			
12.4.D Contact by Telephone			
12.4.E Endorser Due Diligence			
12.7.C Required Address Skip Tracing Activities			
12.8.A Telephone Skip Tracing Activities			
Chapter 17: Program Reviews			
Introduction	Moves the CRI information from Appendix F to Chapter 17, and updates the information to include ED's approval of the CRI process.	January 1, 2008.	1062/152
Appendix F: FFELP Community Initiatives			
Common Review Initiative (CRI)	Moves the CRI information from Appendix F to Chapter 17, and updates the information to include ED's approval of the CRI process.	January 1, 2008.	1062/152
Appendix G: Glossary			
Academic Competitiveness Grant	Includes glossary definitions for the ACG and National SMART Grant programs.	July 1, 2006.	1061/152
Diligent Effort	Specifies that a diligent effort is one successful contact or two attempts to contact the borrower or endorser by telephone. Each effort consists of one successful contact or two attempts to contact the borrower or endorser on different days and at different times.	Retroactive to the implementation of the <i>Common Manual</i> .	1059/151
Discharge	Updates the definition of the term 'discharge' to include the crime of identity theft.	False Certification as a result of identity theft loan discharge claims processed by the lender on or after September 8, 2006.	1060/152
Full-Time Student	Includes new standards for determining full-time enrollment status for a student enrolled in a nonstandard term-based, credit hour program or in correspondence coursework. Deletes obsolete formulas for determining full-time enrollment status for students enrolled in a program using both credit and clock hours. Clarifies that noncredit and reduced-credit remedial courses must be included when determining a student's enrollment status, if the student qualifies for aid for the remedial courses.	Loans first disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1051/151
National Science and Mathematics Access to Retain Talent Grant	Includes glossary definitions for the ACG and National SMART Grant programs.	July 1, 2006.	1061/152
Pell Grant	Adds a cross-reference to the FSA Handbook to the existing Pell Grant glossary definition.	July 1, 2006.	1061/152

Deferment and Forbearance

A **borrower** in repayment is entitled to defer payments of principal if the borrower meets certain criteria. There are many different types of **deferments** available to borrowers, including deferments for periods of unemployment, **economic hardship**, or further study.

A borrower in repayment may experience a period of temporary economic hardship but may not be eligible for a deferment. If this occurs, the borrower may request **forbearance** from the **lender**. With a forbearance, the lender and borrower can reduce or postpone payments on the loan.

Subsidized Stafford loan borrowers are eligible to have the federal government pay the **interest** during a deferment period or **post-deferment grace period**. Certain Consolidation loan borrowers are eligible to have the federal government pay all or a portion of the interest that accrues during a deferment period. A borrower with an unsubsidized Stafford, PLUS, or SLS loan, or any unsubsidized portion of a Consolidation loan, is responsible for paying the interest due during a deferment period. During a forbearance period, all borrowers are responsible for paying the interest that accrues on any loan. If a borrower fails to make required interest payments during a deferment or forbearance period, the lender may capitalize the unpaid accrued interest.

For more information on deferment and forbearance, see [Chapter 11](#). For information on interest subsidies, see [Appendix A](#).

Borrower Pays the Loan in Full

Ideally, the borrower makes all loan payments as scheduled and repays the loan in full. To confirm a borrower's paid-in-full status when repayment is completed, the lender must provide certain documents and notices to the borrower, the **guarantor**, and other parties.

For more information on how to handle loans that have been paid in full, see [Chapter 10](#).

Borrower Does Not Pay the Loan in Full

If a loan is not paid in full by the borrower, or if the borrower is eligible to have his or her loan **discharged** or forgiven, generally the guarantor will pay the lender for its loss—provided that the lender has complied with the requirements for making, servicing, and collecting the loan, as applicable. The lender requests a **claim**, **forgiveness**, or **discharge** payment from the guarantor on the eligible amount of the loan. Some forgiveness programs do not involve the guarantor, but rather involve direct reimbursement from the Department to the lender. In the

case of a claim payment due to **default**, the guarantor will continue attempting to collect the loan from the borrower. Permanently discharged and forgiven loans are not subject to further collection activities.

A lender may be eligible for claim, forgiveness, or discharge payment or reimbursement, as applicable, on the eligible amount of a loan under any of the following circumstances:

- The borrower fails to repay the loan when it is due.
- The borrower or student dies before the loan is paid in full.
- The borrower becomes **totally and permanently disabled**.
- The borrower qualifies for spouses and parents of September 11, 2001, victims discharge.
- The borrower files for debt collection protection under **bankruptcy** laws.
- The borrower or student does not receive the benefit of a **refund** to which he or she was entitled from either the school or a third party.
- The borrower qualifies for loan forgiveness.
- The **school** closes while the student is attending.
- The school falsely certifies the borrower's eligibility for the loan.
- The borrower qualifies for loan discharge due to the crime of identity theft.¹

In each of the preceding cases, the lender must file a claim, forgiveness, or discharge payment request within specified time frames to the guarantor or the Department, as applicable. The lender must provide all required **documentation** with the claim form or with the forgiveness or discharge application, as applicable. The required documentation must demonstrate that the lender or borrower is eligible for claim, forgiveness, or discharge payment or reimbursement of the loan obligation. See [Sections 13.6](#), [13.8](#), and [13.9](#) for more information regarding submission time frames and requirements.

For more information on the lender's responsibilities when the borrower is unwilling or unable to make payments, see [Chapters 12](#) and [13](#).

¹ Policy 1060 (Batch 152), approved October 16, 2008

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. An individual who is in default on any Title IV loan is ineligible to receive any Title IV aid, including the benefit of a parent PLUS loan, until the default is resolved in one of the ways described below. However, a parent's unresolved default on a Title IV loan does not adversely impact a dependent student's eligibility for Title IV aid, except that a school must not certify a parent PLUS loan for the defaulted parent borrower.~~
[\[08-09 FSA Handbook, Volume 1, Chapter 3, pp. 1-47 to 1-48 and Chapter 7, p. 1-74\]](#)

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 NSLDS financial aid history information unless the school receives conflicting information. The school must reconcile all conflicting information before delivering any Title IV funds to a borrower who has an unresolved default on a Title IV loan, 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~~ is paid in full.
[\[§668.35\(a\)\(1\)\]](#)
- The defaulted loan ~~has been~~ is discharged or determined to be dischargeable in a bankruptcy action.
[\[§668.35\(h\)\]](#)
- The borrower's eligibility for Title IV funds ~~has been~~ is 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~~ is 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~~ is purchased by a lender. For more information on loan rehabilitation, see [Section 13.7](#).
[\[HEA §428F\(a\)\(1\)\(A\); §682.405\(a\)\(2\)\]](#)
- The defaulted loan ~~has been~~ is discharged because the student for whom the Stafford or PLUS loan was obtained was unable to complete the program of study due to the school's closing.
[\[§682.402\(d\)\]](#)
- The defaulted loan ~~has been~~ is discharged ~~by the Department~~ because the borrower's eligibility for the loan was falsely certified by the school.
[\[§682.402\(e\)\]¹](#)
- The defaulted loan is discharged because the borrower is determined to be the victim of the crime of identity theft.²
- The borrower ~~has been~~ makes satisfactory repayment arrangements on the defaulted loan and ~~consolidated~~ consolidates that loan, or the borrower ~~has agreed~~ agrees to repay a Consolidation loan under an income-sensitive repayment schedule. For more information on consolidating defaulted loans, see [Section 15.2](#).
[\[§682.201\(c\)\(1\)\]³](#)

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

Reinstatement of Title IV Eligibility after Default

A borrower with one or more defaulted Title IV loans, or defaulted Title IV loans for which a judgment has been obtained, may have his or her eligibility for Title IV aid reinstated by requesting reinstatement and making satisfactory repayment arrangements, and fulfilling those arrangements with the holder of each defaulted loan or with the holder of each defaulted loan for which a judgment has been obtained.
[\[§668.35\(a\) and \(b\); §682.401\(b\)\(4\)\]](#)

¹ Policy 1056 (Batch 151), approved September 18, 2008

² Policy 1060 (Batch 152), approved October 16, 2008

³ Policy 1056 (Batch 151), approved September 18, 2008

Guarantors are required by federal regulations to conduct comprehensive biennial program reviews of certain schools and lenders participating in the FFELP. ~~Guarantors, at their option, may elect to review third-party servicers.~~ These reviews may include third-party servicers of schools and lenders, as appropriate. Guarantors may also perform non-mandated reviews of schools, lenders, and their third-party servicers to ensure efficient, effective administration of the FFELP.

Program reviews are conducted ~~by the guarantor and the Department~~ to assess the administrative and financial capability of schools, lenders, and servicers with respect to participation in the FFELP. Chapter 17 describes the criteria used in determining which entities are reviewed, the various stages of the review process, and the most common findings in program reviews.

[HEA §487(c)]

All references to lenders in this chapter include the originating lender and any subsequent holder, as defined in [Section 3.1](#).

Common Review Initiative (CRI)

The Common Review Initiative (CRI) is a process designed to create efficiencies and consistency in lender program reviews by guarantors. Through this joint effort, guarantors collaborate to conduct lender reviews by sharing staff and review costs while using common review procedures. CRI focuses on conducting comprehensive reviews at the servicer level (where possible) using “best practices,” and serving FFELP participants by eliminating redundant guarantor reviews.

The CRI Oversight and Administration Council governs CRI and is composed of participating guarantors that have signed an agreement to participate in the CRI effort.

On December 21, 2007, the Department issued a letter approving the CRI process and confirming that reviews conducted under the CRI process satisfy a guarantor’s obligation to conduct reviews of lenders and servicers under §682.410(c), effective January 1, 2008.

For more information on the CRI, go to the NCHelp Website at www.nchelp.org and click on the Initiatives link.¹

17.1 Purpose and Scope of Program Reviews

A program review measures an entity’s compliance with all applicable requirements related to its FFELP participation and administration. Schools, lenders, and servicers participating in the FFELP must comply with the requirements of:

- The Higher Education Act of 1965, as amended.
- Federal regulations ([§600](#), [§668](#), and [§682](#)).
- Guarantor policies and procedures.

A review is intended to ensure compliance with these provisions and to assess the financial viability of a school or lender.

A guarantor is required to conduct a biennial on-site program review of each school and lender that meets criteria specified in federal regulations (see [Subsections 17.2.A](#) and [17.2.B](#)). If a lender or school uses a servicer to meet some or all of its responsibilities under the FFELP, all or a portion of the program review may be conducted at the servicer. However, the school or lender remains responsible for the results of the review. Lenders and schools must work closely with their servicers to ensure consistent compliance with federal regulations and guarantor policies and procedures.

[§682.410(c)(2)]

In some cases, a guarantor may conduct a joint school, lender, or servicer review with another entity (such as the Department, a state licensing agency, etc.). When a joint review is conducted, each reviewing entity is responsible for the quality of the review. Also, a guarantor may establish a reciprocal agreement with another entity to perform reviews. Under a reciprocal agreement, the entity performing the review is solely responsible for review quality.

¹ Policy 1062 (Batch 152), approved October 16, 2008

For more information on CRC, go to www.nchelp.org, click on e-Library, then Electronic Standards Documentation and Tools, and then CommonRecord: CommonLine Documentation. The Implementation Guide and supporting documentation will also eventually be available at the PESC Website, www.pesc.org.

Common Review Initiative (CRI)

~~The Common Review Initiative (CRI) is a concept designed to create efficiencies and consistency in lender program reviews by guarantors. Through the CRI, guarantors cooperate to conduct lender reviews by sharing staff and review costs while using common review procedures. CRI focuses on conducting comprehensive reviews at the servicer level (where possible) using “best practices,” and serving FFELP participants by eliminating redundant guarantor reviews.~~

~~The CRI is governed by a Council of participating guarantors that have signed an agreement to participate in the CRI effort.~~

~~For more information on the CRI, go to the National Council of Higher Education Loan Programs (NCHELP) Website at www.nchelp.org and click on the Initiatives link.¹~~

Data Transport Standard (DTS)

The Data Transport Standard (DTS) concept was initiated by the Electronic Standards Council (ESC) and presented and adopted by the Postsecondary Electronic Standards Council (PESC) to create a standard method to exchange data within the higher education arena, regardless of the business process. It is an industry effort to be proactive and develop an open standard that can meet the needs of multiple business sectors within the industry, since all participants share common points of interaction, namely schools and financial aid management system (FAMS) vendors. The DTS was created to share a common solution for data transport. It is a recommended replacement for POP3/SMTP (e-mail), an industry-wide solution for real-time or immediate requests, supports batch (deferred) requests, and offers a single solution to transport data.

The DTS is a Web service that enables entities to send and respond to any type of request (an inquiry, report, or transaction) and any type of payload (XML, flat files, etc.).

¹ Policy 1062 (Batch 152), approved October 16, 2008

DTS also enables entities to communicate between or with dot Net or JAVA platforms. DTS utilizes open standard protocols.

Web services are based on request-response patterns. These request-response behavioral patterns occur in a synchronous (uninterrupted) mode. Thus, the DTS provides assured delivery of data for both immediate (real-time) and deferred (batch) data requests.

The DTS is an ongoing effort and is in the final stages of development. Once completed, it will be submitted to PESC for approval as a recognized standard for data transport.

Primary DTS participants are members from the FAMS, the National Council of Higher Education Loan Programs (NCHELP), the Department of Education’s office of Federal Student Aid (FSA), ELM Resources, the American Association of Collegiate Registrars and Admissions Officers (AACRAO), and other learning management organizations. The DTS project consists of two workgroups, business and technical. Information and documentation for DTS is available at www.pesc.org and www.nchelp.org

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Mapping Your Future’s mission is to enable individuals to achieve life-long success by empowering students, families, and schools with free, Web-based career, college, financial aid, and financial literacy information and services. These services include the following: Online Student Loan Counseling, Show Me the Future®, CareerShip, a deferment navigator, a budget calculator, a debt/salary wizard, a loan wizard, a student loan consolidation calculator, and other money management tools.

Sponsored by guarantors and supported by lenders and servicers, Mapping Your Future is a national collaborative, public-service organization of the financial aid industry—bringing together the expertise of the industry to provide free career, college, financial aid, and financial literacy services for schools, students, and families via the Web. Mapping Your Future has a full-time staff to develop and maintain the services at the direction of the Board of Directors and Steering Committee (which are representatives of guarantors) and with advice and assistance from volunteer team members across the country. Team members include the staff at sponsoring agencies and supporting companies, as well as college financial aid professionals and high school counselors.

A

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

Academic Competitiveness Grant: (ACG) A federal need- and merit-based grant that is intended to encourage a student to complete a rigorous secondary school program of study. For more information about this program, see the FSA Handbook.¹

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

Academic Year: For the purposes of determining a borrower's Title IV aid eligibility, a period during which an undergraduate, full-time student is expected to complete either of the following:

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

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

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

The Department publishes a list of nationally recognized accrediting agencies that the Department has determined to be reliable authorities as to the quality of education or training offered. If the Department determines that there is

no nationally recognized accrediting agency qualified to accredit schools in a particular category, the Secretary of Education shall appoint an advisory committee, composed of persons specially qualified to evaluate training provided by schools in such category, to prescribe the standards a school must meet in order to participate in Title IV programs and to determine whether an individual school meets those standards.

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

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

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

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

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

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

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

¹ Policy 1061 (Batch 152), approved October 16, 2008

Delayed Disbursement: The federally mandated delay of the first disbursement of loan funds for first-year, first-time undergraduate Stafford loan borrowers. The school is prohibited from scheduling the first disbursement of a loan to these students earlier than:

- The 28th day of the first payment period if the loan is disbursed by EFT or master check.
- The first day of the first payment period if the loan is disbursed by individual check.

See [Subsection 8.7.D](#).

Delinquency: A period that begins on the day after the due date of a payment when the borrower fails to make the equivalent of one full payment. See [Section 12.2](#).

Department, the: The U.S. Department of Education or an official or employee of the Department acting for the Department under a delegation of authority.

Dependent Student: A student who does not meet the eligibility requirements for an “Independent Student,” under the Higher Education Act of 1965, as amended. See [Independent Student](#).

Diligent Effort: An attempt to perform a required activity in a matter that complies with federally mandated procedures and requirements. See [Chapter 10](#). See [Chapter 12](#).¹

Disability: A medically determined condition that renders a person unable to work and earn money, or, in some cases, to attend school. A borrower (or his spouse or dependent) is considered to be *temporarily totally disabled* if the condition is expected to be of a short and finite duration (see [Section 11.17](#)); a borrower is considered *totally and permanently disabled* if this condition is expected to continue for a long or indefinite period of time, or to result in death (see [Subsection 13.8.G](#)).

Disbursement: The transfer of loan proceeds by individual check, master check, or electronic funds transfer (EFT) by a lender to a borrower, a school, or an escrow agent (see [Section 7.7](#)). For a Consolidation loan, disbursement is the transfer of borrower loan proceeds from the consolidating lender to the current holder of the loan being consolidated (see [Section 15.4](#)).

Disbursement Date: For a loan disbursed by check or draft, the date the check or draft is issued. For a loan disbursed by electronic funds transfer (EFT) or wire transfer, the date the funds are transferred from the lender to the school or escrow agent.

Discharge: The release of a borrower or any comaker from all or a portion of his or her loan obligation, as applicable, due to bankruptcy, school closure, death, spouses and parents of September 11, 2001, victims, total and permanent disability, an unpaid refund by the school, ~~or~~ the school’s false certification of a FFELP loan, or the crime of identity theft. See [Section 13.8](#).²

Documentation: A written or printed paper, a supporting reference, or a record that can be used to furnish evidence, proof, or information.

DPL: See [Dear Partner Letter](#)

Dual-Program Cohort Default Rate: For a school that has former students entering repayment in a fiscal year on both FFELP and FDLP loans, the Department calculates a dual-program cohort default rate. See [Section 16.2](#) for calculation formulas.

Due Diligence: The procedures required for attempting to satisfactorily resolve a delinquency and prevent a default in accordance with federal regulations. The lender must document the performance of these attempts, and the attempts must be at least as forceful as those generally used for consumer loans. See [Chapter 12](#).

E

Economic Hardship: A period during which the borrower is working full time but is earning an amount that does not exceed the greater of the minimum wage or 150% of the poverty line for the borrower’s family size. Economic hardship also exists if a borrower’s monthly payments on federal education loans are equal to or greater than 20% of the borrower’s monthly income, as defined in FFELP regulations.

EFA: See [Estimated Financial Assistance](#)

EFC: See [Expected Family Contribution](#)

Effective Commercial Skip Tracing: Techniques used to locate a person whose address is unknown. Examples of these techniques may include contacting an endorser (e.g., to locate a borrower), a borrower (e.g., to locate an endorser or comaker), a relative, a reference, individuals, entity

¹ Policy 1059 (Batch 151), approved September 18, 2008

² Policy 1060 (Batch 152), approved October 16, 2008

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

MPN: See [Master Promissory Note](#)

Multiple Disbursements: Disbursement at predesignated times of a Federal Stafford or PLUS loan—usually in two or more installments of approximately equal increments. See [Subsection 7.7.B](#).

N

National and Community Service Trust Act: The federal legislation that created a national and community service program, including AmeriCorps. The program is administered by the Corporation for National Service.

National Council of Higher Education Loan

Programs: (NCHHELP) A nationwide network of guarantors, secondary markets, lenders, loan servicers, collectors, and other organizations involved in the administration of the Federal Family Education Loan Program. NCHHELP represents its members on public policy and regulatory issues with the legislative and executive branches of the federal government.

National Credit Bureau: A credit reporting agency with a service area encompassing more than a single region of the country.

National of the United States: A citizen of the United States or, as defined in the [Immigration and Nationality Act](#), a noncitizen who owes permanent allegiance to the United States.

National Science and Mathematics Access to Retain Talent Grant: (National SMART Grant) A federal need- and merit-based grant that is intended to encourage a student to major in one of the physical, life, or computer sciences; engineering; technology; mathematics; or a critical foreign language. For more information about this program, see the FSA Handbook.¹

National Student Loan Data System: (NSLDS)

A database comprised of information from guarantors, schools, lenders, and the Department of Education which contains information on Title IV aid received by students.

Need Analysis: A standardized assessment of the ability of a student or of a student's family to contribute toward educational expenses.

New Borrower: A borrower who has no outstanding balance on a FFELP loan at the time he or she signs a promissory note for a FFELP loan.

Nonsubsidized Loan: A loan that is not eligible for federal interest benefits. The borrower is responsible for paying the interest on the outstanding principal balance of a nonsubsidized loan throughout the life of the loan. During in-school, grace, and deferment periods, these interest payments are normally made on a monthly or quarterly basis, or are capitalized. *Nonsubsidized loans were guaranteed by some guarantors before the introduction of unsubsidized Stafford loans.*

Non-Term-Based Institution: A school that measures its academic year in credit or clock hours rather than academic terms (e.g., semesters, trimesters, or quarters).

Notification (as it relates to the Stafford MPN): A process by which the school, lender, or guarantor notifies the borrower of the proposed loan types and amounts. The borrower is required to take action only to reject or adjust the type or amount of the loan.

NSLDS: See [National Student Loan Data System](#)

O

Official: The person at the guarantor with the responsibility for initiating an Action under the Limitation, Suspension, or Termination procedures outlined in [Chapter 18](#) of this Manual.

One-Academic-Year Training Program: A program that includes:

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

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

¹ Policy 1061 (Batch 152), approved October 16, 2008

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

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

P

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

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

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

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

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

Pell Grant: A federal need-based grant. For more information about this program, see the FSA Handbook.¹

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

financial aid community to refer to the period of time during an academic year when a student is enrolled at the school.

[[§682.200\(b\)](#); [§682.603\(f\)\(1\)](#) and [\(2\)](#)]

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

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

Post-Deferment Grace Period: A 6-month period following a deferment during which payments are not required. The 6-month post-deferment grace period applies only to loans disbursed before October 1, 1981, and, in some cases, to loans for borrowers who participated on active-duty status in certain emergency military mobilizations, such as Operations Desert Shield/Desert Storm. See [Subsection 11.1.H](#). See [Section H.1](#), under April 9, 1991, for information on the post-deferment grace period applicable to Operations Desert Shield/Desert Storm.

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

PPA: See [Program Participation Agreement](#)

Preaccredited School: A public or private nonprofit school that is progressing towards accreditation within a reasonable period of time, as certified by an accrediting agency. The status must be recognized by the Department for purposes of Title IV program eligibility. See also [Accrediting Agency](#).

Preclaim Assistance: See [Default Aversion Assistance](#)

Prehearing Conference (as used in Chapter 18): Contact by any method, including telephone, between the parties for the purpose of settling or narrowing a dispute related to limitation, suspension, and termination proceedings.

¹ Policy 1061 (Batch 152), approved October 16, 2008