

Summary of Changes Approved September through October 2009

This summary lists changes made since the 2009 Annual Update of the *Common Manual* was printed.

Change bars denote the latest policy changes, which were approved October 15, 2009.

Changes made before the 2009 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			
2.1.B Types of Loans Available 2.2.A Origination	Removes the terms “creditworthy” and “creditworthiness” and replaces them with terminology related to not having adverse credit in the context of an applicant’s or endorser’s eligibility for a PLUS loan. Also removes the term “creditworthiness” and replaces it with “credit standards” in the context of a lender’s independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant’s adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161
2.3.C Common Forms	States that a lender must submit a completed FFELP Ineligible Borrower and Identity Theft Supplemental form to accompany the FFELP Claim Form to support and provide additional information and documentation necessary to request claim reimbursement for an ineligible borrower discharge or a discharge due to false certification as a result of a crime of identity theft.	Claims filed by the lender on or after January 1, 2010, unless implemented earlier by the lender.	1136/160
2.3.C Common Forms	States that a lender must provide certain electronic signature and disbursement information when filing a total and permanent disability claim that is not based on a determination by the Department of Veterans Affairs (VA). The required information must be submitted via the FFELP Assignment Support Supplemental Form (TPD-Specific worksheet).	Total and permanent disability claims that are not based on a determination by the Department of Veterans Affairs and that are filed by the lender on or after January 1, 2010, unless implemented earlier by the guarantor.	1142/161
Chapter 3: Lender Participation			
3.4.C Permitted and Prohibited Activities	Permits a lender to provide entrance counseling services. The school’s staff must be in control of the counseling, whether in person or via electronic capabilities. The counseling must not promote the products and services of any specific lender.	Entrance counseling provided by a lender on behalf of a school on or after August 14, 2008.	1137/160
Chapter 6: School Certification			
6.7 Determining the Amount of Estimated Financial Assistance (EFA)	Excludes all federal veterans’ education benefits from estimated financial assistance (EFA) for determining eligibility for a Stafford or PLUS loan. Revised policy provides an updated list of federal veterans’ education benefits that are excluded.	July 1, 2009	1138/160

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.11.A Stafford Annual Loan Limits 6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students	Deletes reference to the bachelor of pharmacology and graduate of allied health programs as those for which an enrolled student may receive increased unsubsidized Stafford loan limits available to health profession students.	For deletion of the bachelor of pharmacology program, publication date of the 07-08 FSA Handbook. For deletion of the graduate of allied health program, publication date of the 00-01 FSA Handbook.	1145/161
6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students	Deletes the reference to a student receiving a Health Education Assistance Loan Program (HEAL) loan for any portion of the same loan period as the increased unsubsidized Stafford annual loan limit available to a health profession student.	October 1, 1998	1139/160
6.16 Applying for Federal Stafford and PLUS Loans	Removes the terms "creditworthy" and "creditworthiness" and replaces them with terminology related to not having adverse credit in the context of an applicant's or endorser's eligibility for a PLUS loan. Also removes the term "creditworthiness" and replaces it with "credit standards" in the context of a lender's independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant's adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161
Chapter 7: Loan Origination			
7.1.A General Determinations 7.1.B Creditworthiness 7.1.C Effect of Bankruptcy on Creditworthiness 7.2.A Lender Responsibilities under a Master Promissory Note	Removes the terms "creditworthy" and "creditworthiness" and replaces them with terminology related to not having adverse credit in the context of an applicant's or endorser's eligibility for a PLUS loan. Also removes the term "creditworthiness" and replaces it with "credit standards" in the context of a lender's independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant's adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161
Chapter 9: School Reporting Responsibilities and the Return of Title IV Funds			
9.1 Reporting Social Security Number, Date of Birth, and First Name Changes or Corrections	States that when the school becomes aware of a discrepancy with a student's or parent borrower's Social Security Number (SSN), date of birth, or first name, the school must attempt to obtain documentation of the correct SSN, date of birth, or first name. The school must notify the guarantor of any change made to the SSN, date of birth, or first name as a result of obtaining documentation, and must notify the lender of any change to the SSN. Revised policy also states that if the school is unable to obtain a copy of an acceptable source document to resolve the discrepancy of an SSN, it must notify both the lender and guarantor. The school must also instruct the lender to cease disbursement, and the school may not deliver FFELP funds to the student until the school determines the correct SSN.	July 1, 1996	1140/160

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 10: Loan Servicing			
10.8.D Income-Based Repayment Schedule	States that for purposes of determining whether a borrower has a partial financial hardship (PFH) under IBR, the borrower may provide the lender with either a signed copy of the page(s) of the borrower's most recent federal income tax return that contains the borrower's adjusted gross income (AGI), or the tax transcript information from the Internal Revenue Service (IRS) that contains the AGI and other tax return information. The policy further explains that to obtain a tax transcript from the IRS, the borrower may either submit a signed consent form (IRS Form 4506-T) directly to the lender (which will then forward it to the IRS), or the borrower may submit the 4506-T form directly to the IRS and request that the information be sent directly to either the lender or the borrower.	Income-based repayment (IBR) plan requests received by the lender on or after July 1, 2009.	1143/161
Chapter 13: Claim Filing, Discharge, and Forgiveness			
13.1.D Claim File Documentation	Requires a lender to provide to the guarantor documentation supporting the granting of a reduced interest rate under the Servicemembers Civil Relief Act if, at the time the lender files a claim with the guarantor, the borrower, comaker, or endorser is receiving this benefit. This documentation includes the borrower's written request for the reduced interest rate and the applicable military orders.	Claims filed by the lender on or after January 1, 2010, unless implemented earlier by the lender.	1135/160
13.1.D Claim File Documentation	States that a lender must submit a completed FFELP Ineligible Borrower and Identity Theft Supplemental form to accompany the FFELP Claim Form to support and provide additional information and documentation necessary to request claim reimbursement for an ineligible borrower discharge or a discharge due to false certification as a result of a crime of identity theft.	Claims filed by the lender on or after January 1, 2010, unless implemented earlier by the lender.	1136/160
13.1.D Claim File Documentation	States that a lender must provide certain electronic signature and disbursement information when filing a total and permanent disability claim that is not based on a determination by the Department of Veterans Affairs (VA). The required information must be submitted via the FFELP Assignment Support Supplemental Form (TPD-Specific worksheet).	Total and permanent disability claims that are not based on a determination by the Department of Veterans Affairs and that are filed by the lender on or after January 1, 2010, unless implemented earlier by the guarantor.	1142/161
Chapter 15: Federal Consolidation Loans			
15.3.C Reviewing the Loan Verification Certificate	States that a joint Consolidation loan cannot be reconsolidated under either the the FFELP or the Direct Loan Program. Revised policy also specifies that an existing single Federal Consolidation loan may be reconsolidated under the Direct Loan Program without adding other eligible loans under certain situations listed in Section 15.2.	Loan verification certificates received by the lender on or after August 14, 2008.	1141/160
Appendix G: Glossary			
Additional Unsubsidized Stafford Loan	Aligns the definition of "Additional Unsubsidized Stafford Loan" with the loan limits in Subsection 6.11.A and Figure 6-4.	Stafford loans first disbursed on or after July 1, 2008, for loan periods that include or begin on or after July 1, 2008.	1147/161

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Endorser	Removes the terms "creditworthy" and "creditworthiness" and replaces them with terminology related to not having adverse credit in the context of an applicant's or endorser's eligibility for a PLUS loan. Also removes the term "creditworthiness" and replaces it with "credit standards" in the context of a lender's independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant's adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161
Estimated Financial Assistance (EFA)	Excludes all federal veterans' education benefits from estimated financial assistance (EFA) for determining eligibility for a Stafford or PLUS loan. Revised policy provides an updated list of federal veterans' education benefits that are excluded.	July 1, 2009	1138/160
Appendix H: History of the FFELP and the <i>Common Manual</i>			
H.1 History of the FFELP and the <i>Common Manual</i>	Removes the terms "creditworthy" and "creditworthiness" and replaces them with terminology related to not having adverse credit in the context of an applicant's or endorser's eligibility for a PLUS loan. Also removes the term "creditworthiness" and replaces it with "credit standards" in the context of a lender's independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant's adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161

- A **Federal PLUS loan** is available to an eligible [parent](#) of a dependent [undergraduate student](#) attending a participating postsecondary school and to an eligible [graduate or professional student enrolled](#) in an eligible graduate or professional program at a [participating school](#). A PLUS loan borrower must not have adverse credit or must obtain an ~~creditworthy endorser~~ [without adverse credit](#) to be eligible for the loan. The borrower is responsible for paying to the lender the interest that accrues on the loan from the time the loan is disbursed until it is paid in full. Repayment of a PLUS loan is scheduled over a maximum period of 10 years. However, the [repayment period](#) on a [Grad PLUS loan](#) may be longer than 10 years under an [income-based repayment plan](#). For a borrower eligible for an [extended repayment schedule](#), the maximum repayment period is 25 years. (See [Section 10.8](#)).¹
- A **Federal Consolidation loan** is available to a borrower who wants to combine his or her outstanding education loans into a single loan with a single monthly payment. In most cases, the borrower is responsible for paying to the lender the interest that accrues on the loan until the loan is paid in full. Consolidation loans usually have a longer [repayment period](#) and a lower monthly payment than is available on the underlying education loans.

Before July 1, 1994, **Federal SLS loans** were available to [eligible students](#) attending participating postsecondary schools. An SLS [borrower](#) must pay to the [lender](#) all [interest](#) that accrues on the loan from the time the loan is disbursed until it is paid in full. The Federal SLS Loan Program was discontinued effective July 1, 1994. At the same time, loan limits on unsubsidized Stafford loans were increased by the amounts previously available to SLS borrowers. All SLS loans first disbursed before July 1, 1994, retain the terms and conditions established under the Federal SLS Loan Program.

More information about each of these types of loans, the process a borrower follows to obtain a loan, the terms of the loan, and how schools and lenders are to handle [FFELP](#) loans is included in this Manual.

2.2 The Life of a FFELP Loan

The life of a FFELP loan begins with the borrower's request for a loan and the school's [certification](#) of the borrower's eligibility. It ends when the loan is paid in full—or when the outstanding loan amount is fully [discharged](#) or forgiven. The life of a Stafford or PLUS loan spans three phases:

Phase 1: Origination

The school certifies the applicant's eligibility, and the lender approves the loan and applies for the [guarantee](#).

Phase 2: The Interim Period

The school and lender manage the loan while the borrower or student is in school, and during any [grace period](#) to which the borrower is entitled.

Phase 3: Repayment

The lender maintains, or services, the loan from the time the borrower is to begin making payments on the loan until the loan is paid in full by the borrower, paid in full by consolidation, paid by the [guarantor](#) as a [claim](#), or fully discharged or forgiven.

During these three phases, the school and lender each have responsibilities for ensuring that the loan is handled properly.

The three flow charts on the following pages depict the life of a Stafford loan and the life of a PLUS loan.

¹ Policy 1144 (Batch 161), approved October 15, 2009

Lender Reviews and Approves the Loan

After the [school](#) certifies eligibility, the loan applicant submits—or directs the school to submit—the loan information to an eligible [lender](#) of the applicant’s choice. The [lender](#) is responsible for reviewing the loan information to determine whether a loan should be made based on its lending practices.

In determining borrower eligibility, the lender generally relies in good faith on information provided by the school, the applicant, and, for PLUS loans, the student. For a PLUS loan, the lender must also determine whether the applicant ~~is creditworthy~~ [has adverse credit](#) by obtaining and reviewing a credit report. If the lender determines that the loan information is complete and that the applicant is eligible for a loan, the loan information is submitted to the [guarantor](#) for [guarantee](#).¹

The guarantor often reviews and approves the loan on a lender’s behalf, where such arrangements have been made between the guarantor and the lender.

For more information on how the lender reviews and approves the loan, see [Chapter 7](#).

Guarantor Reviews and Guarantees the Loan

Upon receiving the loan information, the guarantor:

- Reviews the applicant’s eligibility based on the loan information provided to determine if the [record](#) is complete, legible, and consistent with other information in its records.
- Enters the loan information on its system to process the guarantee.

If the loan information indicates that the applicant is eligible, the guarantor notifies the lender that the loan has been guaranteed. When the loan is guaranteed, the guarantor produces a [guarantee disclosure](#) to provide the [borrower](#) and lender with important information about the loan. Information on the guarantee disclosure includes the loan amount, [interest](#) rate, scheduled [disbursement dates](#), and loan fees. Many guarantors also notify the school when the loan is guaranteed.

For more information on how the guarantor reviews and processes a loan for guarantee, see [Chapter 6](#).

Lender Disburses the Loan

The lender compares the guarantee disclosure to the borrower’s loan information. If the data is consistent, the lender keeps a record of the guarantee and provides an accurate disclosure to the borrower on or before the date of the first [disbursement](#).

The lender disburses the [loan proceeds](#) to the borrower according to the dates reflected on the guarantee disclosure and sends the loan proceeds to the school (unless the borrower is attending a [foreign school](#) or studying abroad). The lender may disburse the loan by issuing an individual [check](#), by sending a [master check](#) that combines the loan proceeds of several borrowers into a single check, or by transmitting the loan [funds](#) via [electronic funds transfer](#).

The lender may make arrangements with a disbursing agent to disburse the loan on the lender’s behalf.

For more information on disbursement, see [Chapter 7](#).

School Delivers the Loan Proceeds to the Borrower

The school delivers the loan proceeds to the borrower promptly after verifying that the borrower remains eligible for the loan. The school credits the funds to the student’s account or delivers the funds to the borrower, as appropriate. At the borrower’s written request, a school may also retain and deliver funds periodically to help the student manage his or her loan funds and attendance costs.

Sometimes, a borrower receives additional financial aid after his or her eligibility for a Stafford or PLUS loan has been certified by the school. When this happens, an [overaward](#) may occur. Under certain circumstances, the school must return all or a portion of the undelivered Stafford or PLUS disbursements to the lender to reduce or eliminate the overaward.

If the borrower has lost eligibility for the Stafford or PLUS loan, the school must promptly return any undelivered proceeds to the lender. Typically, the loan disbursement is then canceled by the lender. Under certain circumstances, a borrower may still be able to obtain the loan proceeds as a [late disbursement](#).

For more information on school delivery of loan proceeds, see [Chapter 8](#).

¹ Policy 1144 (Batch 161), approved October 15, 2009

Deferment Forms

- SCH In-School Deferment Request
- EDU Education Related Deferment Request
- PUB Public Service Deferment Request
- TDIS Temporary Total Disability Deferment Request
- UNEM Unemployment Deferment Request
- PLWM Parental Leave/Working Mother Deferment Request
- HRD Economic Hardship Deferment Request and Worksheets
- PLUS PLUS Borrower with Dependent Student Deferment Request
- MIL Military Deferment Request

Default Aversion Forms

- Default Aversion Assistance Request Form

Claim Forms

- Claim Form
- Supplemental Claim Form
- Request for Reimbursement Due to Partial Discharge of a Federal Consolidation Loan
- FFELP Teacher Loan Forgiveness Request Form
- FFELP Ineligible Borrower and Identity Theft Supplemental Form¹
- FFELP Assignment Support Supplemental Form (TPD-Specific worksheet)²

Loan Discharge/Forgiveness Forms

- Loan Discharge Application: School Closure
- Loan Discharge Application: False Certification of Ability to Benefit
- Loan Discharge Application: False Certification (Disqualifying Status)
- Loan Discharge Application: False Certification (Unauthorized Signature/Unauthorized Payment)
- Discharge Application: Total and Permanent Disability
- Loan Discharge Application: Unpaid Refund
- Loan Discharge Application: Spouses and Parents of September 11, 2001 Victims
- Teacher Loan Forgiveness Application
- Teacher Loan Forgiveness Forbearance Form

¹ Policy 1136 (Batch 160), approved September 17, 2009

² Policy 1142 (Batch 161), approved October 15, 2009

Graduate and Professional Students

A graduate or professional student's grade level is advanced according to the school's academic standards for the program of study in which the student is enrolled.

6.11 Loan Limits

Based on all information available, a school is responsible for certifying a loan amount that ensures a borrower does not receive a loan in excess of the Stafford **annual or aggregate loan limits**. A PLUS loan may not exceed the **cost of attendance (COA)** minus the student's **estimated financial assistance (EFA)** for the loan period. There is no annual or aggregate loan limit for a PLUS loan.

[§682.506(a); §682.603(e)(2)(i); DCL GEN-92-21; 07-08 FSA Handbook, Volume 3, Chapter 5, pp. 3-78 and 3-90]

For more information on Stafford **annual** and **aggregate loan limits**, schools should refer to **Subsections 6.11.A and 6.11.B, Figure 6-4**, and the guidelines issued by the Department in the **08-09 FSA Handbook, Volume 3, Chapter 5**. For more information about the impact of simultaneous, multiple school enrollment on annual loan limits, see **Section 5.15**.

6.11.A Stafford Annual Loan Limits

The amount of Stafford loan funds that a student may borrow for each **academic year**—the **annual loan limit**—is based on whether the student is **enrolled** in an undergraduate, graduate, or professional **program of study**. For an **undergraduate student**, the annual loan limits vary according to several factors:

- The student's dependency status, as defined in **Section 6.8**.
- For a dependent student, the student's enrollment in undergraduate or graduate preparatory coursework, or teacher certification or recertification coursework (see **Figure 6-4**).
[DCL GEN-08-08]
- The student's grade level, i.e., year of study in which the student is enrolled (first, second, third, fourth, or subsequent year), according to the school's academic standards and **grade level** advancement policies (see **Section 6.10**).

- The length of the undergraduate program of study, regardless of how long it takes the student to complete the program.
- The length of the student's program or final **period of enrollment**, expressed as a proportion of the program's academic year definition.
[§682.204(i)]

A Stafford annual loan limit does not include any of the following:

- The amount of **capitalized interest** or any **collection costs** that may have been added to the **principal balance** of the borrower's prior loans. When determining the borrower's Stafford loan eligibility, the **financial aid administrator (FAA)** may assume that all outstanding principal balances include only the balance of original principal. However, the school must secure and retain documentation of the capitalized amount included in any reported loan balances if the school's **certification** of a new loan would otherwise cause the borrower to exceed his or her annual limit.
- The amount of any **TEACH grant** that has been converted to an unsubsidized Direct Stafford loan.
[§682.204(c)]

The borrower, school, and lender are encouraged to work with the **guarantor** to provide information about the borrower's unpaid principal balance, if documentation is necessary prior to approving the borrower's loan.

Undergraduate Students

The Stafford annual and aggregate loan limits for undergraduate students are detailed in **Figure 6-4**.

If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire Stafford annual and aggregate undergraduate loan limits in unsubsidized Stafford loan funds.

Exception: Increased annual and aggregate unsubsidized Stafford loan limits are authorized for some students in 5-year Bachelor of Pharmacology Programs (see Subsection 6.11.D).¹

¹ Policy 1145 (Batch 161), approved October 15, 2009

and unsubsidized Stafford loan amounts the borrower has received from the combined Stafford aggregate loan limit of \$31,000.

[HEA §428(b)(1)(B)(i); §428H(d)(3)(B); DCL GEN-08-08]

An independent undergraduate student borrower or a dependent student borrower whose parent is unable to obtain a PLUS loan (because the parent has adverse credit or other exceptional circumstances that are documented by the FAA) is eligible to borrow up to a combined subsidized and unsubsidized Stafford aggregate loan limit of \$57,500 (including all Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans). Of the total amount borrowed, no more than \$23,000 may consist of subsidized Stafford loan funds. If a borrower is ineligible for subsidized Stafford loan funds, he or she may borrow up to the \$57,500 Stafford aggregate loan limit in unsubsidized Stafford loan funds. If the borrower has not reached the \$57,500 limit, the borrower may be eligible for the Stafford annual loan limit applicable to his or her current [grade level](#). To calculate the borrower's remaining Stafford aggregate loan eligibility, subtract the subsidized and unsubsidized Stafford loan amounts the borrower has received from the combined Stafford [aggregate loan limit](#) of \$57,500.

[HEA §428(b)(1)(B)(ii); HEA §428H(d)(4)(B); DCL GEN-97-3; DCL GEN-08-08]

Graduate and Professional Students

A [graduate or professional student](#) is eligible to borrow a combined subsidized and unsubsidized Stafford aggregate loan amount of up to \$138,500 (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans). Subsidized Stafford loans may comprise no more than \$65,500 of the total amount borrowed. If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire \$138,500 Stafford aggregate loan limit in unsubsidized Stafford loan funds.

Exception: Increased unsubsidized Stafford aggregate loan limits are authorized for certain health profession students (see [Subsection 6.11.D](#)).

6.11.C

PLUS Loans for Graduate and Professional Students

A graduate or professional student is eligible to borrow [Grad PLUS loan](#) funds not to exceed the [cost of attendance \(COA\)](#) minus the student's [estimated financial assistance \(EFA\)](#) for the loan period. There is no annual or aggregate loan limit for a Grad PLUS loan. A graduate or professional PLUS loan borrower must meet the student eligibility criteria set forth in [Subsections 5.1.A](#) and [5.1.B](#) and the graduate or professional PLUS loan borrower eligibility criteria set forth in [Subsection 5.1.C](#).

[§682.204(h); DCL GEN-92-21; 08-09 FSA Handbook, Volume 3, Chapter 5, pp. 3-79 and 3-92]

6.11.D

Increased Unsubsidized Stafford Loan Limits for Health Profession Students

In some cases, the school may certify loan amounts that exceed the standard annual and aggregate loan limits. These instances are limited to loans for certain health profession students who may be eligible to borrow increased unsubsidized Stafford loan limits that exceed the annual and aggregate limits listed in [Subsections 6.11.A](#) and [6.11.B](#).

[DCL GEN-99-21; 08-09 FSA Handbook, Volume 3, Chapter 5, pp. 3-110 to 3-112]

School Eligibility

For loan periods beginning on or after May 1, 1999, schools offering eligible health profession programs are eligible to award the increased unsubsidized Stafford loan limits to students [enrolled](#) in those programs, regardless of the school's past participation in the HEAL Program. [Foreign schools](#) are not eligible to award the increased unsubsidized Stafford loan limits. See [Volume 3 of the FSA Handbook for the most current list of eligible programs](#).¹

Eligible health profession programs include:

- Allopathic medicine programs accredited by the Liaison Committee on Medical Education.
- Osteopathic medicine programs accredited by the American Osteopathic Association, Bureau of Professional Education.

¹ Policy 1145 (Batch 161), approved October 15, 2009

- Dentistry programs accredited by the American Dental Association, Commission on Dental Accreditation.
- Veterinary medicine programs accredited by the American Veterinary Medical Association, Council on Education.
- Optometry programs accredited by the American Optometric Association, Council on Optometric Education.
- Podiatric medicine programs accredited by the American Podiatric Medical Association, Council on Podiatric Medical Education.
- Pharmacy programs accredited by the American Council of Pharmaceutical Education.
- Public health programs accredited by the Council on Education for Public Health.
- Chiropractic medicine programs accredited by the Council on Chiropractic Education, Commission on Accreditation.
- Health administration graduate programs accredited by the Accrediting Commission on Education for Health Services Administration.
- Clinical psychology programs accredited by the American Psychological Association, Committee on Accreditation.
[DCL GEN-99-21; 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-112]

For loan periods beginning on or after May 1, 2005, schools offering the following health profession programs are eligible to award increased unsubsidized Stafford loan limits to students enrolled in these programs:

- Naturopathic Medicine programs that lead to a Doctor of Naturopathic Medicine (N.M.D.) Degree or a Doctor of Naturopathy (N.D.) Degree and are accredited by the Council on Naturopathic Medical Education (CNME).
[DCL GEN-05-09]

Student Eligibility

To be eligible for the increased unsubsidized Stafford loans exceeding standard [annual loan limits](#), a health profession student must meet the following criteria:

- The student must be eligible for an unsubsidized Stafford loan.
- The student must be [enrolled](#) at least half time.
- ~~The student must not receive a HEAL program loan for any portion of the same loan period as the increased unsubsidized Stafford loan limit.¹~~
- The student must be enrolled in an eligible program at an eligible school, as defined above.
[DCL GEN-98-18; DCL GEN-97-4; DCL GEN-96-14; 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-110]

~~The 5-year Bachelor of Pharmacology Program is the only program in which an undergraduate student is eligible for increased unsubsidized Stafford loan limits under these provisions. In addition to being required to meet all of the other eligibility criteria outlined in this subsection, a student enrolled in this program must meet the following criteria to be eligible for the increased unsubsidized Stafford loan limits:~~

- ~~The student must be enrolled in the fourth or fifth year of the program.~~
- ~~The student must be independent, or be a dependent student whose parent is unable to borrow a PLUS loan. [DCL GEN 98-18]~~

Special Annual Unsubsidized Stafford Loan Limits

The increased annual unsubsidized Stafford loan limits for an eligible health profession students supplement the regular Stafford loan limits the student would be eligible to receive in the same [loan period](#), and cannot exceed the lesser of the following:

- The student's [cost of attendance \(COA\)](#) less ~~other financial aid~~ estimated financial assistance.²
- The student's regular unsubsidized Stafford loan limit (see [Subsection 6.11.A](#)) plus the student's applicable HEAL loan maximum.
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-110]

¹. Policy 1139 (Batch 160), approved September 17, 2009

². Policy 1145 (Batch 161), approved October 15, 2009

~~HEAL program and discipline loan maximums are specified in section 104.3.2 of the *Department of Health and Human Services, Student Financial Aid Guidelines*. In general, the additional maximums are as follows:~~

- ~~• \$12,500 for a 9-month academic year, not to exceed \$16,667 for a 12-month academic year, for a students enrolled in a graduate of public health, graduate in allied health, doctor of chiropractic, doctoral degree in clinical psychology, masters or doctoral degree in health administration, or bachelor or master of science in pharmacology or equivalent degree. In the case of a pharmacology student, the doctor of pharmacy degree is considered to be an equivalent degree if it is taken at a school that does not require the bachelor or master of science in pharmacy as a prerequisite for the doctor of pharmacy degree. one of the following programs:~~
 - ~~– Graduate in Public Health~~
 - ~~– Master’s or Doctoral Degree in Health Administration~~
 - ~~– Doctor of Pharmacy~~
 - ~~– Doctor of Chiropractic~~
 - ~~– Doctoral Degree in Clinical Psychology~~
- ~~• \$20,000 for a 9-month academic year, not to exceed \$26,667 for a 12-month academic year, for a students enrolled in one of the following doctoral programs in allopathic medicine, osteopathic medicine, dentistry, veterinary medicine, optometry, podiatric medicine, and naturopathic medicine.:~~
 - ~~– Doctor of Allopathic Medicine~~
 - ~~– Doctor of Osteopathic Medicine~~
 - ~~– Doctor of Dentistry~~
 - ~~– Doctor of Veterinary Medicine~~
 - ~~– Doctor of Optometry~~
 - ~~– Doctor of Podiatric Medicine~~
 - ~~– Doctor of Naturopathic Medicine~~
 - ~~– Doctor of Naturopathy~~

~~[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-112]~~

Schools must follow HEAL proration requirements and other HEAL program restrictions when awarding students increased unsubsidized Stafford loans, except that the HEAL program needs test is not required for increased unsubsidized Stafford loan limits.

[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-110]

Special Stafford Aggregate Loan Limits

Graduate and professional health profession students who are eligible for increased unsubsidized Stafford loans are eligible to borrow a combined subsidized and unsubsidized Stafford aggregate loan amount of up to \$224,000 (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans). Subsidized Stafford loans may comprise no more than \$65,500 of this amount. If a student is ineligible for subsidized Stafford loan funds, the student may borrow the \$224,000 aggregate loan limit in unsubsidized Stafford loan funds.

~~[DCL GEN-99-21; DCL GEN-99-7; DCL GEN-98-18; DCL GEN-97-14; DCL GEN-97-4; DCL GEN-96-14]~~

~~Undergraduate 5-year Bachelor of Pharmacology students may receive an aggregate amount of \$70,625 (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans). Subsidized Stafford loans may comprise no more than \$23,000 of this amount. If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire \$70,625 aggregate loan limit in unsubsidized Stafford loan funds.~~

~~[DCL GEN 99 21; GEN 99 7; GEN 98 18; GEN 97 14; GEN 97 4; GEN 96 14]¹~~

6.11.E Exceeding Loan Limits

A Stafford or PLUS loan amount must never exceed the maximum amount the borrower is eligible to receive or the amount the borrower requested, whichever is less. A loan disbursed in excess of the lesser of these two amounts may lose its guarantee and eligibility for interest benefits and/or special allowance payments. A PLUS loan may not exceed the cost of attendance (COA) minus estimated financial assistance (EFA), but otherwise is not limited. See Subsections 6.11.A and 6.11.B for more information regarding Stafford loan limits.

[§682.204(h); §682.401(b); §682.603(e)]

A Stafford borrower is subject to the annual and aggregate loan limits that exist in the Higher Education Act of 1965, as amended, at the time the borrower received the inadvertent overaward. If a Stafford borrower inadvertently

¹ Policy 1145 (Batch 161), approved October 15, 2009

for any subsequent PLUS loan requested during a period in which the PLUS loan borrower has adverse credit.

[DCL GEN-03-03; DCL FP-06-05]

Processes Applicable to Both the Stafford and PLUS MPN

The MPN provides the borrower with instructions for completing the form, important information regarding the borrower's rights and responsibilities, and an overview of the loan process. By signing the MPN, the borrower certifies that he or she has read the information on the note, understands the terms and conditions of the loan, and promises to repay the loan.

Both the Stafford and the PLUS MPN have a multi-year feature that permits a borrower to sign one [promissory note](#) for multiple loans. All schools located in the United States, unless notified otherwise by the Department, are authorized to offer borrowers the multi-year feature of the MPN. Schools located outside of the United States, unless specifically authorized by the Department to offer the multi-year feature, must use a separate MPN for each new academic year.

[DCL GEN-03-03]

The Department will provide program participants with information regarding changes to a school's eligibility for the multi-year feature of the MPN. Lenders may rely upon information provided by the Department to ascertain whether schools are authorized to use the multi-year feature.

A borrower must complete a new MPN for each new academic year when attending a school at which any of the following conditions applies:

- It is a [foreign school](#) not authorized by the Department to use the multi-year feature.
- The school has received notice of restricted multi-year use from the Department.
- The school has elected not to use the multi-year feature.

[DCL GEN-02-07]

In addition, a new MPN is required if any of the following conditions applies:

- The lender's ability to make additional loans under the borrower's MPN has been revoked.

- The school or lender requires a new MPN.
- The borrower requests a new MPN.
- The [guarantor](#) requires a new MPN in the event of an invalid lender code.
- The prior MPN has expired.
- The borrower changes to a different lender.
- A third party with power of attorney signed the MPN on behalf of the borrower.
- The [parent PLUS loan](#) borrower is requesting funds for a different [dependent student](#).
- The PLUS borrower is required to obtain an creditworthy endorser without adverse credit.
- The PLUS borrower requests an increased loan amount on a loan for which he or she was required to obtain an creditworthy endorser.¹

The lender must verify that each loan is supported by a signed MPN and that the lender's ability to make subsequent loans has not expired or been revoked (see [Subsection 7.2.A](#) for information regarding lender responsibilities under an MPN).

[HEA §432(m)(1)(C) and (D); §682.102(a); DCL GEN-98-25; DCL GEN-99-9; DCL GEN-02-10; DCL GEN-03-03]

Power of Attorney

A borrower may grant power of attorney to a third party to sign the MPN on his or her behalf. An MPN signed by a third party with power of attorney for the borrower may be used only for one loan. If the MPN is signed by a third party with power of attorney for the borrower, the school must obtain a separate written authorization from the borrower to credit loan funds to the student's school account. The school must pay any credit balance to the student or [parent](#) borrower, as applicable, using a check or other instrument that requires the borrower's endorsement.

If the borrower submits his or her MPN through the school, the school must retain a copy of the original power of attorney. Either the school or the individual with power of attorney must provide a copy of the power of attorney document to the lender—a photocopy or fax of the

¹ Policy 1144 (Batch 161), approved October 15, 2009

Chapter 7 outlines the **lender's** role in originating Stafford and PLUS loans.

7.1 Reviewing the Loan Request

A lender's review of the loan request includes making both general and specific determinations.

7.1.A General Determinations

A lender's general responsibilities in reviewing a borrower's request for a Stafford or PLUS loan include all of the following:

- Determining the borrower's (and the student's, in the case of a **parent PLUS loan**) eligibility for a loan. In determining whether a borrower or student meets eligibility requirements, the lender may, except as noted in this section, rely in good faith on the information provided by the borrower, student, and school. The lender is not required to verify loan information independently unless it has reason to believe that the information, as reported, is incorrect (for example, the borrower has failed to report a prior federal education loan **default**).
[§682.206(c)]
- Determining whether the borrower meets the lender's criteria. Each lender is responsible for developing and applying its own lending criteria, which may include restrictions on items such as area of service, types of loans, minimum loan amounts, or credit standards. A lender may not refuse to make a loan because of the applicant's race, national origin, religion, sex, marital status, age, disability, or solely on the basis of a prior **bankruptcy**. For more information on ~~creditworthiness~~ **credit standards**, see **Subsection 7.1.B**; and for more information on bankruptcies, see **Subsection 7.1.C**.¹
- Determining the loan amount. A **lender** may, at its discretion, approve a loan amount that is less than the amount for which the borrower might otherwise qualify.
- Determining whether the lender's **records** conflict with the borrower, student, or school information and resolving any conflicts.

- Determining that neither the borrower nor the **dependent student**, in the case of a parent PLUS loan, currently owes on a **defaulted** federal education loan held by the lender for which a **claim** has not been filed.
- For a PLUS loan, determining that the borrower—or **endorser**, if applicable—does not have adverse credit or retaining a **record** of the circumstances under which the borrower's adverse credit is considered immaterial with regard to making the loan. (For more information on recordkeeping requirements, see **Subsection 3.4.A**.)

7.1.B **Creditworthiness Credit Standards and Determining Adverse Credit**

A lender is not prohibited from imposing ~~creditworthiness~~ standards on a Stafford loan applicant. See **Subsection 7.1.C** for additional information regarding ~~the lender's Stafford borrower creditworthiness credit standards~~ when the **Stafford** borrower has received a bankruptcy **discharge**.

An ~~borrower applicant~~ is not eligible for a PLUS loan if he or she is determined by a **lender** to have ~~an~~ adverse credit ~~history~~ according to criteria in federal regulations. At the lender's option, a prospective PLUS loan borrower with adverse credit may obtain an **creditworthy endorser** without adverse credit if the borrower is otherwise unable to establish creditworthiness. If a **parent PLUS loan** applicant is required to obtain an endorser in order to be eligible for the PLUS loan, the student for whom the parent PLUS loan is being obtained ~~can~~ may not serve as the endorser.²

If a PLUS borrower obtains an endorser, the lender must ensure that it obtains enough information to collect the loan from the endorser if necessary. Such information should include, but is not limited to, an address and telephone number.

Determining Adverse Credit

To determine whether a prospective PLUS borrower or endorser has adverse credit, the lender must obtain a credit history for the individual from at least one **national credit bureau**. The credit history should be requested so that it represents the individual's most current credit information before the first day of the **loan period**. A lack of credit history or insufficient credit history is not considered adverse credit for these purposes.

[§682.201(c)(2)(i)]

¹ Policy 1144 (Batch 161), approved October 15, 2009

² Policy 1144 (Batch 161), approved October 15, 2009

A PLUS loan applicant is considered to have adverse credit if any of the following conditions apply:

- The applicant is 90 days or more delinquent on the repayment of any debt.
[§682.201(c)(2)(ii)(A)]
- The applicant has had any debt discharged in **bankruptcy** during the 5-year period before the date of the credit report (see **Subsection 7.1.C**).
[§682.201(c)(2)(ii)(B)]
- The applicant has been the subject of a **default** determination on any debt, a foreclosure, a tax lien, a repossession, a wage garnishment, or a **write-off** of a Title IV debt during the 5-year period before the date of the credit report.
[§682.201(c)(2)(ii)(B)]

A loan that has been discharged as the result of a closed school or false certification **claim** may not be considered to represent adverse credit.

A lender may use credit standards that are more restrictive than those listed in this subsection—such as an assessment of the applicant's or **endorser's** ability to repay—provided the standards are applied consistently to all applicants for PLUS loans.

[§682.201(c)(2)(ii)]

Loan Approval after Identifying Adverse Credit

If adverse credit is identified in the applicant's credit history, the lender may approve the loan only if it determines that extenuating circumstances exist. The lender must retain a **record** supporting its decision. (For more information on recordkeeping requirements, see **Subsection 3.4.A.**) Examples of acceptable records include, but are not limited to:

- Documentation that during the period beginning on January 1, 2007, and ending on December 31, 2009, an applicant is or has been 180 days or less delinquent on mortgage loan payments on the applicant's primary residence or on medical bill payments for the applicant or the applicant's family.
[HEA §428B(a)(3)(B)(i) and (ii); DCL GEN-08-08/FP-08-07]
- An updated credit report indicating that the applicant is no longer 90 days or more delinquent.

- An updated credit report correcting the information found on the original credit history that resulted in an adverse credit determination.
- A statement from the creditor that the applicant has made satisfactory arrangements to repay each debt that resulted in the adverse credit determination.
- For each debt of less than \$500 that is 90 days or more delinquent, a satisfactory written explanation from the applicant of the reason for the **delinquency**.

See **Subsection 7.1.C** for additional information regarding the effect of bankruptcy on a PLUS borrower's eligibility and the lender's determination of adverse credit-PLUS-borrower creditworthiness when the borrower has filed a bankruptcy action.¹

7.1.C Effect of Bankruptcy on the Lender's Determination of Adverse Credit- Creditworthiness

A lender may not deny a Stafford loan to an applicant solely on the basis of a bankruptcy **discharge**.

In the PLUS loan process, the **lender** must consider any debt discharged in bankruptcy during the 5-year period before the date of the credit report to be adverse credit. However, if the lender has information on a previous or pending bankruptcy filing by a PLUS loan applicant, the lender may not deny the loan solely based on that filing. See **Subsection 7.1.B** for more information regarding creditworthiness credit standards and determining adverse credit.

[§682.201(c)(2)(ii)(B); DCL GEN-95-40]²

If the lender permits a PLUS loan applicant with adverse credit to obtain an **endorser**, the lender may consider an endorser's bankruptcy filing to be adverse credit and may deny the loan on that basis.

7.2 Reviewing the Promissory Note

The lender must ensure that each loan is supported by a valid **promissory note**. The following subsections outline the lender's responsibilities pertaining to promissory notes prior to loan **disbursement**.

¹ Policy 1144 (Batch 161), approved October 15, 2009

² Policy 1144 (Batch 161), approved October 15, 2009

The lender must ensure that a separate, valid PLUS MPN is in place in the following circumstances:

- The parent borrower is requesting PLUS loan funds for a different **dependent student**.
- The PLUS loan ~~borrower-applicant~~ is required to obtain an ~~credit-worthy endorser~~ without adverse **credit**. If the lender determines that the ~~borrower-applicant~~ has an adverse credit ~~history~~ and permits the use of an endorser, a separate Endorser Addendum must be completed for each PLUS loan. When an endorser is required, a new PLUS MPN is required for each loan. Any increase in the requested loan amount by the borrower must be approved by the endorser and requires a new PLUS MPN and Endorser Addendum.¹
- The school is located outside of the United States. However, in some circumstances, the Department may notify a school located outside the United States that it is eligible to make loans using the multi-year feature of the MPN. [DCL GEN-03-03]

The lender may delegate some or all of the preceding responsibilities to another party. However, the lender remains responsible for ensuring the activities are completed.

7.2.B Transfer Students and Master Promissory Notes

If a borrower has completed a **Master Promissory Note (MPN)**, the borrower may obtain additional loans under the same **Federal Stafford Loan Master Promissory Note (Stafford MPN)** or **Federal PLUS Loan Application and Master Promissory Note (PLUS MPN)**, as applicable, for a student who transfers, regardless of any change in school or guarantor, provided all of the following apply:

- The new school is not a **foreign school**.
- The new school has not been notified of restricted multi-year use by the Department.
- The MPN remains valid.
- The new school, lender, or guarantor does not require a new MPN.

- The borrower does not choose a new lender.

If a PLUS loan is made to a **parent** borrower who completed a PLUS MPN to benefit a **dependent student** and that student transfers to a school that is not eligible to, or chooses not to, offer the multi-year feature of the PLUS MPN, or if an **endorser** is required, the borrower must complete a new PLUS MPN for the new school.

[§682.401(d)(4); DCL GEN-98-25; DCL GEN-99-9; DCL GEN-03-03]

If the Stafford or PLUS loan had been partially or fully disbursed at the previous school, the procedures outlined in **Subsections 7.7.J** and **5.14.B** apply.

7.3 Processing the Loan Request

A lender's responsibilities in processing a borrower's loan request include the following:

- Approving or denying the loan.
- Notifying the borrower if the loan is denied. When denying a loan request, the lender must, under the **Equal Credit Opportunity Act**, provide the borrower with a notice (such as a Notice of Adverse Action) explaining the reason for the denial.
- Notifying the borrower if the loan is approved by providing the borrower with initial disclosure information at or before the first **disbursement** of a loan (see **Subsection 7.6.A**).
- Disbursing the loan in accordance with federal regulations and the original **disbursement** schedule provided by the school, or any modifications the school makes to that schedule (see **Section 7.7**).
- Reporting and paying the federal **origination fee** to the Department and the **federal default fee** (formerly **guarantee fee**) to the **guarantor**, and collecting the fees from the borrower, as applicable (see **Sections 7.8** and **7.9**).
- Reporting and paying the 0.5% **lender origination fee** to the Department (this fee cannot be charged to the borrower).
- Complying with **state** consumer credit laws where applicable (such as marital property disclosure requirements).

¹ Policy 1144 (Batch 161), approved October 15, 2009

10.8.D Income-Based Repayment Schedule

Beginning on July 1, 2009, a borrower may request to repay an eligible loan under an [income-based repayment \(IBR\) plan](#). Eligible [FFELP](#) and [Direct](#) loans include the outstanding balances on all loans except:

- A defaulted loan.
- A FFELP or Direct [parent PLUS loan](#).
- A FFELP or Direct Consolidation loan that repaid a FFELP or Direct parent PLUS loan.

If a borrower selects IBR, the lender must determine if the borrower has a [partial financial hardship \(PFH\)](#) for the initial year and annually for each subsequent year that the borrower selects this repayment plan. A PFH exists if the borrower has an annual payment amount, calculated under a [standard repayment schedule](#) and based on a 10-year [repayment period](#) on all eligible FFELP and Direct loans outstanding when the borrower initially entered repayment on each loan (a.k.a. [standard-standard](#)), that exceeds 15% of the difference between the borrower's adjusted gross income (AGI) and 150% of the poverty guideline for the borrower's family size. The poverty guideline refers to the income by state and family size as published annually by the U.S. Department of Health and Human Services (DHHS). If a borrower is not a resident of a state listed in the poverty guidelines, the lender uses the DHHS poverty guideline for the 48 contiguous states.

To enable the lender to make this determination, the [lender must collect either: ~~borrower must provide the lender with~~](#)

- A signed copy of the page(s) of the borrower's most recent federal tax return that contains the borrower's AGI. If the borrower's tax return was filed electronically, the lender must ensure that the copy obtained from the electronic submission process is signed. If the borrower provides a copy of his or her most recent federal tax return, the borrower is not required to provide copies of any other tax return forms, schedules, attachments, or worksheets, including W-2 Forms. Unless the lender has reason to believe that the information on the tax return is not accurate, it may rely upon the AGI amount reported on the tax return for purposes of the PFH determination. If the lender questions the accuracy of the signed copy of the tax return submitted by the borrower, it must require the borrower to provide the lender with a signed consent form (IRS Form 4506-T) or the tax

transcript that is received after submitting Form 4506-T to the Internal Revenue Service (IRS).

[\[Department's *Electronic Announcement* dated June 12, 2009\]](#)

- The tax transcript information from the IRS, which can be obtained by the borrower submitting a signed ~~written consent form (IRS Form 4506-T)~~ for the disclosure of ~~the applicable adjusted gross income AGI~~ and other tax return information from the ~~Internal Revenue Service IRS~~ directly to the IRS, or to the lender for submission to the IRS. ~~The borrower provides this consent by signing a consent form and returning the form to the lender.~~
[\[§682.215\(e\)\(1\)\]](#)

~~For a married borrower filing jointly, adjusted gross income includes both the borrower's and the spouse's income. For a married borrower filing separately, adjusted gross income includes only the borrower's income.~~

However, if the borrower's ~~adjusted gross income AGI~~ is not available or if the lender believes that the borrower's ~~adjusted gross income AGI~~ does not reflect the borrower's current income, the lender may use other documentation, provided by the borrower, to verify income.

For a married borrower filing jointly, AGI includes both the borrower's and spouse's income. For a married borrower filing separately, AGI includes only the borrower's income.
[\[§682.215\(a\)\(1\)\]](#)¹

The borrower must provide a self-certification of family size to the lender. If the borrower fails to certify family size, the lender must assume a family size of one. Family size includes the following:

- The borrower and the borrower's spouse.
- The borrower's children, including unborn children who will be born during the year for which the borrower certifies family size, if the borrower provides more than half of the children's support.
- Other individuals who, at the time the borrower certifies family size, live with the borrower and receive more than half of their support from the borrower and will continue to receive this support from the borrower for the year being certified. Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, and payment of college costs.

¹ Policy 1143 (Batch 161), approved October 15, 2009

Payment Amount Calculation

The borrower's maximum annual payment to determine PFH is limited to no more than 15% of the amount by which the borrower's annual adjusted gross income exceeds 150% of the DHHS poverty guideline for the borrower's family size. The result is divided by 12 to obtain the monthly payment amount.

PFH Eligibility and Payment Amount Calculation Example:

A borrower has an AGI of \$50,000, a family size of 5, total loans of \$25,000, and is a resident of Virginia.

Step 1: Obtain the DHHS poverty guideline for the family size and state. For this example, the applicable DHSS poverty guideline is \$25,790.

Step 2: Multiply the DHHS poverty guideline by 150% or $\$25,790 \times 1.5 = \$38,685$.

Step 3: Subtract the result in step 2 from the borrower's AGI or $\$50,000 - \$38,685 = \$11,315$.

Step 4: Calculate the borrower's maximum annual payment amount by multiplying the result of step 3 by 15% or $\$11,315 \times .15 = \$1,697.25$.

Step 5: Determine the annual payment amount on the total of the borrower's loans based on a standard 10-year [repayment schedule](#) and the applicable interest rate. In this example, the borrower's total loan amount is \$25,000 at an interest rate of 6.8% which results in an annual payment amount of \$3,452.40.

Step 6: Since the annual payment amount in Step 5, \$3,452.40, is greater than the maximum annual payment amount in Step 4, \$1,697.25, the borrower has a [partial financial hardship](#).

Step 7: To calculate the borrower's monthly payment amount, divide the result of Step 4 by 12 or $\$1,697.25 / 12 = \141.44 .

If the lender does not hold all of the borrower's eligible loans, the borrower's monthly PFH payment amount is multiplied by the percentage of the borrower's total outstanding principal amount of eligible loans that are held by the lender making the determination of eligibility. For this calculation, the lender may access [NSLDS](#) to determine the outstanding principal amount of the borrower's eligible loans that are held by other lenders. If the result of this calculation is less than \$5.00 at the lender

level, then the borrower's monthly PFH payment amount is \$0. If the result of the calculation is equal to or greater than \$5.00 but less than \$10.00 at the lender level, then the borrower's monthly PFH payment amount is \$10.00.

If a borrower selects an [IBR plan](#), the lender must—unless the borrower requests otherwise—require that all eligible loans held by the lender be repaid under the IBR plan. If the borrower has multiple lenders and wants to repay all eligible loans under the IBR plan, the borrower must request IBR from each lender.

The lender must recalculate the monthly payment amount for a borrower when any of the following occurs:

- The borrower ceases to have a PFH or chooses not to make PFH payments but remains in the IBR plan.
- The borrower fails to provide a signed copy of his or her most recent federal tax return, or fails to renew or withdraws consent for ~~income verification tax transcript information~~ from the ~~Internal Revenue Service~~ IRS (via IRS Form 4506-T). See above for more information on the documentation requirements.¹

To recalculate the borrower's monthly payment amount under either of the two preceding bullets, a lender uses a [standard repayment schedule](#) for a 10-year repayment period based on the borrower's outstanding loan balance at the time that the borrower began repayment under the IBR plan. This monthly payment amount (a.k.a. *permanent-standard*) may result in a [repayment period](#) that exceeds 10 years.

If a borrower chooses to leave IBR, a lender recalculates the borrower's monthly payment amount by using a standard repayment schedule for the time remaining on a 10-year repayment period based on the borrower's outstanding loan balance at the time the borrower elects to leave IBR (a.k.a. *expedited-standard*). For a Consolidation loan, the monthly payment amount is recalculated, based on the time remaining up to a maximum of 30 years. (See [Subsection 15.5.C](#) for information on applicable repayment periods.)

10.8.E Extended Repayment Schedule

The [extended repayment schedule](#) is limited to “new borrowers” on or after October 7, 1998, with an outstanding balance of principal and interest in FFELP loans totaling

¹ Policy 1143 (Batch 161), approved October 15, 2009

Total and Permanent Disability Claims

For a total and permanent **disability claim**, the lender must submit—in addition to the preceding items 1 through 5, and each of the following—

- ~~a~~ A completed Discharge Application: Total and Permanent Disability or other form(s) approved by the Department.
- ~~The lender must also submit a~~ A record of any payments received after the date the physician completed and certified the **discharge** application.
- A FFELP Assignment Support Supplemental Form (TPD-Specific worksheet) when filing a total and permanent disability claim that is not based on a determination by the Department of Veterans Affairs (VA). This form requires the lender to provide certain electronic signature and disbursement information. [§682.402(e)(5)(vii); §682.402(g)(1)(iv); the Department’s Mandatory Assignment Guidance dated July 2, 2009]¹

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

13.1.E Missing Claim File Documentation

If a lender submits a **claim** file with any required **documentation** missing or incomplete, or if the **guarantor** determines that more information is needed to process the claim, the guarantor may attempt to obtain the necessary documentation or return the claim file to the lender with a request for the missing documentation.

To expedite the claim filing process and avoid the return of claim files to the lender, the guarantor may use a fax machine to request and receive missing information from lenders. The types of documentation that may be transmitted and received by fax include, but are not limited to, the **application**, **promissory note**, promissory note **assignment**, specialty claim documentation, payment history information, **deferral** or **forbearance** documentation, and missing collection history. In the case of documentation where an original or true and exact copy, or an accurate and complete photocopy of the original or certified copy, may be required (such as the promissory note and death certificate), the lender may fax a copy of the document so that the guarantor can continue processing the claim. However, the lender must, within the time frame

established by the guarantor, forward the original document—or a copy certified as true and exact, or an accurate and complete photocopy of the original or certified copy—to the guarantor to avoid a future claim return.

- ▲ Lenders may contact individual guarantors for information on faxing claim file documentation. See [Section 1.5](#) for contact information.

If a lender is unable to provide requested documentation, the loan may be subject to **interest** penalties or **due diligence** violations. If a lender is unable to provide accurate payment information, as required on the Claim Form, the **guarantee** on the loan may be canceled. However, the lender may attempt to have the loan’s guarantee reinstated in many cases by following the applicable **cure** procedures (see [Section 14.5](#)).

In some cases, an indemnification **agreement** will be accepted if a lender is unable to provide required documentation for claim filing.

- ▲ Lenders may contact individual guarantors for information on the use of indemnification agreements to substitute for documents required in the claim file. See [Section 1.5](#) for contact information.

13.1.F Missing Payment History

A guarantor views a period of missing payment history as a serious due diligence violation that must be cured, regardless of the length of the period. A loss of guarantee on a loan will result during any period for which all, or a portion of, the payment history is missing. For more information on this violation and how it may be cured, see [Subsections 14.1.C](#) and [14.5.C](#), respectively.

13.1.G Additional Documentation Requested by the Guarantor

There are several reasons why a guarantor may require a lender to provide additional information or documentation, such as:

- The guarantor requests additional information due to the **subrogation** of the loan.
- The borrower disputes the loan amount.
- The school disputes its **cohort default rate**.

¹ Policy 1142 (Batch 161), approved October 15, 2009

A

Ability-to-Benefit (ATB): Basis on which a student without a high school diploma, its recognized equivalent, or a General Education Development (GED) Certificate may qualify for federal student aid. A student who has passed an approved test or has satisfactorily completed at least six credit hours or equivalent coursework applicable toward a degree or certificate offered by the school may qualify for Title IV aid. ATB is a condition of student eligibility and the student must meet this condition by one of these two methods prior to the school's certification or award of any Title IV aid. The Department maintains a list of approved tests for measuring a student's ability to benefit from the educational program the student seeks. 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.

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.

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](#).)

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.

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 an unsubsidized Federal Stafford loan that is in addition to the student's base Stafford loan eligibility. 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-Subsection 6.11.A](#) and [Figure 6-4](#) for more information.¹

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

¹ Policy 1147 (Batch 161), approved October 15, 2009

Eligible Not-For-Profit Holder: As it relates to special allowance payments on loans first disbursed on or after October 1, 2007, a holder of a loan that is:

- A state, or political subdivision, authority, agency, or other instrumentality of such, including those lenders that are eligible to issue tax-exempt bonds, and that made or acquired a FFELP loan on or before September 27, 2007.
- A qualified scholarship funding corporation established by a state, or one or more political subdivisions, that has not elected to cease status as a qualified scholarship funding corporation and that made or acquired a FFELP loan on or before September 27, 2007.
- A tax-exempt organization as described in [§501\(c\)\(3\) of the Internal Revenue Code of 1986](#) that made or acquired a FFELP loan on or before September 27, 2007.
- An eligible lender trustee (ELT) acting on behalf of an entity (other than an eligible school) that is a state or nonprofit entity or special purpose entity for a state or nonprofit entity that was the sole beneficial owner of a loan eligible for special allowance payments on September 27, 2007.

See [Subsection A.2.A](#) for more information on eligible not-for-profit holder designations.

Eligible Student: A student who meets federal student eligibility criteria. See [Subsection 5.1.B.](#) for specific criteria.

Emergency Action: A special action taken by the guarantor or the Department to temporarily immediately suspend a school, lender, or servicer from participation in the guarantor's programs prior to the initiation of formal Limitation, Suspension, and Termination procedures. See [Subsection 18.1.D.](#)

Endorser: A signer of a promissory note who is secondarily liable for a loan obligation, i.e., who agrees to pay if the borrower does not. A lender may require a PLUS borrower applicant with adverse credit to obtain an creditworthy endorser without adverse credit in order to receive the loan.¹

Enrolled: The status of a student who has met either of the following requirements:

- Completed the registration requirements (except for the payment of tuition and fees) at the school the student is attending.
- Been admitted into an educational program offered predominantly by correspondence and has submitted one lesson, completed by the student after acceptance for enrollment and without the help of a representative of the school.

Enrollment Reporting: The method by which schools confirm and report to the National Student Loan Data System (NSLDS) the enrollment status of attending students who receive Title IV loans. This process was formerly known as the Student Status Confirmation Report (SSCR).

Entity: For purposes of this Manual, any organization, institution, government agency, nonprofit corporation, or other group that participates in federal student financial aid programs.

Entrance Counseling (or Entrance Interview): Required counseling that must be provided to a first-time Stafford borrower or a first-time Grad PLUS borrower. The school must conduct counseling in person, by audiovisual presentation, or by interactive electronic means. See [Subsection 4.4.C.](#)

Escrow Agent: A guarantor or other eligible lender that receives the proceeds of a FFELP loan as an agent of an eligible lender for the purpose of transmitting those proceeds to the borrower or the borrower's school.

Estimated Financial Assistance (EFA): The school's estimate of the amount of financial assistance from federal, state, institutional, or other sources that a student (or parent on behalf of a student) will receive for a period of enrollment. This may include ~~veterans' and~~ national service awards and benefits (except when determining eligibility for a subsidized Stafford Loan), scholarships, grants, financial need-based employment, or loans. EFA does not include Federal Perkins loans or Federal Work-Study funds that the student has declined or certain loans used to replace the expected family contribution, or federal veterans' education benefits. See [Section 6.7.](#)²

¹ Policy 1144 (Batch 161), approved October 15, 2009

² Policy 1138 (Batch 160), approved September 17, 2009

- A lender with a fiscal year ending January 1 through March 31 may choose to have a combined initial audit for fiscal years 1994 and 1995.

July 1, 1995

Bankruptcy: Borrowers who have had previous FFELP loans discharged in bankruptcy are no longer required to reaffirm the old debt to be eligible to borrow additional FFELP funds.

Deferment: Eligibility criteria for the economic hardship deferment are revised. Regulations require that deferments be administered as borrower-specific provisions so that the borrower may use those deferment entitlements on which time limits are placed only for the maximum time frame on all their FFELP loans, regardless of when those loans are made. Thus, a borrower who receives a loan and defers it based on internship for 20 months, then takes a second loan, is eligible for only 4 months of internship deferment on that second loan.

Eligibility – school: When a school begins participation in any Title IV program, the school is required to send at least two representatives, including both its president or chief executive officer (CEO) and financial aid administrator (FAA), to the Department’s Fundamentals of Title IV Administration Training workshop. Also, if a school changes ownership, structure, or governance, its representatives must attend the training. The training must be completed up to 12 months prior to but no later than 12 months after the school executes its Program Participation Agreement (PPA) or experiences a change in ownership, structure, or governance.

The CEO may designate another school executive-level officer to attend the training in lieu of the CEO. The school may request from the Department a waiver of the training requirement for the FAA and/or the CEO. The Department may grant or deny the waiver for the required individual, require another official to take the training, or require alternative training.

A school seeking to participate for the first time in a Title IV program must not have a withdrawal rate during its latest completed award year that exceeds 33% of its regular, undergraduate students. The school must include in its withdrawal calculation every regular student who was enrolled during the latest completed award year except a student who, during that period, meets established criteria.

Exceptional performance: Exceptional performer criteria are defined, permitting some lenders and lender servicers to obtain a performance rating that will result in their

receiving 100% reimbursement on claims submitted—regardless of the disbursement date of the loans included in the claims.

Interest rates: Interest rates on Stafford loans are revised; lenders earn interest at one rate (T-bill plus 2.5%) during in-school, grace, and deferred periods, and a higher rate (T-bill plus 3.1%) during periods of repayment.

Leave of absence: Leave of absence provisions are reinstated, but are limited to no more than a 60-day period. The student is considered to be enrolled for purposes of enrollment verification and refunds. For a one-year period—July 1, 1994, through July 1, 1995—students in an approved leave of absence were considered to be withdrawn for purposes of calculating refunds and determining continuous in-school status. For deferment purposes, students were considered to have remained enrolled during the leave.

PLUS credit check: A PLUS loan applicant with adverse credit history may obtain an creditworthy endorser without adverse credit to receive a PLUS loan. A PLUS loan applicant is considered to have adverse credit if, among other conditions, the applicant had any debt discharged in bankruptcy during the 5-year period before the date of the applicant’s credit report.¹

Origination fee: Loans on which origination fees are not paid promptly by the originating lender are deemed to be non-reinsured. The lender or holder may not collect interest benefits or special allowance on the loans.

Repayment start: Lenders may offer a postponement of repayment start on SLS loans that is consistent with the grace on a borrower’s Stafford loan. Previously, borrowers with both Stafford and SLS loans entering repayment could postpone the beginning of their SLS repayment only for 6 months without requesting a forbearance for the additional months that coincided with their Stafford grace period.

Special allowance: Special allowance rates on Stafford loans are revised; lenders earn interest at one rate (T-bill plus 2.5%) during in-school, grace, and deferred periods, and a higher rate (T-bill plus 3.1%) during periods of repayment.

September 30, 1995

Audit: A lender must complete its initial audit (or audits) by September 30, 1995. If the lender is required to submit an audit report, the report must be submitted to the Department by September 30, 1995. The deadline for the completion of

¹ Policy 1144 (Batch 161), approved October 15, 2009