

Summary of Changes Approved through December 2012

This summary lists changes made since the 2012 Annual Update of the *Common Manual*. Following are the latest policy changes, which were approved October 18, 2012, and December 20, 2012. Changes made before the 2012 Annual Update are noted in Appendix H.

Common Manual Section	Description of Change	Effective Date/Triggering Event	Policy/Batch
Chapter 2: About the FFELP			
2.2.B The Interim Period	Moves the definition of “attendance at an academically-related activity” from Section 9.4 to Appendix G, and inserts a glossary definition for the synonymous term “academic attendance.” Revised policy strikes the outdated definition of “last date of attendance,” and clarifies Manual text so that it consistently refers to, as applicable, the glossary-defined term “withdrawal date” or the date that a student drops to less-than-half-time enrollment.	Student withdrawal determinations made by a school on or after July 1, 2011.	1277/188
2.3.C Common Forms	Includes information regarding use of the Department’s common mandatory forbearance request forms. One form is the Mandatory Forbearance Request: Student Loan Debt Burden and the other is the Mandatory Forbearance Request: Medical or Dental Internship/Residency Program; National Guard Duty; Department of Defense Loan Repayment Program.	Distribution of the Department’s mandatory forbearance request forms to a borrower on and after December 31, 2012, unless implemented by a lender no earlier than July 30, 2012.	1279/189
Chapter 5: Borrower Eligibility			
5.1.C Graduate or Professional Student and Parent PLUS Loan Borrower Eligibility Requirements	Provides clarification as to which stepparent is eligible to apply for a parent PLUS loan.	Retroactive to the implementation of the <i>Common Manual</i> .	1278/188
Chapter 8: Loan Delivery			
8.8 Managing Credit Balances	Reorganizes the <i>Common Manual</i> by adding to Section 8.8, Managing Credit Balances. The guidance regarding the treatment of credit balances for a school that assesses all program costs upfront currently found in Subsection 8.7.I, Delivery Methods is moved to Section 8.8, Managing Credit Balances.	Prior-year charges paid by a school with current-year funds on or after September 8, 2009.	1280/189
Chapter 9: School Reporting Responsibilities and the Return of Title IV Funds			
9.3 Leave of Absence 9.4 Withdrawal Dates 9.5.B Processing Returned Funds	Moves the definition of “attendance at an academically-related activity” from Section 9.4 to Appendix G, and inserts a glossary definition for the synonymous term “academic attendance.” Revised policy strikes the outdated definition of “last date of attendance,” and clarifies Manual text so that it consistently refers to, as applicable, the glossary-defined term “withdrawal date” or the date that a student drops to less-than-half-time enrollment.	Student withdrawal determinations made by a school on or after July 1, 2011.	1277/188

Common Manual Section	Description of Change	Effective Date/Triggering Event	Policy/Batch
Chapter 11: Deferment and Forbearance			
Figure 11-2 Forbearance Eligibility Chart 11.24 Mandatory Forbearance 11.24.A Student Loan Debt Burden	Includes information regarding use of the Department's common mandatory forbearance request forms. One form is the Mandatory Forbearance Request: Student Loan Debt Burden and the other is the Mandatory Forbearance Request: Medical or Dental Internship/Residency Program; National Guard Duty; Department of Defense Loan Repayment Program.	Distribution of the Department's mandatory forbearance request forms to a borrower on and after December 31, 2012, unless implemented by a lender no earlier than July 30, 2012.	1279/189
Chapter 13: Claim Filing, Discharge, and Forgiveness			
13.8.H Unpaid Refund	Moves the definition of "attendance at an academically-related activity" from Section 9.4 to Appendix G, and inserts a glossary definition for the synonymous term "academic attendance." Revised policy strikes the outdated definition of "last date of attendance," and clarifies Manual text so that it consistently refers to, as applicable, the glossary-defined term "withdrawal date" or the date that a student drops to less-than-half-time enrollment.	Student withdrawal determinations made by a school on or after July 1, 2011.	1277/188
13.9.A Teacher Loan Forgiveness Program	States if the school where the borrower is employed meets the eligibility criteria of a qualifying school for at least the first year of the borrower's 5 qualifying years of service, the 4 subsequent years of qualifying teaching service continue to qualify the borrower even if the school does not meet the criteria.	Teacher loan forgiveness eligibility determinations made on or after April 9, 2012.	1276/188
Chapter 16: Cohort Default Rates and Appeals			
16.2 Calculation of School Cohort Default Rates 16.5 Consequences of High Official Cohort Default Rates for Schools	Corrects information on closed school, false certification and identity theft discharges included in the cohort default rate calculation and also introduces suggestions for schools regarding what a default management plan might include.	Expansion of the cohort default period from a two-year period to a three-year period beginning with fiscal year 2009.	1281/190
Appendix G: Glossary			
Academic Attendance Attendance at an Academically-Related Activity Last Date of Attendance	Moves the definition of "attendance at an academically-related activity" from Section 9.4 to Appendix G, and inserts a glossary definition for the synonymous term "academic attendance." Revised policy strikes the outdated definition of "last date of attendance," and clarifies Manual text so that it consistently refers to, as applicable, the glossary-defined term "withdrawal date" or the date that a student drops to less-than-half-time enrollment.	Student withdrawal determinations made by a school on or after July 1, 2011.	1277/188

2.2.B The Interim Period

In-School and Grace Periods

Each student who borrows a Stafford loan is entitled to an “[interim period](#).” This period includes the time when the student is in [school](#) and the [grace period](#) before the student is required to begin making payments. During the in-school and grace periods on a subsidized Stafford loan, the federal government pays the [interest](#) due the [lender](#) on behalf of the student. During the [in-school](#) and [grace periods](#) on an unsubsidized Stafford loan, the lender is responsible for collecting or capitalizing interest due from the student.

The [in-school period](#) is the period during which the student is [enrolled](#) at least half time in school. During this period, the school—in addition to providing the education or training that the student paid for—keeps track of and reports on the student’s enrollment status, [anticipated graduation date](#), and changes in address.

After the student leaves school or drops to less than half-time enrollment, the grace period on a Stafford loan begins. During the grace period, the lender begins preparing for the student to enter repayment on his or her Stafford loan.

The lender may arrange with other program participants to service the loan on the lender’s behalf or may choose to sell the loan to another lender or [secondary market](#).

The interim period is not applicable on PLUS loans. A PLUS loan borrower enters repayment immediately upon full [disbursement](#) of the loan. The borrower may postpone payment of principal on a PLUS loan if he or she is eligible for a [deferment](#). The lender is responsible for collecting or capitalizing interest due from the borrower during the deferment period.

For more information on school and lender responsibilities during the interim period, see [Chapter 10](#).

Student Leaves School

If the student leaves school before the end of the [loan period](#), the school may need to [refund](#) tuition and fees. The school must determine whether any portion of the refund is due the student, then promptly send the refund to the lender of the Stafford or PLUS loan, as applicable.

When the student leaves school or drops to less-than-half-time enrollment, the school must provide the student with [exit counseling](#) information. The school also must report ~~the student’s last date of at least~~ [the student’s last date of at least](#) [the student dropped to less-than-half-time enrollment](#) to the [guarantor](#) and/or lender. The lender credits any refund from the school and records the student’s ~~last date of attendance~~ [withdrawal date or the date that the student dropped to less-than-half-time enrollment](#).¹

For more information on the school’s responsibilities when the student leaves school, see [Chapter 4](#).

Occasionally, a student or [parent](#) borrower may repay some or all of his or her loan early. The lender treats any [funds](#) it receives before repayment is scheduled to begin as a [prepayment](#) and generally applies them to the [principal balance](#) of the student or parent borrower’s loan.

For more information on prepayments, see [Chapter 10](#).

School’s Responsibilities during the Interim Period

The school’s responsibilities during the interim period include:

- Monitoring and reporting the student’s enrollment status to the guarantor or lender.
- Reporting demographic data to the guarantor or lender.
- Providing exit counseling information to the student.
- Reporting required information to the guarantor.
- Calculating any refunds due the student and providing them to the lender of the Stafford or PLUS loan, as applicable.

For more information on the school’s responsibilities, see [Chapter 4](#).

¹ Policy 1277 (Batch 188), approved October 18, 2012

Mandatory Forbearance Forms

- SLDB Mandatory Forbearance Request: Student Loan Debt Burden
- SERV Mandatory Forbearance Request: Medical or Dental Internship/Residency Program; National Guard Duty; Department of Defense Loan Repayment Program¹

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 Form
- FFELP Assignment Support Supplemental Form (TPD-Specific worksheet)

Loan Discharge/Forgiveness Forms

- Civil Legal Assistance Attorney Student Loan Repayment Program Application to Participate and Service Agreement
- 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 1279 (Batch 189), approved October 18, 2012

FAFSA will receive a warning on his or her [Student Aid Report \(SAR\)](#) indicating that a conviction for the possession or sale of an illegal drug may result in the loss of the student’s eligibility for Title IV aid. [An illegal drug is a controlled substance as defined in section 102(6) of the Controlled Substance Act, and does not include alcohol or tobacco.]

[[HEA §484\(r\)\(1\)](#); [§668.40](#); [DCL GEN-06-05](#)]

- The student must not be [incarcerated](#) at the time [funds](#) are disbursed or delivered.
[[§668.32\(c\)\(3\)](#)]
- The student must meet other applicable provisions of this chapter.
[[§668.32\(k\)](#)]

5.1.C Graduate or Professional Student and Parent PLUS Loan Borrower Eligibility Requirements

For purposes of obtaining a PLUS loan, an eligible [parent borrower](#) is a student’s biological or adoptive mother or father. ~~A stepparent The spouse who is married to the of a parent who is remarried who completed the FAFSA~~ is also an eligible parent borrower if the ~~stepparent’s spouse’s~~ stepparent who is married to a parent who did not complete the FAFSA is not an eligible PLUS borrower. All of a dependent student’s eligible parent borrowers may borrow separately to provide for the educational expenses of the student—provided that the combined borrowing of the parent borrowers does not exceed the calculated [cost of attendance \(COA\)](#) minus [estimated financial assistance \(EFA\)](#).

[[§668.2\(b\)](#); [§682.201\(c\)\(2\)](#); [DCL GEN-98-26](#)]¹

To be eligible for a [parent PLUS loan](#), a parent borrower must be applying for the loan to pay the postsecondary educational costs for an eligible dependent [undergraduate student](#) who is [enrolled](#) or accepted for enrollment at least half time at a [participating school](#). The student must have completed a FAFSA. A parent may not receive a PLUS loan on behalf of a student serving in a medical internship or residency program required of doctors of medicine, osteopathy, and optometry.

[[§668.164\(g\)\(2\)\(i\)](#); [§682.201\(c\)](#)]

To be eligible for a [Grad PLUS loan](#), a [graduate or professional student](#) borrower must be applying for the loan to pay educational costs incurred for at least half-time enrollment in a graduate or professional program at a participating school. Before applying for a Grad PLUS loan, the borrower must submit a completed [Free Application for Federal Student Aid \(FAFSA\)](#) and the school must determine the student’s maximum eligibility for subsidized and unsubsidized Stafford loan funds. However, the student may decline the Stafford loan and the school may not require the student to accept Stafford loan funds as a condition of applying for a Grad PLUS loan.
[[DCL FP-06-05](#)]

Each PLUS loan borrower must certify a [statement of educational purpose](#). A statement of educational purpose is included on the [Federal PLUS Loan Application and Master Promissory Note \(PLUS MPN\)](#). By signing the PLUS MPN, the borrower certifies that he or she will comply with the statement of educational purpose.
[[§668.32\(h\)](#); [§682.201\(b\)\(1\)](#); [§682.201\(c\)\(1\)\(v\)](#)]

Each PLUS loan borrower must be determined not to have adverse credit to be eligible for a PLUS loan (see [Subsections 7.1.B and 7.1.C](#)).
[[§682.201\(b\)\(4\)](#)]

5.2 Federal Data Matches

When a student submits a completed [Free Application for Federal Student Aid \(FAFSA\)](#), the Department of Education assists schools in determining a student’s eligibility as a Stafford loan borrower, a Grad PLUS loan borrower, or as the dependent student of a parent PLUS loan borrower. The [Department](#) conducts federal data matches concerning the citizenship, [Social Security number](#), Selective Service registration, student financial aid history information, and veteran status that the student reports or certifies on the FAFSA. In addition, the Department conducts data matches on individuals convicted of federal or state drug offenses subject to denial of benefits under court orders. The results of the data matches with the Department of Homeland Security, United States Citizenship and Immigration Service (USCIS), Social Security Administration (SSA), Selective Service System (SSS), [National Student Loan Data System \(NSLDS\)](#), and Department of Veterans Affairs (VA) are reported to the school and the student. For more information about confirming a student’s citizenship status, Social Security number, Selective Service registration, student financial aid history information, denial of Title IV benefits due to court orders, or veteran status, see [Subsections 5.2.A, 5.2.B, 5.2.C, 5.2.D, 5.2.E, and 5.2.G](#).

¹ Policy 1278 (Batch 188), approved October 18, 2012

- Dispensing cash for which a school obtains a signed receipt from the student or parent borrower. [§668.164(c)(1)(iv)]

To help prevent fraud, the school is encouraged to verify the student's identity by requiring at least one form of identification with a photograph before delivering the loan proceeds directly to the student. See [Subsection 8.8.B](#) for information regarding the requirements for paying a borrower by issuing a check or stored-value card, or by EFT to a designated bank account. See [Subsection 8.9.A](#) for information regarding the return requirements when a direct delivery attempt fails.

8.8 Managing Credit Balances

A Title IV credit balance is created when a school credits Title IV funds to a student's school account and the total amount of funds credited to the account exceeds the amount of tuition and fees, contracted room and board, and other authorized charges allocated to the current loan period or award year, as appropriate.

If the student's program of study is more than one academic year in length and the school charges the total costs of that program of study at the beginning of the program, the school must apportion the program's total charges to each applicable "year" (i.e., each loan period or award year, as appropriate). The school must allocate charges to each year or portion of a year based on the education and other services the school provides to the student during the period of time associated with each year or portion of a year.

Charges for books, equipment, supplies, or other materials could be allocated on a pro rata basis, or alternatively, could be allocated to the period in which the school requires the student to purchase them. The school must also use the portion of the program's total charges that it allocates to each "year" for the purpose of determining whether the student has a credit balance of Title IV funds. See [Section 8.3](#) for information about required authorizations. See [Subsection 8.7.I](#) for a description of what constitutes authorized charges and allocating charges to the current year and prior year. See [Subsection 8.7.C](#) subheading "Provisions for Necessary Books and Supplies" for more information on managing about providing certain Pell-grant eligible students who have a Title IV credit balances with a method to obtain or purchase necessary books and supplies.

[§668.164(e); §668.164(i); DCL GEN-09-11; 12-13 FSA Handbook, Volume 4, Chapter 1, pp. 4-19 to 4-21-10-11-FSA Handbook, Volume 4, Chapter 1, pp. 4-10 to 4-13]¹

¹ Policy 1280 (Batch 189), approved October 18, 2012

8.8.A Timeframes for Paying Credit Balances

Any time the delivery of Title IV funds creates a credit balance, the school must pay the final credit balance directly to the student or [parent borrower](#) as soon as possible, but no later than 14 days after one of the following:

- The first day of the [payment period](#) if the credit balance occurs on or before the first day of the payment period. [§668.164(e)(2)]
- The date the credit balance occurs if the credit balance occurs after the first day of the payment period. [§668.164(e)(1)]
- The date the school receives notice from the student or parent borrower to cancel his or her authorization to have the school manage the credit balance. [§668.165(b)(4)(iii)]

[Figure 8-5](#) illustrates the time frames related to the delivery of credit balances.

8.8.B How to Pay Credit Balances

A school may pay a credit balance to a student, or a parent in the case of a PLUS loan, by issuing a check to the student or parent. A school issues a check on the date that it does one of the following:

- Mails the check to the student or parent.
- Notifies the student that the check is available for immediate pickup and provides the specific location at the school that the student may pick up the check.

If the school notifies the student that the check is available to be picked up, and the student does not pick up the check within 21 days of the date of that notification, the school must immediately mail the check to the borrower, initiate an [electronic funds transfer \(EFT\)](#) of those funds to the borrower's bank account, or return the funds to the lender. [§668.164(c)(1)(ii)]

Payment to a Borrower's Bank Account

A school may pay a credit balance by initiating an EFT to a bank account designated by the student or parent borrower. The bank account must be insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union

leave of absence if it documents its decision and collects the student's written request at a later date.

[§668.22(d)(3)(iii)(B)]

If the student withdraws after returning from an approved leave of absence, the total number of calendar days in the [payment period](#) or [period of enrollment](#) used for a [return of Title IV funds](#) calculation must be adjusted. The number of calendar days in the leave of absence must be excluded from the total number of days in the payment period or period of enrollment to ensure that a student does not earn funds during a leave of absence.

A student on an approved leave of absence is considered to be enrolled at the school and is eligible for an [in-school deferment](#) if he or she satisfies other deferment eligibility requirements. However, a school may not credit a student's account or otherwise deliver [loan proceeds](#) to the student or [parent borrower](#) while the student is on an approved leave of absence. The school may credit a student's account or deliver loan proceeds to the borrower if the student has returned from an approved leave of absence on at least a half-time basis within the applicable delivery time frames described in [Subsection 8.7.A](#). If the student does not return from an approved leave of absence on at least a half-time basis or the school is otherwise unable to credit the student's account or deliver loan proceeds to the borrower, the school must return the loan proceeds to the lender within the applicable return time frames described in [Section 8.9](#). If the school returns loan proceeds received while the student is on an approved leave of absence, the school may request that the lender reissue those loan proceeds to coincide with the student's scheduled return from an approved [leave of absence](#). See [Subsection 7.7.F](#) for reissue requirements.

[§682.604(c)(4)]

A student who fails to return to school by the end of an approved leave of absence or whose leave of absence has not been approved must be considered to have withdrawn for purposes of determining the student's ~~last date of attendance~~ [withdrawal date](#) and calculating the amount of [Title IV funds](#) to be returned. In addition, a student who is considered by the school to have withdrawn is not eligible for an [in-school deferment](#). See [Section 9.4](#) for more information on determining the date of withdrawal and [Section 9.5](#) for applicable requirements for the [return of Title IV funds](#).

[§668.22(b)(1); §668.22(c)(1)(v) and (vi); DCL GEN-98-28]

The ~~last date of attendance~~ [withdrawal date](#) for students who fail to return from an approved leave of absence is based upon whether the school is required to record attendance. For schools required to record attendance, the

~~last date of attendance~~ [withdrawal date](#) is the last date of academic attendance reflected in the school's attendance records. For schools not required to record attendance, the ~~last date of attendance~~ [withdrawal date](#) is the date the student began the leave of absence.

[§668.22(b)(1) and (c)(1)(v); [12-13 FSA Handbook, Volume 5, Chapter 1, p. 5-13 to 5-14](#) ~~10-11 FSA Handbook, Volume 5, Chapter 2, p. 5-37~~]

9.4 Withdrawal Dates

A student who ceases enrollment or fails to return to school as expected is considered to have withdrawn. The school must determine the [withdrawal date](#) and report that date to the [National Student Loan Data System \(NSLDS\)](#) and, if appropriate, the lender or [guarantor](#). (See [Section 9.2](#) for information regarding a school's student status reporting requirements.)

For purposes of reporting enrollment status and deferment information, if a student does not return for the next scheduled term following a summer break or a period of summer bridge deferment (including periods during which classes are offered but attendance is not required), the school must determine the student's withdrawal date within 30 days after the first day of the next scheduled term.

[§682.605(a)]

A school must describe its withdrawal process to students, including those actions which constitute the "beginning" of the withdrawal process, and designate one or more offices the student must contact to provide official notification of withdrawal.

[§668.22; §668.43(a)(3)]

Death of a Student

At a school that is required to record attendance, the withdrawal date for a student who has died is the last date of [academic attendance](#) as determined from the school's attendance records.

[§668.22(c)(1)(iv); [10-11 FSA Handbook, Volume 5, Chapter 2, p. 5-82](#)]¹

Withdrawal Dates at Schools Required to Record Attendance

For a school that is required to record attendance, the withdrawal date is the student's last recorded date of academic attendance, as determined by the school from its attendance records. If a student does not resume attendance by [the end of an approved leave of absence](#) at the school, or

¹ Policy 1277 (Batch 188), approved October 18, 2012

without completing the payment period or period of enrollment, the student's withdrawal date is the original date of notification of intent to withdraw, unless the school records a later date on which the student participated in an academically related activity.

[§668.22(c)(2)(i)(A) and (B)]

Official Notification of Withdrawal Not Provided by Student

If the student does not initiate the withdrawal process, the withdrawal date is one of the following:

- The midpoint of the [payment period](#) (or [period of enrollment](#), if applicable).
[§668.22(c)(1)(iii); DCL GEN-98-28]
- The date the student began an approved [leave of absence](#), if the student fails to return from the leave of absence.
[§668.22(c)(1)(v)]
- The date that the student begins an unapproved leave of absence (i.e., a leave of absence that does not comply with [Title IV](#) requirements).
[§668.22(c)(1)(vi)]
- The date related to any of the following conditions that result in the student's withdrawal:

- Illness.
- Accident.
- Grievous personal loss.
- Death.
- Other circumstances beyond the student's control. For instance, an administrative withdrawal is considered to be "beyond the student's control" and the withdrawal date would be no later than the first day of the period of nonattendance that resulted in the administrative withdrawal.

[§668.22(c)(1)(iv); 10-11 FSA Handbook, Volume 5, Chapter 2, p. 5-76; DCL GEN-11-14, Q&A #7]

As an alternative to the preceding dates, the school may use one of the following as a withdrawal date when a student does not initiate the withdrawal process:

- The last date of attendance ~~by the student in~~ at an academically-related activity as documented by the school. ~~Attendance at an "academically related activity" includes, but is not limited to:~~

- ~~Physically attending a class where there is an opportunity for a direct interaction between the instructor and the student.~~
- ~~Submitting an academic assignment.~~
- ~~Taking an exam.~~
- ~~Participating in an interactive tutorial.~~
- ~~Engaging in computer-assisted instruction.~~
- ~~Attending a study group that is assigned by the school.~~
- ~~Participating in an online discussion about academic matters.~~
- ~~Initiating contact with a faculty member to ask a question about the academic subject studied in the course.~~
[§668.22(l)(7)(i)(A)]

~~Attendance at an "academically related activity" does not include an activity in which a student may be present but not academically engaged, including, but not limited to:~~

- ~~Living in school housing.~~
- ~~Participating in the school's meal plan.~~
- ~~Logging into an online class without active participation.~~
- ~~Participating in academic counseling or advisement.~~
[§668.22(l)(7)(i)(B)]¹

The school must confirm and document the student's attendance at an academically-related activity. A school may not rely solely on a student's self-certification that he or she attended an academically-related activity.

[§668.22(c)(3)(i) and (ii); §668.22(l)(7)(ii)]

- The date, as determined by the school, when circumstances beyond the student's control occurred (such as illness, accident, or grievous personal loss), prevented him or her from providing official notification to the school.
[§668.22(c)(1)(iv); DCL GEN-98-28]

¹ Policy 1277 (Batch 188), approved October 18, 2012

- The school must return funds to the lender no later than 45 days after determining that the student withdrew. [HEA §484B(b)(1); DCL GEN-06-05]
- The school must provide to the borrower written notice that funds are being returned to the borrower's lender(s). Evidence of this written notice should be documented in the student's file. [§682.607(a)(2)]

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

The school's return of FFELP funds is considered timely if, within 45 days of the date the school determines that the student withdrew, the school does one of the following: [§668.173(b)]

- Deposits or transfers the amount of funds to be returned into an account the school maintains for federal funds (see [Section 8.1](#)). [§668.173(b)(1)]
- Initiates an [electronic funds transfer \(EFT\)](#) for the amount of returned funds. [§668.173(b)(2)]
- Initiates an electronic transaction that informs the lender to adjust the borrower's loan account for the amount of returned funds. [§668.173(b)(3)]
- Issues a check for the returned funds. In this case, the school's records must show that the lender's bank endorsed that check within 60 days of the date the school determined that the student withdrew. [§668.173(b)(4)]

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

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

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

- The student's name and [Social Security number \(SSN\)](#).
- The parent's name and SSN (for PLUS loan funds).
- The check number, if applicable.
- The amount of the returned funds.
- The loan type (subsidized Stafford, unsubsidized Stafford, or PLUS).
- The [loan period](#).
- The student's [withdrawal date](#), graduation date, or ~~last the date of attendance as at least a~~ the student dropped to less-than-half-time student enrollment.¹
- The most recent address that the school has on file for the student.
- The [disbursement](#) number, if applicable.
- The reason for the return of funds (such as withdrawal, [overaward](#), [leave of absence](#)).
- Whether or not subsequent disbursements should be canceled or rescheduled.

Applying Returned Funds

A school must return unearned [Title IV](#) funds to the Title IV programs. The school must ensure that returned funds are applied to eliminate outstanding balances on loans and grants for the [payment period](#), or [period of enrollment](#), in the following order:

- FFELP unsubsidized Stafford loans.
- FFELP subsidized Stafford loans.
- Direct unsubsidized Stafford loans.
- Direct subsidized Stafford loans.
- [Federal Perkins loans](#).
- FFELP [parent](#) or [Grad PLUS loans](#).

¹ Policy 1277 (Batch 188), approved October 18, 2012

Forbearance Eligibility Chart**Figure 11-2**

TYPE	LENGTH
Discretionary	
Financial difficulties due to personal problems when the borrower is unable to make regularly scheduled payments ¹	The period established in the terms of the forbearance agreement (not to exceed 12-month increments); no maximum
Reduced-Payment Forbearance ¹	
Mandatory	
Medical or Dental Internship/Residency ^{2, 3}	12-month increments (or a lesser period equal to actual period during which the borrower is eligible); no maximum
Department of Defense Student Loan Repayment Programs ³	
National Service ^{2, 3}	
Active Military State Duty ^{2, 3, 9}	
Debt Exceeds Monthly Income—Student Loan Debt Burden ^{4, 5*}	12-month increments; 3 years maximum
Teacher Loan Forgiveness ^{2, 3}	Period while borrower maintains forgiveness eligibility. 12-month increments
Mandatory Administrative	
Local or National Emergency ⁷	Period specified by the Department or guarantor plus 30 days following the period
Military Mobilization ⁸	
Designated Disaster Area ⁷	
Repayment Accommodation	3-year maximum for variable interest rate; 5-year maximum for income-sensitive repayment
Death	Date lender receives reliable notification of death to date lender receives death certificate or other acceptable documentation, not to exceed 60 days
Teacher Loan Forgiveness ^{2, 6}	The period while the lender is awaiting a completed loan forgiveness application, not to exceed 60 days Date lender receives a completed loan forgiveness application to date lender receives either a denial or the loan forgiveness amount from the guarantor
Administrative	
Borrower Ineligible for Deferment ⁶	Beginning date to ending date of the ineligible deferment
Delinquency before a Deferment or Certain Forbearances ⁶	First date of overdue payment to the day before the beginning date of deferment or other forbearance type
Forgiveness under Income-Based Repayment ⁶	60 days for lender to collect and process documentation to determine a borrower's eligibility
Late Notification of Out-of-School Dates ⁶	Date borrower should have entered repayment to date first or next payment was established
Bankruptcy Filing ⁶	The earlier of the first date of overdue payment or receipt of reliable information that the borrower has filed bankruptcy to date of discharge determination or repurchase
Total and Permanent Disability ⁶	Date lender receives physician's written request for additional time to date lender receives a complete, certified loan discharge application or other form(s) approved by the Department, if the borrower submits the certification to the lender within 90 days of the date the physician certified the application, not to exceed 60 days For a non-disabled comaker, the earlier of the date that the lender receives the loan discharge application or the date the lender receives notice from the guarantor that one comaker is totally and permanently disabled, to the date that the lender receives notice of the final discharge determination.

TYPE	LENGTH
Spouses and Parents of Victims of September 11, 2001 ⁶	60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination
Repurchase of a Non-Bankruptcy Claim ⁶	The period that the loan was held by the guarantor due to a claim purchase
Death	Date after mandatory administrative forbearance due to reliable notification of death ends to date lender receives death certificate or other acceptable documentation, not to exceed 60 days
Closed School	Period of unofficial closure notice as specified by guarantor
Closed School or False Certification ⁶	60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination
False Certification—Identity Theft ⁶	Date eligibility requirements sent to individual to date request and documentation returned, not to exceed 60 days; and from date guarantor receives documentation to date of determination
Delinquency after Deferment or Mandatory Forbearance ⁶	Deferment or mandatory forbearance end date to establishment of next payment due date
Documentation Collection and Processing ⁶	Date borrower requests deferment, forbearance, change in repayment plan, or loan consolidation to date supporting documentation is processed by lender, not to exceed 60 days
Unpaid Refund Discharge	60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination The period during guarantor review and ending on the date lender receives the guarantor's determination for a borrower who requests a review of a denial determination
Unpaid Refund ⁶	End date of initial 60-day mandatory administrative forbearance to receipt of completed discharge request, and during period of determination of discharge eligibility
New Out-of-School Dates after Conversion ⁶	Original repayment start date to adjusted start date
Loan Sale or Transfer ⁶	First date of delinquency to date loan is sold or transferred, if the loan is less than 60 days delinquent
Ineligible Summer Bridge Extension ⁶	Day after expiration of borrower's last in-school deferment to the 30th day after fall classes begin
Cure ⁶	Date of earliest unexcused violation to date lender receives a full payment or new signed repayment agreement
Natural Disasters, Local or National Emergency, Military Mobilization ⁶	From date borrower affected, not to exceed 3 months for each occurrence
Repayment Alignment-SLS/Stafford ⁴	First payment due date to last day of the longest applicable Stafford loan grace period
Repayment Alignment-PLUS/Stafford ¹⁰	Until end of in-school deferment or post-enrollment deferment on PLUS loan disbursed on or after July 1, 2008, or until end of grace on Stafford loan

* Policy 1279 (Batch 189), approved October 18, 2012

Note: For detailed information about each forbearance situation, refer to the applicable subsection.

- ¹ Lender must document the borrower's request, the reason for the forbearance, and the terms of the forbearance agreement.
- ² For borrowers only.
- ³ A request and supporting documentation from the authorized official(s) indicating the beginning and ending dates, and a verbal or written agreement are required.
- ⁴ A request is required.
- ⁵ A request and supporting documentation of monthly income and monthly payments on Title IV education loan obligations, and a verbal or written agreement are required.

- ⁶ Lender must notify the borrower (or individual or endorser, if applicable) and document the beginning and ending dates and reason for the forbearance in borrower history record.
- ⁷ Notice from the Department or guarantor is required.
- ⁸ Documentation showing borrower is subject to a military mobilization is required.
- ⁹ For military service that begins on or after October 1, 2007, or includes that date.
- ¹⁰ Lender must notify borrower forbearance has been granted; notice must inform borrower of option to cancel forbearance and continue paying on the PLUS loan.

If teacher loan forgiveness may be applicable to any Stafford loan(s) that was paid in full by a Consolidation loan, the lender must grant this [forbearance](#) on the entire Consolidation loan.

See [Subsection 13.9.A](#) for more information about teacher loan forgiveness.

11.24 Mandatory Forbearance

Upon receiving a borrower's request and documentation required to support the borrower's eligibility, a [lender](#) must grant a [forbearance](#) in any of the situations listed below. A lender and the borrower may agree to the terms of the forbearance verbally or in writing. A lender that grants a forbearance based on a verbal agreement with the borrower must record the forbearance terms in the borrower's file and send a notice to the borrower confirming the terms of the forbearance agreement.

If a borrower requests a mandatory forbearance because of student loan debt burden, the lender must forward to the borrower the Mandatory Forbearance Request: Student Loan Debt Burden (SLDB) form.

If a borrower requests a mandatory forbearance for one of the reasons listed below, the lender must forward to the borrower the Mandatory Forbearance Request: Medical or Dental Internship/Residency Program; National Guard Duty; Department of Defense Loan Repayment Program (SERV) form:

- Medical or dental internship/residency
- Active military state duty as a member of the National Guard
- Department of Defense Student Loan Repayment Program

11.24.A ~~Student Loan Debt Burden Debt Exceeds Monthly Income~~¹

The [lender](#) must grant forbearance in increments of up to one year, for periods that collectively do not exceed three years, if the borrower or [endorser](#) is currently obligated to make payments on [Title IV](#) loans and the amount of those payments each month—or a proportional share, if the

payments are due less frequently than monthly—is collectively equal to or greater than 20% of the borrower's or endorser's total monthly income.

Before granting a forbearance to a borrower or endorser, in this case, the lender must require the borrower or endorser to submit at least the following [documentation](#):

- Evidence of the amount of the most recent total monthly gross income received by the borrower or endorser from employment and other sources.
- Evidence of the amount of the monthly payments owed by the borrower or endorser to other entities for the most recent month for the borrower's or endorser's Title IV loans.
[§682.211(h)(2) and (4)]

11.24.B Medical or Dental Internship or Residency

A lender must grant [forbearance](#) to a qualified borrower who meets either of the following criteria:

- The borrower has exhausted his or her eligibility for a medical or dental internship/residency [deferment](#).
- The borrower's [promissory note](#) does not provide for a medical or dental internship/residency deferment.

Eligibility requirements are the same as for a borrower who has requested a medical or dental internship/residency deferment (see [Section 11.7](#)), except that the borrower does not need to be a [new borrower](#) before July 1, 1993, to qualify for forbearance. In addition, the documentation requirements are the same for both deferment and forbearance (see [Subsection 11.7.A](#)). A lender must grant forbearance in 12-month increments unless the actual period during which a borrower is eligible is less than 12 months. See [Subsection 11.20.I](#) for information regarding notices that the lender must send when granting forbearance and during the forbearance period.

For a medical or dental internship or residency, the forbearance must cover one of the following:

- The length of time remaining in the borrower's medical or dental internship or residency that must be successfully completed before the borrower may begin professional practice or service.

¹ Policy 1279 (Batch 189), approved October 18, 2012

receives a response from the guarantor denying the discharge or paying the discharge. If the discharge is denied, the lender must resume collection activity and grant a [forbearance](#) for the period during which collection activity was suspended. Any interest accrued and not paid during this period may be capitalized.

[§682.402(l)(5)(ii); §685.216(e)(4)]

If the lender does not receive the borrower's completed [discharge](#) application within 60 days of the date on which the lender sent the application to the borrower, the lender must resume collection activity and grant a [forbearance](#) for the period when collection activity was suspended. Any interest accrued and not paid during this period may be capitalized.

[§682.402(l)(5)(iii); §685.216(e)(2)]

Processing the Discharge Application

When the borrower submits the discharge application to the lender, the lender must review the application to determine whether it appears to be complete. If the application appears to be complete, the lender must provide the application and all pertinent information related to the borrower's qualification for discharge to the [guarantor](#), including the borrower's (or student's, as applicable) ~~last date of attendance~~ [withdrawal date](#), if it is available. See [Subsection 9.5.C](#) for school requirements.

[§682.402(l)(5)(ii)]¹

If the lender determines that information contained in its files conflicts with the information provided by the borrower, the lender must notify the guarantor. The guarantor will use the most reliable information available to determine eligibility and the appropriate payment of the [refund](#) amount.

[§682.402(l)(5)(v)]

Processing an Approved Discharge

If a school has closed, the guarantor will discharge a borrower's (and any endorser's) obligation to repay an amount equal to the amount of the unpaid refund, including any accrued interest and other charges ([late charges](#), [collection costs](#), [origination fees](#), and [guarantee fees](#)) associated with the unpaid refund that should have been made by the school.

[§682.402(l)(1); §682.402(n) and (o); §685.216(a)(1); §685.216(d)(1)]

If a school remains open, the guarantor will discharge a borrower's (and any endorser's) obligation to repay an amount equal to the amount of the unpaid refund, including any accrued interest and other charges (late charges, collection costs, origination fees, and guarantee fees) associated with the unpaid refund that should have been made by the school, if both of the following criteria are met:

- The borrower (or the student) has ceased to attend the school that owes the refund.
- The guarantor receives documentation regarding the refund, and the borrower and the guarantor have been unable to resolve the unpaid refund with the school within 120 days from the date the guarantor receives a completed discharge application. See [Subsection 9.5.C](#) for school requirements.

[§682.402(l)(2); §682.402(n), (o), and (p); §685.216(a)(2)(i); §685.216(d)(1)]

The lender or guarantor must ensure that the discharge is reported to all [nationwide consumer reporting agencies](#) that the lender or guarantor had previously reported information on the loan, such that any adverse credit history associated with the amount discharged is removed.

[§682.402(l)(3)(ii); §685.216(b)(2)]

If the discharge results in a paid-in-full status on the loan and the lender subsequently receives a payment on that loan, the lender must promptly return those funds to the sender. At the same time, the lender must notify the borrower or the borrower's representative that there is no further obligation to repay the loan. If the borrower or the borrower's representative continues to send payments after the notice is given, all of those payments must be forwarded to the Department. In the case of a tuition recovery fund where the sender is required to make payment, those payments must also be forwarded to the Department. If the discharge does not result in a paid-in-full status, any payments received must be applied to the remaining debt.

[§682.402(q)]

Denying the Discharge

If the guarantor denies an unpaid refund loan discharge, the guarantor or the lender must notify the borrower in writing, within 30 days of the guarantor's determination, of the reason for the determination and of the borrower's right to request a review of the determination. If the guarantor notifies the borrower, the guarantor will inform the lender.

[§682.402(l)(5)(vii)(A)]

¹ Policy 1277 (Batch 188), approved October 18, 2012

Example: A borrower received a Stafford loan on September 1, 1998, and a subsequent Stafford loan on August 26, 1999. The 1998 loan is not eligible for teacher loan forgiveness because the borrower obtained the loan on or before October 1, 1998. The loan made on August 26, 1999, is not eligible for teacher loan forgiveness because the borrower had an outstanding balance on a FFELP or FDLP loan obtained on or before October 1, 1998, as of the date the borrower obtained the newer loan. In this example, the borrower paid both loans in full on June 3, 2002. The borrower obtained a subsequent Stafford loan on January 6, 2004. The 2004 Stafford loan is eligible for teacher loan forgiveness, provided all other eligibility criteria are met, because on the date that the borrower obtained the 2004 loan, the 1998 and 1999 loans were paid in full. If, however, the borrower paid in full the 1998 loan but did not pay in full the 1999 loan before the borrower obtained the subsequent loan on January 6, 2004, the 2004 loan would *not* be eligible for teacher loan forgiveness.

[§682.216(a); §685.217(a)]

- The borrower must have been employed as a full-time teacher for 5 consecutive, complete **academic years** at a qualifying school or location operated by an eligible educational service agency (see definitions of *qualifying school* and *educational service agency* later in this subsection) or a combination of these entities, as certified by the chief administrative officer(s) at the qualifying school(s) or educational service agencies. [HEA §428J(c)(3); §682.216(a); §685.217(a); DCL GEN-08-12/FP-08-10]
 - Any consecutive 5-year period of qualifying service may be counted for teacher loan forgiveness purposes.
 - Teaching at a qualifying school may be counted toward the required 5 consecutive complete **academic years** only if at least one year of teaching service was after the 1997-1998 academic year.
 - Teaching at an eligible educational service agency may be counted toward the required 5 consecutive complete academic years only if the 5-year period includes teaching service at an eligible education service agency after the 2007-2008 academic year.

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

- If the school where the borrower is ~~employed~~ performing his or her qualifying teaching service meets the eligibility criteria of a *qualifying school* for at least the first any-year of the borrower's employment 5 qualifying years of teaching service, ~~all any~~ subsequent years of qualifying teaching service ~~continue to qualify the borrower may be counted~~ toward the required 5 consecutive, complete academic years of teaching, even if the school ~~does not no longer~~ meets the criteria. However, if the borrower is initially ~~employed~~ performing his or her qualifying teaching service ~~at~~ by a school that does not meet the criteria and the school later qualifies, the borrower's 5 qualifying years of service begin when the school meets the eligibility criteria.

[§682.216(c)(2); §685.217(c)(2)]¹

- A borrower who is in **default** on a loan(s) for which the borrower seeks forgiveness must have made **satisfactory repayment arrangements** on the defaulted loan(s) to reinstate **Title IV** aid eligibility. See [Subsection 5.2.E](#). [§682.216(c)(10); §685.217(c)(10)]
- The loan for which **forgiveness** is sought must have been made before the end of the 5th year of qualifying teaching service. [§682.216(a); §685.217(a)(5)]

Interruptions in Qualifying Teaching Service

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

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

- A return to postsecondary education on at least a half-time basis in a program directly related to the borrower's teaching service.

¹ Policy 1276 (Batch 188), approved October 18, 2012

Determining the Denominator

The denominator is the number of student borrowers who entered repayment during a fiscal year. This is determined by counting the number of different **Social Security numbers** present in all of the loan records for student borrowers who entered repayment on Federal Stafford or Federal SLS loans during that fiscal year. If a school had fewer than thirty borrowers who entered repayment in the fiscal year for which the rate is being calculated, the **Department** also identifies the borrowers in the cohorts for the two most recent prior fiscal years for inclusion in the current-year cohort calculation.

[§668.183(a)(1) and (b)]

There are several points to note about the calculation regarding student borrowers with multiple loans:

- A student borrower with two or more loans that entered repayment during the same fiscal year will be counted only once in a school's denominator.
- A student borrower with multiple loans that entered repayment in more than one fiscal year will be included in the **cohort default rate** calculation for each fiscal year in which the loans entered repayment.

[§668.183(b)(2)]

- A student borrower with two or more loans that entered repayment during a single fiscal year will be counted in more than one cohort default rate calculation only if he or she borrowed those loans to attend more than one school, and those loans entered repayment during the same fiscal year. Such a borrower's loans (and his or her subsequent repayment or **default** on those loans) are attributed to the school at which the borrower received the loan that entered repayment.

[§668.183(b)(2); *Cohort Default Rate Guide*]

For a student borrower whose loan was fully discharged due to death, disability, **bankruptcy**, ~~closed school, false certification, unpaid refund, or teacher loan forgiveness~~ provisions *prior* to the loan entering repayment, the borrower will be included in the denominator of the cohort default rate calculation based on the date on which the **guarantor** paid the applicable **claim** or discharged the loan. The borrower will not be included in the numerator because the borrower did not default. For a student borrower whose loan was fully discharged ~~due to death, disability, bankruptcy, closed school, false certification, unpaid refund, or teacher loan forgiveness~~ provisions *for these same reasons* *after* the loan entered repayment, the borrower will be included in the denominator of the cohort default rate calculation based on the fiscal year in which the

loan entered repayment. The borrower will not be included in the numerator because the borrower did not default. If the borrower's loan was discharged due to school closure, false certification, or identity theft, the borrower is not included in the cohort default rate calculation.

[*2012 Cohort Default Rate Guide*, p. 2.1 - 14]¹

If a student borrower paid a loan in full before the loan would otherwise have entered repayment, the borrower will be included in the denominator of the cohort default rate calculation based on the fiscal year in which the borrower paid the loan in full. If a student borrower requested and began repayment of a loan before the date on which the loan was scheduled to enter repayment, the borrower will be included in the denominator of the cohort default rate calculation based on the fiscal year in which the early repayment began.

[*Cohort Default Rate Guide*]

Determining the Numerator

The numerator equals the number of student borrowers in the denominator who defaulted on any Federal Stafford, Federal SLS, or Federal Consolidation loan during the same fiscal year in which the loan or underlying loan entered repayment or during the following fiscal year. If a school had fewer than thirty borrowers who entered repayment during the fiscal year for which the cohort rate is being calculated, the Department identifies the school's student borrowers who entered repayment during the specified fiscal year and the two most recent prior fiscal years and who defaulted before the end of the fiscal year immediately following the fiscal year in which those borrowers entered repayment for inclusion in the numerator of the calculation for the specified year.

[§668.183(c)]

Beginning with fiscal year 2009, the numerator will equal the number of student borrowers in the denominator who defaulted on any Federal Stafford, Federal SLS, or Federal Consolidation loan before the end of the second fiscal year following the fiscal year in which the loan or underlying loan entered repayment. If a school had fewer than thirty borrowers who entered repayment during the fiscal year for which the cohort default rate is being calculated, the Department identifies the school's student borrowers who entered repayment during the specified fiscal year and the two most recent prior fiscal years and who defaulted before the end of the second fiscal year following the fiscal year in which the loan or underlying loan entered repayment for inclusion in the numerator of the calculation for the specified year.

[HEA §435(m); DCL GEN-08-12/FP-08-10]

¹ Policy 1281 (Batch 190), approved December 20, 2012

There are several points to note about the calculation regarding student borrowers with multiple loans:

- A student borrower who entered repayment during the same fiscal year on two or more loans that were borrowed to attend the same school, and then defaulted on those loans within the applicable time frame specified above, will be counted only once in the numerator.
- A student borrower who defaulted within the applicable time frame on two or more loans that were borrowed to attend the same school and that entered repayment in different fiscal years will be included in the numerators of the school's **cohort default rate** calculations for each of the fiscal years in which the loans entered repayment.
- A student borrower who defaulted within the applicable time frame on two or more loans that were borrowed to attend more than one school and that entered repayment during a single fiscal year will be included in the numerators of that year's **cohort default rate** calculations for each school at which the borrower obtained those loans and defaulted.

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

[*Cohort Default Rate Guide*]

For a student borrower whose loan was fully discharged due to death, disability, **bankruptcy**, closed school, false certification, unpaid refund, or teacher loan **forgiveness** provisions after default, the borrower will be included in the numerator of the cohort default rate calculation that contains the same loan in the denominator, if the default occurred within the applicable time frame. For a student borrower whose loan was fully discharged ~~due to death, disability, bankruptcy, closed school, false certification, unpaid refund, or teacher loan forgiveness provisions for these same reasons~~ without a previous default, the borrower will *not* be included in the numerator of the cohort default rate calculation that contains the same loan in the denominator if the **guarantor** was notified of the condition in a timely manner. If the borrower's loan was discharged due to school closure, false certification, or identity theft

the borrower is not included in the cohort default rate calculation. For a student borrower who paid a defaulted loan in full, the borrower will be included in the numerator of the cohort default rate calculation that contains the same loan in the denominator ~~(provided the loan was not rehabilitated by the borrower by the end of the following fiscal year), if the default occurred within the applicable time frame.~~ If a loan default occurred within the applicable time frame and the borrower rehabilitates the defaulted loan within the cohort default period, the borrower is not included in the numerator.

[*2012 Cohort Default Rate Guide*, pp. 2.1 – 13 and 2.1 – 14]¹

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

[§668.183(c)(1)(iii)]

Data Source

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

[*Cohort Default Rate Guide*]

Types of Loans Included in Cohort Default Rates

Cohort default rates for fiscal years 1993 and beyond include Stafford and SLS loans, including underlying loans that are included in a Consolidation loan.

[§668.183(b)]

Schools That Change Status

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

[§668.184]

Change of Ownership Resulting in a Change of Control

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

[§668.184(b) and (c); §668.188]

¹ Policy 1281 (Batch 190), approved December 20, 2012

Default Prevention Task Force

The Department recommends that a school's default prevention task force be comprised of appropriate senior level school officials including representatives from offices other than the financial aid office. The purpose of the default management task force is to:

- Identify and allocate the personnel and administrative and financial resources necessary to implement the default management plan.
- Establish a process to ensure the accuracy of data used to calculate its draft and official cohort default rates.
- Provide for a data collection system to track and analyze borrowers who default on their loans.
- Define evaluation methods, set default reduction targets, conduct an annual comprehensive self-evaluation to reduce defaults, and implement any indicated modifications.

Developing a Default Prevention Plan

A default prevention and management plan describes measurable objectives and the steps the school will implement in an effort to reduce student debt and default rates.

• Enhanced Loan Counseling

During entrance and exit counseling, in addition to complying with the standard entrance and exit counseling requirements (see Chapter 4, Subsection 4.4.C), obtain information from borrowers regarding references and family members beyond those requested in the loan application, as well as cell phone numbers and e-mail addresses for borrowers. During exit counseling, (see Chapter 4, Subsection 4.4.D) collect updated information from the borrowers.

• Information about Repaying the Loan

Provide borrowers with the estimated balance and interest rate(s) of their loan(s), as well as a sample loan repayment schedule based on their projected total loan obligation upon completion of the program. Provide the name, address, and telephone numbers of their loan servicers, and the estimated date of their first scheduled payment. Provide an estimated monthly income that the borrower can reasonably expect to receive in his or her first year of employment, based on the education received.

• Financial Management

- Provide financial literacy resources to borrowers upon enrollment, during attendance, and following graduation or withdrawal.
- Explain to the borrower that he or she should borrow only what is needed, and can cancel or return any funds in excess of that amount.
- Make clear that the borrower must inform his or her loan servicer immediately of any changes of name, address, telephone number, or Social Security number.
- Advise the borrower to contact the loan servicer to discuss a change in repayment plan or other repayment options if the borrower is unable to make a scheduled payment.
- Provide general information about budgeting for living expenses and other aspects of personal financial management, including deferment, forbearance, consolidation, and other repayment options, and how to obtain these.
- Explain the possible sale of loans by lenders and the use of outside contractors to service loans.
- Explain that dissatisfaction with, or non-receipt of, expected educational service and underemployment does not excuse the borrower from repayment of loans.
- Explain the consequences of default, including a damaged credit rating, loss of eligibility for further Title IV assistance, loss of generous repayment and deferment options, offset of tax refunds and federal benefits, wage garnishment, and possible civil suit.

• Identification and Counseling of At-Risk Students

The plan should include a means of identifying borrowers who withdraw prematurely from their educational program, who do not meet standards of satisfactory academic progress, or both, and provide counseling that offers intervention options and support.¹

¹ Policy 1281 (Batch 190), approved December 20, 2012

• Campus-Wide Communication

Communication of information relevant to the prevention and management of defaults must be a school-wide effort and should not be the responsibility of only a single office. To promote success, campuses should evaluate their communication procedures to ensure compliance and accuracy. Information regarding borrowers' academic progress and enrollment status should be components of the information received by all relevant offices across campuses, including the offices that disburse funds and authorize payments. Accurate and timely reporting of borrowers' enrollment status is essential.

• After Students Leave School

- On a scheduled basis, schools should request and review their NSLDS Date Entered Repayment (DER) Report to assure that the data on this report matches their records.
- Early Stage Delinquency Assistance (ESDA) begins at the time of separation or early in the grace period. This is a focused effort by lenders, guarantors, and schools to assist particular borrowers in preparing for entry into loan repayment. ESDA activities afford an opportunity to provide focused, enhanced loan counseling, borrower education, and personal support during the grace period to help decrease the chance of later loan default.
- Late Stage Delinquency Assistance (LSDA) requires collaboration with guarantors and servicers to enhance communication with borrowers throughout repayment. LSDA techniques enable schools to help prevent seriously delinquent borrowers from default.
- Loan Record Detail Report (LRDR) data should be reviewed to ensure that CDR rates are accurate and include the correct borrowers and loans.
- Periodically review the school's progress in preventing defaults. Evaluate commonalities and trends among defaulters and use this information to improve the school's default prevention plan and initiatives.

[GEN-05-14]¹

The school must submit the plan to [the Department](#), and after reviewing the plan, the Department will offer technical assistance to the school to help improve the default rate.

If, for a second year, the school's default rate is 30% or more, the task force must review and amend the plan submitted earlier and send it to the Department for review. The Department may require the school to take additional actions that promote student loan repayment.

[HEA §435(a)(7); §668.217]

Exemptions from Consequences of High Official Cohort Default Rates

Certain schools may qualify for special relief from the consequences of high [cohort default rates](#) for one-year periods beginning on July 1 of the years 1999 through 2003. A school must be one of the following:

- A historically black college or university (as defined in the Act [HEA 322(2)]).
- A tribally controlled community college (as defined in the Tribally Controlled Community College Assistance Act of 1978).
- A Navajo community college (as defined under the [Navajo Community College Act](#)).

A school that otherwise qualifies must submit the necessary information and certifications to the Department by July 1 of the first one-year period that begins after the school's receipt of the notice of loss of eligibility. Additional steps in this exemption process are detailed in the [Cohort Default Rate Guide](#) and federal regulations. [§668.198; HEA §435(a)(2)(C)]

Preventing the Evasion of the Consequences of High Official Cohort Default Rates

In order to prevent a school from evading the consequences of a high official [cohort default rate](#) by the merger with or acquisition of another school, a school's loss of FFELP eligibility that is based on a single cohort default rate greater than 40%, or equal to or greater than 25% for each of the three most recent official cohort default rates, is applied to another school that is eligible to participate in the FFELP if all of the following criteria are met:

- Both schools are parties to a transaction that results in a change in structure or identity. [§668.188(a)(1)]

¹ Policy 1281 (Batch 190), approved December 20, 2012

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Academic Attendance: Is synonymous with “attendance at an academically-related activity.” See the separate glossary definition of “attendance at an academically-related activity.”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.

For a graduate or professional program, an academic year is a period of at least 30 weeks of instructional time. There is no statutory minimum number of hours that a student must complete within the academic year for a graduate or professional program.

Accredited School: 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 [34 CFR Parts §602](#) and [§603](#). The agency grants accreditation status to schools.

The Department publishes a list of nationally recognized accrediting agencies that the Department has determined to be reliable authorities as to the quality of education or

training offered. If the Department determines that there is no nationally recognized accrediting agency qualified to accredit schools in a particular category, the Secretary of Education will 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 the 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 amount of a student’s eligibility for an unsubsidized Stafford loan that is in addition to the student’s base Stafford loan eligibility. See [Subsection 6.11.A](#) and [Figure 6-4](#) 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 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 [Section 11.21](#).

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.

Agent: An officer or employee of a school or an institution-affiliated organization. This definition is applicable to the disclosure and reporting requirements for schools, institution-affiliated organizations, and lenders that issue, recommend, promote, endorse, or provide information relating to FFELP and private education loans. See [Subsections 4.4.A](#) and [4.4.E](#). [[§601.2\(b\) definition of agent](#)]

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 1277 (Batch 188), approved October 18, 2012

Agreement: Any written contract, agreement, or letter of understanding between the guarantor and another entity that specifies the rights and duties of each party with respect to participation in the guarantor’s programs and/or utilization of the guarantor’s services.

ALAS: See [Auxiliary Loans to Assist Students \(ALAS\)](#)

AmeriCorps: A national and community service program created by the National and Community Service Trust Act of 1993 and administered by the Corporation for National Service. For each year of full-time service in the program, participants will receive education awards to help finance their postsecondary education or pay back their student loans.

Annual Loan Limit: The maximum Stafford loan amount a student may borrow for each academic year of study.

Anticipated Graduation Date: The date on which a student is expected to complete an academic program. This date is provided by a school official when certifying the borrower’s loan, and in subsequent enrollment status updates.

Application: The form the borrower uses to apply for a Stafford, PLUS, or Consolidation loan.

Applicable Interest Rate: The maximum annual interest rate (under the Higher Education Act of 1965, as amended) that a lender may charge on a loan. Sometimes referred to as the [Statutory Interest Rate](#). Past and present applicable interest rates for FFELP loans are included in [Section 7.4](#), and [Appendix A](#).

Assignment: Language placed on or attached to the promissory note indicating a change or transfer of loan ownership.

Assignment of a Loan: Any change in the ownership interest of a loan, including a pledge of such an ownership interest as security.

Attendance at an Academically-Related Activity:

Attendance at an academically-related activity includes, but is not limited to:

- Physically attending a class.
- Submitting an academic assignment.
- Taking an exam.
- Participating in an interactive tutorial.

- Engaging in computer-assisted instruction.
- Attending a student group that is assigned by the school.
- Participating in an online discussion about academic matters.
- Initiating contact with a faculty member to ask a question about the academic subject studied in the course.

[\[§668.22\(1\)\(7\)\(i\)\(A\)\]](#)

Attendance at an academically-related activity does *not* include an activity in which a student may be present but not academically engaged, including, but not limited to:

- Living in school housing.
 - Participating in the school's meal plans.
 - Logging into an online class without active participation.
 - Participating in academic counseling or advisement.
- [\[§668.22\(1\)\(7\)\(i\)\(B\)\]¹](#)

Authority: Any private nonprofit or public entity that may issue tax-exempt obligations to obtain funds to be used for the making or purchasing of FFELP loans. “Authority” also includes any agency, including a state postsecondary institution or any other instrumentality of a state or local government unit, regardless of the designation or primary purpose of that agency, that may issue tax-exempt obligations, any party authorized to issue those obligations on behalf of a governmental agency, and any nonprofit organization authorized by law to issue tax-exempt obligations.

Auxiliary Loans to Assist Students (ALAS): A previous name for what became the SLS loan. The Omnibus Reconciliation Act of 1981 extended the Parent Loans for Undergraduate Students (PLUS) program to include loans for independent undergraduate students and graduate and professional students. These loans were called Auxiliary Loans to Assist Students or ALAS. The Higher Education Amendments of 1986 repealed the ALAS program and authorized two separate loan programs in its place— Supplemental Loans for Students, or SLS loans, for graduate students, professional students, and independent undergraduates, and PLUS loans for parents of dependent students.

¹ Policy 1277 (Batch 188), approved October 18, 2012

academic, or professional organization of a school. An institution-affiliated organization does not include a lender with respect to any education loan the lender secures, makes, or otherwise extends to the school's students or their families.

Institutional Student Information Record (ISIR): The electronic output record provided to the school by the Department's Central Processing System that includes information provided by the student on the Free Application for Federal Student Aid (FAFSA). The ISIR also contains the student's expected family contribution (EFC) and the results of federal database matches. The paper version that is sent to the student is called a Student Aid Report (SAR).

Insurance Premium: See [Federal Default Fee and Guarantee Fee](#)

Intensive Collection Activities (ICA): A series of collection activities performed within an abbreviated time frame. Performance of the activities within the time frames prescribed reestablishes the guarantee on loans on which the lender's noncompliance with due diligence requirements has resulted in the cancellation of the guarantee. See [Section 14.6](#).

Interest: The charge made to a borrower for use of a lender's money. Past and present applicable interest rates for FFELP loans are included in [Section 7.4](#).

Interest Benefits: See [Federal Interest Benefits](#)

Interim Period: The period during which a Stafford loan borrower is in the in-school or grace period. If the borrower returns to school before the grace period is fully used, the borrower continues to qualify for in-school status and to be considered in the interim period.

Invalid Telephone Number: For purposes of lender due diligence requirements in the collection of loans, a functioning telephone number that has been assigned to someone who has no knowledge of or relationship with the borrower.

IRS Offset: See [Treasury Offset](#)

ISIR: See [Institutional Student Information Record \(ISIR\)](#)

L

LaRS: See [Lender's Interest and Special Allowance Request and Report \(LaRS Report\)](#)

Last Date of Attendance: The last day the student was physically present in class, as confirmed by the student's attendance records.¹

Late Charges: Charges that the lender may require the borrower to pay if the borrower fails to pay all or a portion of a required installment payment within 15 days after it is due. This charge may not exceed 6 cents for each dollar of each late installment.

Late Conversion: The scheduling of a Stafford, SLS, PLUS, or Consolidation loan borrower's first payment due date beyond the normal regulatory time limits for establishing that date. See [Subsection 10.5](#) for information on the regulatory time frames.

Late Disbursement or Delivery: A disbursement made by a lender or delivered by a school after the end of the loan period or the date on which the student ceased to be enrolled on at least a half-time basis. See [Subsections 7.7.G and 8.7.E](#).

Leader, Summer Term: A summer term that comes at the beginning of a school's Scheduled Academic Year.

Leave of Absence: For purposes of the *Common Manual*, a leave of absence is a status in which the student is considered to be continuously enrolled for Title IV program purposes, as approved by the school. An approved leave of absence is a break in enrollment, not including a semester or spring break, that is requested by the student and approved by the school based upon the school's published leave of absence policy. The student's request must be in writing and must include the reason for the leave. In an approved leave of absence, the student does not incur any additional charges. The total number of days of all approved leaves of absence may never exceed 180 days in any 12-month period.

For information on an *unapproved* leave of absence (i.e., a leave of absence that is not considered approved for Title IV purposes), see [Sections 9.3 and 9.4](#).

Lender: For purposes of the Federal Family Education Loan Program (FFELP), a lender is an entity that has entered into an agreement to participate in the FFELP. A lender may be a national or state chartered bank, a mutual savings bank, a savings and loan association, a stock savings bank, a credit union, a pension fund, an insurance company, a single state agency, the Student Loan Marketing Association (SLMA), a Rural Rehabilitation Corporation, a nonprofit private agency functioning in a state as a

¹ Policy 1277 (Batch 188), approved October 18, 2012