

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
908	Effects of Unallocated Consolidation Amounts on New Stafford Loan Eligibility	<p><u>6.11.F (now 6.11.G in the October 2006 manual revision) Effects of a Consolidation Loan on New Stafford Loan Eligibility</u></p> <p>The unallocated amount of a Consolidation loan is no longer included in the NSLDS calculation of a student borrower's aggregate outstanding principal balances, and the FAA is no longer required to investigate whether an unallocated amount might impact a student's eligibility for additional Stafford loans. However, if the FAA has conflicting information indicating that the unallocated amount would cause the student to exceed the aggregate limit, the conflict must be resolved and the information derived from that resolution must be used in determining the student's remaining Stafford eligibility.</p>	Federal	January 2006.
909	NSLDS Ad Hoc Reporting <i>Deferred for additional review and consideration</i>	<p><u>9.2 Student Enrollment Status Reporting</u> <u>9.2.B Reporting Student Enrollment Status Changes to the Lender or Guarantor</u> <u>9.2.C Information Sharing with the Department, a Lender, or a Guarantor</u></p> <p>In addition to submitting regular reports to NSLDS, a school may be required to report enrollment status changes that affect the grace period, repayment responsibility, or deferment privileges of a student through an ad hoc report. Revised policy also states that unless the school expects to submit a Submittal File within the next 60 days, the school must submit an ad hoc report to NSLDS within 30 days of discovering that a student for whom a FFELP loan was made has changed his or her permanent address. In addition, subsection 9.2.B has been renamed "Ad Hoc Reporting" and new subsection</p>	Federal	Enrollment status changes reported by the school on or after September 1, 1996.

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
		9.2.C "Information Sharing with the Department, a Lender, or a Guarantor" has been added.		
910	Unpaid Refund	<u>13.8.F Unpaid Refund</u> Revised policy states that a borrower must complete, certify, and submit to his or her lender or guarantor an unpaid refund loan discharge application <i>which includes</i> a sworn statement of several declarations.	Correction	Retroactive to the approval of the common Loan Discharge Application: Unpaid Refund.

Final Transmittal Batch 135

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: November 16, 2006

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Nov 16

SUBJECT: Effects of Unallocated Consolidation Amounts on New Stafford Loan Eligibility

AFFECTED SECTIONS: 6.11.G Effects of Consolidation Loan on New Stafford Loan Eligibility

POLICY INFORMATION: 908/Batch 135

EFFECTIVE DATE/TRIGGER EVENT: January, 2006.

BASIS:

DCL GEN-96-13, Q&A #13 and #14; NSLDS Newsletter Number 11, February 2006.

CURRENT POLICY:

Current policy states that the financial aid administrator (FAA) must review any part of a Consolidation loan that is reported by the National Student Loan Data System (NSLDS) as unallocated and determine whether it might affect the student's loan eligibility, based on the aggregate loan limits.

REVISED POLICY:

Revised policy states that, as of January 2006, the unallocated amount of a Consolidation loan is no longer included in the NSLDS calculation for aggregate outstanding principal balances on the NSLDS, and the FAA is no longer required to investigate whether an unallocated amount might impact a student's eligibility for additional Stafford loans. However, if the FAA has conflicting information indicating that the unallocated amount would cause the student to exceed the aggregate limit, the conflict must be resolved and the information derived from that resolution must be used in determining the student's remaining Stafford eligibility.

REASON FOR CHANGE:

This change aligns *Common Manual* guidance with the most recent guidance from the Department.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise subsection 6.11.F, page 21, column 2, paragraph 2 of the July 2005 *Common Manual* as follows:

Note: this subsection was previously renumbered from 6.11.F to 6.11.G by Proposal 893/Batch 133, approved by the Governing Board on July 20, 2006.

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

If the borrower's outstanding loan balance is close to the aggregate Stafford loan limits, the FAA must also review any remaining balance of a Consolidation loan that is reported by the NSLDS as unallocated. No additional action is necessary if the FAA can assume that the unallocated amount is from either subsidized or unsubsidized Stafford loans and if, when the unallocated amount is added to the reported aggregate Stafford loan amounts, such an assumption would not affect the amount of a new Stafford loan the student

would otherwise be eligible to receive. If this assumption changes the amount of a new Stafford loan for which a student may be eligible, the FAA must verify the unallocated amount. Unallocated amounts may represent any of the following:

- Capitalized interest that is included in the Consolidation loan. Capitalized interest does not count toward a borrower's aggregate limits. If the FAA determines that all or a portion of the unallocated amount reported by the NSLDS represents capitalized interest, the FAA may deduct that portion from the reported aggregate amounts.
- An underlying Health and Human Services (HHS) loan that is included in the Consolidation loan. HHS loans are not reported to the NSLDS and are not, therefore, automatically excluded from the aggregate calculations. If the FAA determines that all or a portion of the unallocated amount reported by the NSLDS represents an underlying HHS loan, the FAA may deduct that portion from the reported aggregate amounts.
- An underlying FFELP or FDLP loan that has not yet been added to the NSLDS because of an edit condition that occurred when the information was sent to the NSLDS, but that is included in the Consolidation loan. If the FAA determines that all or a portion of the unallocated amount reported by the NSLDS represents an underlying Stafford loan that does not yet appear on the NSLDS, the FAA must add that portion to the reported aggregate amounts.

After identifying the underlying subsidized and unsubsidized Stafford loans, including amounts previously identified as unallocated, those outstanding principal balance amounts must be allocated to the proper aggregate loan limit for each Stafford loan type (subsidized or unsubsidized) when determining new Stafford loan eligibility. If the FAA has included or excluded all or a portion of an unallocated amount, the school must document its findings and calculations for audit purposes.

A school is only responsible for the financial aid history information that is available from the NSLDS at the time it delivers aid to the certifies a loan for a student. The FAA is not required to investigate whether an unallocated amount of a Consolidation loan might impact a student's eligibility for additional Stafford loan funds unless the FAA has information that conflicts with the data reported in the NSLDS. The FAA must resolve any conflicting information prior to certifying the eligible loan amount and, if it has received conflicting financial aid information between the date the loan was certified and the date the loan funds are delivered, the school must resolve any conflict prior to delivering the loan funds. The school must include the result of that resolution in the school's certification of the student's eligible loan amount. If the school receives written documentation that confirms that a student is eligible for additional aid, the school may deliver the aid without waiting for the NSLDS to be updated.

[§668.16(f); DCL GEN-96-13, Q&A #13 and #14; DCL GEN-03-12, Q&A #20; NSLDS Newsletter Number 11, February 2006]

PROPOSED LANGUAGE - COMMON BULLETIN:

Effects of Consolidation Loan on New Stafford Loan Eligibility

The *Common Manual* has been revised to reflect a change in the treatment of the unallocated amount of a Consolidation loan by the National Student Loan Data System (NSLDS). The unallocated amount of a Consolidation loan is no longer included in the aggregate subsidized, unsubsidized, and outstanding principal balances on NSLDS. In addition, the financial aid administrator is no longer required to investigate whether an unallocated amount might impact a student's eligibility for additional Stafford loans, unless the school has information that conflicts with NSLDS data. If the school has conflicting information at the point at which it is certifying the loan, the school must resolve the conflict and must include the result of that resolution in the school's calculations regarding the student's eligible loan amount. The school is not required, at the point of loan delivery, to double-check NSLDS to determine if the financial aid history has changed. If, however, the school obtains conflicting information that may affect the student's eligibility in the interim between the loan certification and the delivery of funds, the school is required to resolve the conflicting information and adjust the loan amount, if necessary.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:*Borrower:*

The borrower is no longer required to provide to the financial aid administrator documentation of the unallocated amounts of a Consolidation loan. A borrower who previously had Title IV loans consolidated may experience faster processing of additional Stafford loans.

School:

The school is no longer required to investigate whether an unallocated amount of a Consolidation loan impacts a student's eligibility for additional Stafford loans, except when the school has information that conflicts with NSLDS data.

Lender/Servicer:

The lender may experience a decrease in inquiries from schools and borrowers seeking to verify unallocated amounts of Consolidation loans.

Guarantor:

Guarantors may need to amend program review procedures.

U.S. Department of Education:

The Department may need to amend program review procedures.

To be completed by the Policy Committee**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

February 15, 2006

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

November 9, 2006

PROPOSAL DISTRIBUTED TO:

CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others
CM Governing Board Representatives

Comments Received From:

AES/PHEAA, ASA, EAC, Great Lakes, NASFAA, NCHELP, OGSLP, PPSV, SCSLC, SLMA, SLSA, TG, USA Funds, and VSAC.

Responses to Comments

Most of the commenters supported this proposal as written. Other commenters made wordsmithing suggestions that added clarity and were incorporated without comment. We appreciate the review of all commenters and their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

COMMENT:

One commenter recommended a revision to the proposed language in 6.11.F, page 21, column 2, paragraph 2, as follows: "The NSLDS ~~while continuing to report (on web pages and on ISIRs) unallocated amounts,~~ no longer includes unallocated amounts when calculating aggregate subsidized, unsubsidized, and combined outstanding principal balances. However, the NSLDS will continue to report (on web pages and on ISIRs) aggregate subsidized, unsubsidized, combined subsidized and unsubsidized amounts, and unallocated amounts." The commenter believes this reorganization lends clarity to the language.

Another commenter recommended the same sentence be revised as follows: "The NSLDS, while continuing to report (on web pages and on ISIRs) unallocated amounts, no longer includes unallocated amounts when calculating ~~aggregate subsidized, unsubsidized, and total (subsidized, unsubsidized, or combined) outstanding principal balances.~~" This commenter stated that, although the proposed language mirrored the language

contained in the NSLDS Newsletter Number 11, it is misleading since unallocated amounts were never included in the calculation of a borrower's subsidized or unsubsidized aggregate limits.

Response:

The Committee agrees with the points made by both commenters.

Change:

The proposed language in 6.11.F, page 21, column 2, paragraph 2, has been revised as follows:

The NSLDS while continuing to report (on web pages and on ISIRs) unallocated amounts, does not longer includes unallocated amounts when calculating aggregate subsidized, unsubsidized, and combined subsidized and unsubsidized outstanding principal balances. However, the NSLDS will report aggregate subsidized, unsubsidized, combined subsidized and unsubsidized amounts, and unallocated amounts on web pages and on ISIRS.

COMMENT:

Two commenters recommended that §668.16(f), which requires that the school resolve conflicting information, be included as a reference for subsection 6.11.F.

Response:

The Committee agrees.

Change:

§668.16(f) has been added as a reference for subsection 6.11.F.

COMMENT:

Four commenters pointed out that Q&A #14 of GEN-96-13 refers to Q&A #13 of that same letter; therefore, Q&A #13 should be included in the basis and text references. Three commenters noted that, although GEN-03-12 had been stricken from the basis and references, language from Q&A #20 of that letter had been retained in the sentence, "A school is only responsible for the financial aid history information that is available from the NSLDS *at the time it delivers aid to the student.*" This differs from the language in GEN-96-13 Q&A #13, which stated, "A school will only be responsible for the financial aid history information it had obtained from the NSLDS *at the time it determined a student's eligibility.*"

One of the commenters felt that the two Q&As contradict each other. Another commenter recommended using the language from GEN-96-13, referring to the point in time when the loan is certified, and stated that GEN-03-12 does not contradict GEN-96-13, but merely reinforces that the determination of eligibility is not a single event, and that a school is also responsible for the financial aid history information it has at the time it delivers aid to the student.

Response:

A school is responsible for the financial aid history in NSLDS at the time that it certifies the student's eligibility for a loan. A school is also required to ensure, prior to delivering loan funds, that the student still meets the eligibility requirements for the funds (i.e., the student is still enrolled at least half-time and was making satisfactory academic progress as of the most recent SAP check). The school is not required, at the point of loan delivery, to double-check NSLDS to determine if the financial aid history has changed. If, however, the school obtains conflicting information that may affect the student's eligibility in the interim between the loan certification and the delivery of funds, the school is required to resolve the conflicting information and adjust the loan amount, if necessary.

Change:

The language has been revised to state that a school is responsible for the review of the student's financial aid history at the time at which it is certifying the loan. The language also clearly states that the school must resolve any conflicting information it has prior to certifying the initial loan amount and prior to delivering loan funds.

COMMENT:

Two commenters recommended that the caveat regarding conflicting information be included in the Common Bulletin language and the school implication statement.

Response:

The Committee agrees.

Change:

The Common Bulletin language and school implication statement have been modified to include the requirement that a school resolve conflicting information.

COMMENT:

One commenter noted that NSLDS Newsletter #12, dated June 2006, indicates that schools also may use information they obtain by accessing a loan holder's database in real time to verify student eligibility as long as they retain an image of the authoritative document.

Response:

The Committee agrees that this information should be included in the *Common Manual*, and has added this item to its list of issues for future policy development.

Change:

None.

ke/edited-chh

COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: November 16, 2006

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	no changes	Nov 16

SUBJECT: Unpaid Refund

AFFECTED SECTIONS: 13.8.F Unpaid Refund

POLICY INFORMATION: 910/Batch 135

EFFECTIVE DATE/TRIGGER EVENT: Retroactive to the approval of the common Loan Discharge Application: Unpaid Refund.

BASIS:
Loan Discharge Application: Unpaid Refund.

CURRENT POLICY:
Current policy states that to qualify for an unpaid refund loan discharge, a borrower must complete, certify, and submit to his or her lender or guarantor an unpaid refund loan discharge application *and* a sworn statement of several declarations.

REVISED POLICY:
Revised policy states that a borrower must complete, certify, and submit to his or her lender or guarantor an unpaid refund loan discharge application *which includes* a sworn statement of several declarations.

REASON FOR CHANGE:
When the policy for unpaid refund loan discharge was incorporated into the manual, a common unpaid refund loan discharge application form had not been approved by the Department. When the form was approved, it included the borrower declarations, thus eliminating the need for a separate sworn statement.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise subsection 13.8.F, page 34, column 2, paragraph 2, of the July 2005 *Common Manual*, as follows:

Note: This subsection was previously updated by proposal 857/Batch 128 and 886/Batch 132 approved by the Governing Board on March 16, 2006, and July 27, 2006, respectively.

13.8.F Unpaid Refund

The Higher Education Act provides relief for borrowers who are entitled to, but did not receive, refunds from their respective schools. Borrowers who meet the criteria outlined in this subsection may be eligible to have a loan discharged, in full or in part.

To qualify for an unpaid refund loan discharge, a borrower must complete, certify, and submit to his or her lender or guarantor ~~an unpaid refund loan discharge application~~ a Loan Discharge Application: Unpaid Refund ~~and which includes~~ a sworn statement (notarization is not required), made under penalty of perjury, that declares the following:

- That ~~That~~ the borrower (or the student for whom a parent obtained a PLUS loan) received any part of the proceeds of the FFELP loan on or after January 1, 1986, to attend school.
- That ~~That~~ the borrower (or the student), within a time frame that entitled the borrower to a refund, withdrew from, was terminated from, or did not attend the school.
- That ~~That~~ the borrower (or the student) did not receive the benefit of a refund to which the borrower was entitled either from the school or from a third party, such as a holder of

a performance bond or a tuition recovery program.

[§682.402(l)(4)(l)]

~~The borrower's discharge application must also include the following:~~

- ~~• A statement of whether the borrower has any other discharge application pending for this loan, in full or in part.
[§682.402(l)(4)(ii)]~~
- ~~• A statement that the borrower agrees to provide, upon request by the Department or the Department's designee other documentation reasonably available to the borrower demonstrating that the borrower meets the qualifications for an unpaid refund discharge.~~
- ~~• A statement that the borrower agrees to cooperate with the Department or the Department's designee in enforcement actions and to transfer to the Department any right to recovery against a third party.~~
- ~~• A statement that the information provided on the discharge application is true and accurate.
[§682.402(l)(4)(iii)]~~

PROPOSED LANGUAGE - COMMON BULLETIN:

Unpaid Refund

The *Common Manual* has been revised to reflect that a borrower is no longer required to submit a separate sworn statement of declarations along with the Loan Discharge Application: Unpaid Refund form because the application includes that sworn statement of declarations.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:

None.

Lender/Service:

None.

Guarantor:

None.

U.S. Department of Education:

None.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

September 8, 2006

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

November 9, 2006

PROPOSAL DISTRIBUTED TO:

CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others
CM Governing Board Representatives

Comments Received from:

AES/PHEAA, EAC, Great Lakes, NASFAA, NCHELP, OGSLP, PPSV, SCSLC, SLMA, SLSA, TG, USA Funds, and VSAC.

Responses to Comments

Note: Most commenters supported this policy as written. Other commenters recommended word smithing changes that made no substantive changes to the policy statement but that added clarity to the proposed language. We appreciate the review of all commenters, their careful consideration of the policy, and their assistance in crafting clear, concise policy statements.

COMMENT:

Two commenters requested adding text for both sets of bullets under the first revised paragraph and noted that a borrower must complete, certify, and submit to his or her lender or guarantor a loan discharge application which includes information under both sets of bullets in a sworn statement, made under penalty of perjury.

Response:

The Committee agrees.

Change:

The proposed language was reformatted to include text for each bulleted item under the first revised paragraph.

ma/edited-chh