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<th>Summary of Change to Common Manual</th>
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<tr>
<td>919</td>
<td>FSA Administration Training Requirement</td>
<td>4.2.B Financial Aid Administrator Training</td>
<td>Federal</td>
<td>Retroactive to the implementation of the Common Manual.</td>
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<td>This policy adds information about the FSA administration training requirement for schools. To participate in any Title IV program, a school is required to send at least two representatives to the Department of Education’s Fundamentals of Title IV Administration Training workshop. Also, if a school changes ownership, structure, or governance, the school representatives must attend the training.</td>
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<td>Revised policy includes information about the Department’s requirement that schools use the eZ-Audit, for the submission of financial statements and compliance audits, and copies of the A-133 reports.</td>
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<tr>
<td>921</td>
<td>Closed School and the Transfer of Academic Credits or Credit-Hours</td>
<td>13.8.B Closed School</td>
<td>Correction</td>
<td>Retroactive to the implementation of the Common Manual.</td>
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<td>This policy states that if the student transfers any amount of academic credits or credit hours to another school in order to pursue the same program of study as the one in which the student was enrolled at the closed school, the student or borrower, in the case of a PLUS Loan, is not eligible for closed school loan discharge.</td>
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| 922| Waiver for Rehabilitation of Defaulted Loans | appendix H.4 Statutory and Regulatory Waivers  
Policy in appendix H.4, Statutory and Regulatory Waivers, item #20, is revised by updating the requirements to reflect that a borrower must make nine payments received by the holder within 20 days of the due date during 10 consecutive months. | Correction  
Loan rehabilitation waivers granted on or after July 1, 2006. A guarantor has the option of considering a borrower to have met the new rehabilitation standard if at least one of the borrower’s payments under the rehabilitation agreement is made on or after July 1, 2006. | |
| 923| Variable Interest Rate Consolidation Loans | 15.2 Borrower Eligibility and Underlying Loan Holder Requirements  
Revised policy removes text in section 15.2 regarding Consolidation loan interest rates for applications received by the lender between November 13, 1997, and September 30, 1998, inclusive, as it is no longer relevant to current Consolidation loan interest rate policy. | Organization  
Upon approval by the Governing Board. | |
COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: January 18, 2007

Subject: FSA Administration Training Requirement

Affected Sections: 4.2.B Financial Aid Administrator Training

Policy Information: 919/Batch 137

Effective Date/Trigger Event: Retroactive to the implementation of the Common Manual.

Basis:

Current Policy:
Current policy does not contain information about the FSA administration training requirement for schools.

Revised Policy:
Revised policy adds information about the FSA administration training requirement for schools. To participate in any Title IV program, a school is required to send at least two representatives to the Department’s Fundamentals of Title IV Administration Training workshop. Also, if a school changes ownership, structure, or governance, the school representatives must attend the training.

Reason for Change:
This change aligns the manual with the Department’s training requirement for a school that participates in any Title IV program.

Proposed Language - Common Manual:

Revise subsection 4.2.B, page 12, column 1, paragraph 2, as follows:

4.2.B Financial Aid Administrator Training

When a school begins participation in any Title IV program, the school is required to send at least two representatives, including both its president or chief executive officer (CEO) and financial aid administrator (FAA), to the Department’s Fundamentals of Title IV Administration Training workshop. Also, if a school changes ownership, structure, or governance, its representatives must attend the training (see subsection 4.1.C). The training must be completed up to 12 months prior to but no later than 12 months after the school executes its Program Participation Agreement (PPA) or experiences a change in ownership, structure, or governance.

The CEO may designate another school executive-level officer to attend the training in lieu of the CEO. However, the attending FAA must be the person designated by the school to be responsible for administering the Title IV programs at the school. If the school uses a consultant to administer the Title IV programs, the consultant must attend the training as the school's FAA. However, the Department strongly recommends that a financial aid employee from the school attend the training along with the consultant.

The school may request from the Department a waiver of the training requirement for the FAA and/or the CEO. The Department may grant or deny the waiver for the required individual, require another official to take the training, or require alternative training. [§668.13(a)(2) and (3)]

A school's financial aid administrator (FAA) and staff must be adequately trained. Each school is strongly encouraged to develop a financial aid policy and procedures manual that...
outlines the forms and procedures used in administering Title IV programs. A publication provided by the Department—the Federal Student Aid Handbook—can assist in the training of an FAA or financial aid staff and can serve as a reference guide for the school. The Department makes this and other publications available to schools participating in Title IV programs. For more information on available publications and how to order them, see subsection 2.3.B.

PROPOSED LANGUAGE - COMMON BULLETIN:
FSA Administration Training Requirement
The Common Manual has been revised to include information on the Fundamentals of Title IV Administration Training Workshop offered by the Department. A school must send at least two representatives, including both its president or chief executive officer (CEO) and the financial aid administrator (FAA). Also, if a school changes ownership, structure, or governance, its representatives must attend the training. The training must be completed up to 12 months prior to but no later than 12 months after the school executes its Program Participation Agreement (PPA) or experiences a change in ownership, structure, or governance.

The CEO may designate another school executive-level officer to attend the training in lieu of the CEO. However, the attending FAA must be the person designated by the school to be responsible for administering the Title IV programs at the school. If the school uses a consultant to administer the Title IV programs, the consultant must attend the training as the school’s FAA. However, the Department strongly recommends that a financial aid employee from the school attend the training along with the consultant.

The school may request from the Department a waiver of the training requirement for the FAA and/or the CEO. The Department may grant or deny the waiver for the required individual, require another official to take the training, or require alternative training.

GUARANTOR COMMENTS:
None.

IMPLICATIONS:
Borrower:
None.

School:
Designated school representatives must complete the FSA Administration Training Workshop offered by the Department in order for the school to participate in any Title IV program or if the school has undergone a change in ownership, structure, or governance.

Lender/Servicer:
None.

Guarantor:
A guarantor may need to update program review procedures.

U.S. Department of Education:
None.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
AES

DATE SUBMITTED TO CM POLICY COMMITTEE:
July 28, 2006

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:
January 11, 2007
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, HESC, KHEAA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC,
SLMA, SLND, SLSA, TG, UHEAA, USA Funds, and VSAC.

Responses to Comments

Note: Many 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:
One commenter suggested a revision of the effective date/triggering event. The commenter stated that the
triggering event is retroactive to the implementation of the Common Manual, but the basis is from the 2006-
2007 Federal Student Aid (FSA) Handbook. The commenter believes that if the effective date is retroactive,
the FSA Handbook for the appropriate year should be reviewed to ensure it includes the requirement, and
the earlier version of the FSA Handbook should be used as the basis. Alternatively, if the 2006-2007 FSA
Handbook is the appropriate basis, the effective date should be in the 2006-2007 academic year.

A second commenter also noted the discrepancy between the retroactive triggering event and the 2006-2007
FSA Handbook basis for the proposal. This commenter provided the Committee with a specific citation from
the 1996-1997 Federal Student Aid Handbook, and requested that it be incorporated into the basis to
coordinate with the triggering event.

Response:
The Committee agrees with both commenters that the proposal’s basis should support the effective
date/triggering event.

Change:
The basis has been revised to include the 1995-96 Federal Student Financial Aid Handbook, Chapter 3, page
3-168, which supports the April 1, 1996, effective date of the Common Manual.

COMMENT:
Three commenters requested that the regulatory cites §668.13(a)(2) and §668.13(a)(3) be added to the basis
and as a reference in the Proposed Language.

Response:
The Committee agrees.

Change:
The regulatory cites have been added to the basis and the proposed language.

COMMENT:
One commenter believed that language should be added to clarify that the training is required when a school
initially becomes eligible for Title IV funds.

Response:
The Committee agrees.

Change:
The following change has been made to subsection 4.2.B, paragraph 1, sentence 1:

“When For a school begins participation in any Title IV program, the school is required to
send at least two representatives, including both its president or chief executive officer (CEO) and
financial aid administrator (FAA), to the Department’s Fundamentals of Title IV Administration Training workshop.”

COMMENT:
One commenter requested the insertion of a brief explanation or a cross-reference to clarify what is meant by a change in "ownership, structure, or governance."

Response:
The Committee agrees.

Change:
A cross-reference to subsection 4.1.C, which describes changes in ownership, structure, or governance, has been added to the proposed language.

COMMENT:
Three commenters requested that the phrase "The training must take place . . ." be revised to "The training must be attended . . .". Two other commenters requested the insertion of the sentence "The FAA must attend the entire workshop."

Response:
The Committee agrees that the intent of the training requirement is that school representatives attend the entire training program; however, this would be as true for the school's executive-level officer as for the FAA. The regulations in §668.13(a)(2) state that the school's representatives must "complete" the training. In order to convey the commenters' intent without overstating the requirement, the Committee believes it is most correct to state that the training must be completed.

Change:
The third sentence of the first paragraph of subsection 4.2.B has been revised as follows:

"The training must be completed take place up to one year prior to but no later than 12 months after the school executes its Program Participation Agreement (PPA)."

COMMENT:
Multiple commenters suggested changing "one year" to "12 months" in subsection 4.2.B, paragraph 1, sentence 3 for consistency and simplicity of reading.

Response:
The Committee agrees.

Change:
The following change has been made to subsection 4.2.B, paragraph 1, sentence 3:

"The training must be completed up to 12 months prior to but no later than 12 months after the school executes its Program Participation Agreement (PPA)."

COMMENT:
One commenter asked the Committee to revise the third sentence of the first paragraph of the proposed policy text to clarify that a Program Participation Agreement may be either executed initially or updated as necessary through the E-App process, as follows:

"The training must be completed up to 12 months prior to but no later than 12 months after the school executes or updates its Program Participation Agreement (PPA)."

Response:
The Committee agrees that the training is required when a school's Program Participation Agreement has been updated as a result of a change in ownership, structure, or governance. There are other updates to the Program Participation Agreement, however, such as a change in program level offering, that do not require retraining.
**Change:**
The last sentence of the first paragraph has been revised as follows:

“The training must be completed up to 12 months prior to but no later than 12 months after the school executes its Program Participation Agreement (PPA) or experiences a change in ownership, structure, or governance.”

**COMMENT:**
Three commenters asked the Committee to modify the second paragraph of the proposed policy to clarify that a school’s consultant may or may not administer all of the school’s federal, state, and institutional financial aid programs, and only the consultant that administers Title IV programs on the school’s behalf is subject to the FSA administration training requirement.

**Response:**
The Committee agrees.

**Change:**
The proposed policy has been revised as follows:

“If the school uses a consultant to administer the financial aid Title IV programs, the consultant must attend the training as the school’s FAA.”

**COMMENT:**
Four commenters requested that the Committee expand the language regarding the school option to request a waiver for the training requirements in subsection 4.2.B, paragraph 3. They believe that expanding the requirements will more accurately convey the waiver option.

**Response:**
The Committee agrees.

**Change:**
The following change has been made to subsection 4.2.B, paragraph 3.

“The school may request from the Department a waiver of the training requirement for the FAA and/or the CEO. The Department may grant or deny the waiver for the required individual, require another official to take the training, or require alternative training.”

kb/rl
SUBJECT: eZ-Audit Requirement

AFFECTED SECTIONS: 4.3.A General School Financial Responsibility Requirements

POLICY INFORMATION: 920/Batch 137

EFFECTIVE DATE/TRIGGER EVENT: Audited financial statements and compliance audits submitted by a school on or after June 16, 2003.

BASIS:

CURRENT POLICY:
Current policy does not address the requirement that schools use the eZ-Audit electronic financial reporting system for the submission of financial statements and compliance audits to the Department.

REVISED POLICY:
Revised policy includes information about the Department’s requirement that schools use eZ-Audit for the submission of financial statements and compliance audits, and copies of the A-133 reports.

REASON FOR CHANGE:
This change is necessary to align the manual with the Department’s requirement for schools to submit audited financial statements and compliance audits, including copies of the A-133 reports, electronically through eZ-Audit.

PROPOSED LANGUAGE - COMMON MANUAL:
Revise subsection 4.3.A, page 13, column 1, by inserting a new paragraph, as follows:

4.3.A
General School Financial Responsibility Requirements

Financial Statements and Audit Requirements

In addition, each year a school must submit to the Department a compliance audit of its administration of Title IV programs, conducted on a fiscal-year basis by an independent auditor. The compliance audit must be submitted to the Department not more than 6 months after the end of the school’s fiscal year. The compliance audit must cover all Title IV transactions in that fiscal year and all transactions that occurred since the period covered by its last compliance audit. It must be conducted in accordance with generally accepted standards for compliance audits and procedures for audits contained in the Department’s audit guide. The Department may also require the school to provide copies of its compliance audit report to guarantors, eligible FFELP lenders, state agencies, the Secretary of Veterans’ Affairs, or nationally recognized accrediting agencies. [§668.23(b)]

A school participating in a Title IV program is required to submit audited financial statements and compliance audits to the Department electronically through eZ-Audit. A non-profit or public school must submit copies of the A-133 reports in writing to the Federal Audit
PROPOSED LANGUAGE - COMMON BULLETIN:

**eZ-Audit Requirement**

The Common Manual has been revised to include the requirement for schools participating in a Title IV program to submit audited financial statements and compliance audits to the Department electronically through eZ-Audit. Non-profit and public schools must submit a copy of the A-133 report in writing to the Federal Audit Clearinghouse, in addition to submitting the A-133 to the Department through eZ-Audit.

**GUARANTOR COMMENTS:**
None.

**IMPLICATIONS:**

*Borrower:*
None.

*School:*

A school must use the eZ-Audit process to submit audited financial statements and compliance audits, including copies of the A-133 reports, to the Department.

*Lender/Servicer:*
None.

*Guarantor:*
None.

*U.S. Department of Education:*
None.

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To be completed by the Policy Committee

**POLICY CHANGE PROPOSED BY:**
AES

**DATE SUBMITTED TO CM POLICY COMMITTEE:**
July 28, 2006

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**
January 11, 2007

**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, HESC, KHEAA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SLMA, SLND, SLSA, SCSLC, TG, UHEAA, USA Funds, and VSAC.

**Responses to Comments**

*Note:* Many commenters supported this policy as written. Other commenters recommended wordsmithing changes that made no substantive changes to the policy statement but 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:
One commenter suggested to revise the effective date/triggering event to align with the basis. The commenter stated that the triggering event is the audited financial statements and compliance audits submitted by a school on or after June 16, 2003, but the basis is from the 2006-2007 Federal Student Aid Handbook. The commenter believes that the Basis should be 2003-2004 Federal Student Aid Handbook.

Response:
The Committee agrees the basis should have been the 2003-2004 Federal Student Aid Handbook.

Change:
The basis now includes:


COMMENT:
One commenter noted that in the regulatory cite that was quoted from subsection 4.3.A, page 13, column 1, paragraph 2 was incorrect. The proposed language had §668.23(e) but the actual cite should have been §668.23(b).

Response:
The Committee agrees.

Change:
The regulatory cite has been corrected in the proposed language.

COMMENT:
Multiple commenters suggested changing the new paragraph added in subsection 4.3.A to clarify that non-profit and public schools still have to file their A-133 reports with the Federal Audit Clearinghouse, in addition to filing them with the Department through eZ-Audit. One of these commenters noted specifically that non-profit and public schools must submit the A-133 reports to the Clearinghouse in writing.

Response:
The Committee agrees, and notes that the 2006-2007 Federal Student Aid Handbook, Volume 2, p. 2-214 confirms that non-profit and public schools must submit A-133 reports to the Federal Audit Clearinghouse, and must do so in writing.

Change:
The following change has been made to subsection 4.3.A, paragraph 4:

"Copies of the A-133 reports that a non-profit or public school must file with must also be submitted to the Federal Audit Clearinghouse, in addition to submitting the A-133 reports to the Department through eZ-Audit."

The aforementioned 2006-2007 Federal Student Aid Handbook citation has also been added to the basis.

COMMENT:
One commenter suggested adding the eZ-Audit web site to the new paragraph in subsection 4.3.A to provide additional information for schools who need to file through the eZ-Audit process.

Response:
As a general rule, the Committee refrains from including in policy text web addresses that would require frequent validation and updating. Instead, the Committee prefers to include a citation where a school may obtain more information about eZ-Audit access and procedures.

The eZ-Audit website is provided in the manual’s appendix D (U.S. Department of Education Contact Information), section D.9.

Change:
A new Federal Student Aid Handbook citation has been added under the proposed policy text, as follows:
COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: January 18, 2007

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<td>with no changes</td>
<td>Jan 18</td>
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**SUBJECT:** Closed School and the Transfer of Academic Credits or Clock Hours

**AFFECTED SECTIONS:** 13.8.B Closed School

**POLICY INFORMATION:** 921/Batch 137

**EFFECTIVE DATE/TRIGGER EVENT:** Retroactive to the implementation of the *Common Manual*.

**BASIS:**

**CURRENT POLICY:**
Current policy does not address borrower eligibility in cases where the student transfers some but not all of the academic credits or clock hours earned at the closed school to another school, and uses those hours to continue the program of study in which the student was originally enrolled at the closed school.

**REVISED POLICY:**
Revised policy states that if the student transfers any amount of academic credits or clock hours to another school in order to pursue the same program of study as the one in which the student was enrolled at the closed school, the student or borrower, in the case of a PLUS Loan, is not eligible for closed school loan discharge.

**REASON FOR CHANGE:**
The preamble to federal regulations specifies that a student who transfers only a portion of the academic credits or clock hours earned at a school that closes is not eligible for closed school loan discharge. Partial transfer of academic credits or clock hours is not specified in current policy text and thus, borrowers in this situation may be treated differently when their eligibility for closed school loan discharge is assessed.

**PROPOSED LANGUAGE - COMMON MANUAL:**
Revise subsection 13.8.B of the October 2006 *Common Manual*, page 19, column 1, paragraph 2, bullet 3, as follows:

In most cases, to qualify for a closed school loan discharge, a borrower must complete, certify, and submit to his or her lender or guarantor the Loan Discharge Application: School Closure form approved by the Department. The borrower may be eligible to have a loan discharged if he or she meets all the following criteria:

• . . .

• . . .

• The borrower (or student) did not complete—and is not currently in the process of completing—the same or a similar program of study through a teach-out at another school, by transferring to another school all or a portion of the academic credits or clock hours earned at the closed school to another school, or by benefitting by any other means from the training provided by the closed school.

**PROPOSED LANGUAGE - COMMON BULLETIN:**
Closed School and the Transfer of Academic Credits or Clock Hours
The *Common Manual* has been revised to include the statement that a borrower who transfers to another school all or a portion of the academic credits or clock hours earned at the closed school is not eligible for closed school loan discharge. Previous policy did not specifically state that the borrower is ineligible for discharge if he or she transfers only a portion of the previously earned academic credits or clock hours.
GUARANTOR COMMENTS:
None.

IMPLICATIONS:
Borrower:
None.

School:
None.

Lender/Servicer:
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:
October 12, 2006

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:
January 11, 2007

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, HESC, KHEAA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, USA Funds, VSAC.

Responses to Comments
Note: Many 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 suggested that the proposal type be changed from Federal to Correction. The commenters acknowledge that while current policy in the manual does not specifically address closed school loan discharge in relation to partial transfer of credits, this guidance is not new and has been clearly stated in federal publications. Further, this policy is retroactive to the implementation of the Common Manual. One of the commenters noted that as a Correction proposal, it should not reflect any implication statements. The other commenter noted that the lender and guarantor implication statements should be removed, but the borrower implication statement should remain. This commenter believes that the Reason for Change statement should be revised to remove reference to borrower implications.

Response:
The Committee agrees that this is a Correction proposal and that since the policy is not new, there should be no implication statements.
Change:
The proposal type has been changed to reflect that it is a correction proposal and the implication statements have been removed.

COMMENT:
One commenter suggested revising multiple occurrences of references to “academic credits or credit hours” to “academic credits or hours” for consistency with current language in subsection 13.8.B, page 19, column 1, paragraph 6. The commenter also suggested that the term should be revised to read “academic credits or clock hours” for clarity.

Response:
The Committee agrees that terminology should be consistent and that the referencing “clock hours” provides clarity.

Change:
Terminology has been changed for consistency and to reflect “clock hours.”

COMMENT:
One commenter suggested that the proposed language referencing transfer of “a portion” of academic credits or hours should be revised to reference “any amount” of academic credits or hours in order to more closely align the manual’s language with the preamble language.

Response:
The Committee believes that the meaning is sufficiently clear without mirroring specific language used by the Department.

Change:
None.

bg/edited-tmh
COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: January 18, 2007

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SUBJECT: Waiver for Rehabilitation of Defaulted Loans

AFFECTED SECTIONS: appendix H.4

POLICY INFORMATION: 922/Batch 137

EFFECTIVE DATE/TRIGGER EVENT:
Loan rehabilitation waivers granted on or after July 1, 2006.
A guarantor has the option of considering a borrower to have met the new rehabilitation standard if at least one of the borrower’s payments under the rehabilitation agreement is made on or after July 1, 2006.

BASIS:

CURRENT POLICY:
Current policy in section H.4, Statutory and Regulatory Waivers, item #20, defines rehabilitation agreement requirements as consisting of twelve consecutive, full, monthly payments to the holder of each defaulted loan.

REVISED POLICY:
Policy in section H.4, Statutory and Regulatory Waivers, item #20, is revised by updating the requirements to reflect that a borrower must make nine payments received by the holder within 20 days of the due date during 10 consecutive months.

REASON FOR CHANGE:
This change is being made to align the HEROES rehabilitation waiver with language in section 13.7 (which was recently updated with HERA provisions and subsequent guidance from the Department).

PROPOSED LANGUAGE - COMMON MANUAL:
Revise section H.4, page 100, column 1, paragraph 3, as follows:

20. Rehabilitation of Defaulted Loans (see section 13.7)

To be eligible for rehabilitation, a defaulted borrower must make satisfactory repayment arrangements, i.e., twelve nine consecutive on-time (received within 20 days of the due date), full, monthly payments to the appropriate holder of each defaulted loan during a period of 10 consecutive months. These payments must be made on time (within 15 days of the payment due date); voluntarily (directly by the borrower, regardless of whether there is a judgment against the borrower), and must be reasonable and affordable.

The requirement that the borrower make consecutive on-time payments as described in the preceding paragraph in order to rehabilitate a defaulted loan is waived. Guarantors should not treat any payment missed during the time that a borrower is an affected individual as an interruption in the requisite twelve consecutive nine on-time, monthly, on-time payments during a period of 10 consecutive months. When the borrower is no longer considered to be an affected individual, or in a 3-month transition period that immediately follows, the required sequence of qualifying payments may resume at the point it was discontinued as a result of the borrower’s status.

PROPOSED LANGUAGE - COMMON BULLETIN:
Waiver for Rehabilitation of Defaulted Loans
Policy in section H.4, Statutory and Regulatory Waivers, item #20, is revised by updating the rehabilitation agreement requirements to reflect that a borrower must make nine payments received by the holder within 20
days of the due date during 10 consecutive months.

GUARANTOR COMMENTS:
None.

IMPLICATIONS:
Borrower:
None.

School:
None.

Lender/Servicer:
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:
August 1, 2006

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:
January 11, 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, HESC, KHEAA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC,
SLMA, SLND, SLSA, TG, UHEAA, USA Funds, VSAC.

Responses to Comments
Note: Many commenters supported this policy as written. Other commenters recommended word smiting 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:
One commenter suggested that the Committee defer the proposal based on the following rationale: “The Department has not specifically addressed a waiver regarding the 9 payments received in a ‘10-month period.’” The waiver issued in December 2003 provides that payments made to rehabilitate a loan do not need to be consecutive. Therefore, loan holder should not treat any payment missed during the time that a borrower is an affected individual as an interruption in the number of consecutive, monthly, on-time payments required for loan rehabilitation. Since regulations have changed to now require only 9 payments received within a 10-month period, it would seem logical that the waiver also extend the “10-month period” for which the 9 payments must be made. Thus, it appears that the Department needs to waive the “10-month period” requirement. Modifications should not be made regarding waiver relative to these payments until clarification can be obtained from ED specifically waiving the 10-month requirement.
Also, another commenter advised the Committee that the language applicable to this waiver specifies that the definition of rehabilitation that the Secretary is waiving (i.e., 12 payments within 12 months) does not align with the definition of rehabilitation in the HEA as amended by the HERA (i.e., 9 payments within 10 months).

Response: 
The Committee agrees and appreciates the commenters’ advice that HERA legislation does not contain specific language that allows the HERA to supersede the HEROES legislation. However, the Committee recently received, from a community member, a copy of correspondence from Pam Moran at the Department (dated December 19, 2006) confirming that the Department’s HEROES Act waiver for a borrower who is rehabilitating a defaulted loan continues to apply even though the 12-month requirement has been replaced in statute and regulation with the nine-payment requirement.

Change: 
None.

COMMENT: 
One commenter suggested that the waiver language should be corrected to remove reference to “satisfactory repayment arrangements (SRA)” because a borrower does not have to meet SRA before entering into a loan rehabilitation agreement. The commenter also suggested that the Committee make the same correction to rehabilitation agreements in section 13.7. The commenter requests that the language revised as follows:

“To be eligible for rehabilitation, a defaulted borrower must make satisfactory repayment arrangements, i.e., enter a loan rehabilitation agreement and make at least nine consecutive on-time...”

Response: 
The Committee agrees that language referencing “satisfactory repayment arrangements” in relation to rehabilitation agreements needs to be deleted. Proposal 926 in Batch 138, recently distributed for community comment, addresses this concern for rehabilitation language in section 13.7 and appendix G. The Committee will revise proposal 926 to include corresponding changes to the rehabilitation waiver language in section H.4.

Change: 
None.

COMMENT: 
One commenter requested that the Committee add language in all areas of the manual where the new loan rehabilitation parameters are discussed to reference the Department’s clarification that the loan rehabilitation period begins in the month of the first payment due. The commenter noted that this issue may be out of the scope of this proposal.

Response: 
The Committee agrees that the suggestion is out of the scope of this proposal and appreciates the commenter’s suggestions. The Committee will add this issue to its pending log for consideration in a future proposal.

Change: 
None.

COMMENT: 
One commenter suggested revising sentence 1, paragraph 2 of the proposed language by adding the phrase “as described in the preceding paragraph” in order to reference the payment structure described in paragraph one. The commenter noted that this change is necessary to clarify that the payment requirement under a rehabilitation agreement is not waived, but is modified for certain borrowers.

One commenter suggested revisions to the proposed language in paragraph 2 because, as written, the waiver only addresses on-time payments and should include the phrase, “during a period of 10 consecutive months.” The commenter also made wordsmithing suggestions regarding the description of the rehabilitation payment structure.
Response:
The Committee agrees that it is helpful to reference the payment structure described in paragraph one. Also, the Committee agrees with expanding the waiver language to include information about the consecutive payments so that it does not just reflect on-time payments. In this endeavor, the Committee will also adjust the first sentence of this paragraph to remove the reference to “on-time” payments for clarity. However, the Committee does not agree with changing the description of the payment structure because as currently written the policy is sufficiently clear and aligns with language in section 13.7.

Change:
The first two sentences of paragraph 2 of the proposed language has been revised to read as follows:

“The requirement that the borrower make on-time payments as described in the preceding paragraph in order to rehabilitate a defaulted loan is waived. Guarantors should not treat any payment missed during the time that a borrower is an affected individual as an interruption in the requisite nine on-time, monthly payments during a period of 10 consecutive months.”
**COMMON MANUAL - ORGANIZATIONAL POLICY PROPOSAL**

**Date:** January 18, 2007

**SUBJECT:** Variable Interest Rate Consolidation Loans

**AFFECTED SECTIONS:** 15.2 Borrower Eligibility and Underlying Loan Holder Requirements

**POLICY INFORMATION:** 923/Batch 137

**EFFECTIVE DATE/TRIGGER EVENT:** Upon approval by the Governing Board.

**BASIS:** None.

**CURRENT POLICY:**
Current policy includes text in section 15.2 regarding Consolidation loan interest rates for applications received by the lender between November 13, 1997, and September 30, 1998, inclusive.

**REVISED POLICY:**
Revised policy removes text in section 15.2 regarding Consolidation loan interest rates for applications received by the lender between November 13, 1997, and September 30, 1998, inclusive, as it is no longer relevant to current Consolidation loan interest rate policy.

**REASON FOR CHANGE:**
This change is being made because the information is no longer current, and is provided in section H.1, subheading November 13, 1997, under the topic of Emergency Student Loan Consolidation Act (ESLCA) of 1997, for historical purposes.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise section 15.2, page 5, column 2, paragraph 2 of the October 2006 *Common Manual*, as follows:

Lenders and borrowers should note that the interest rate and repayment terms on a Consolidation loan may be affected by adding loans. The lender must disclose new repayment terms to the borrower if the terms of the borrower’s Consolidation loan change due to the addition of loans within the 180-day add-on period. However, a Consolidation loan made from an application received by the lender between November 13, 1997, and September 30, 1998, inclusive, retains a variable interest rate, not to exceed 8.25%, regardless of any new loans added after the original Consolidation loan is made. For portions of the Consolidation loan attributable to HEAL loans, the variable interest rate is based on the average of the 91-day Treasury bill rate plus 3%, with no cap.  
[HEA 428C(c)(1)(D)]

**PROPOSED LANGUAGE - COMMON BULLETIN:**

Variable Interest Rate Consolidation Loans
The *Common Manual* has been updated by removing text in section 15.2 pertaining to Consolidation loan interest rates for applications received by the lender between November 13, 1997, and September 30, 1998, inclusive. This information appears in appendix H of the manual for historical purposes.

**GUARANTOR COMMENTS:**
None.

**IMPLICATIONS:**

*Borrower*:
None.

*School*:
None.
**Lender/Servicer:**
None.

**Guarantor:**
None.

**U.S. Department of Education:**
None.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**
CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**
November 7, 2006

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**
January 11, 2007

**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, HESC, KHEAA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, USA Funds, VSAC.

**Responses to Comments**
Several commenters supported this proposal as written. Other commenters recommended wordsmithing changes that made no substantive changes to the policy but added clarity to the proposed language. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

**COMMENT:**
One commenter noted that non-current interest rates for Stafford and PLUS loans still exists in sections 7.4.A and 7.5.A. The commenter suggested the Stafford and PLUS historical rate information also be stricken from the current text and moved to appendix H.

**Response:**
The commenter’s response is outside the scope of this proposal, but the Committee will give this consideration for possible future policy proposal development.

**Change:**
None.

**COMMENT:**
One commenter asked that a more specific reference to the history appendix be given in the reason for change statement of the proposal, as follows:

This change is being made because the information is no longer current, and is provided in section H.1, subheading November 13, 1997, under the topic of Emergency Student Loan Consolidation Act (ESLCA) of 1997, for historical purposes.

**Response:**
The Committee agrees.
Change:
The text of the reason for change statement has been amended to reflect this change.

djo/edited-kk