

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
984	Lender Fee	<p><u>3.5.A Federal Origination Fee and Lender Fee</u></p> <p>States that, beginning with loans first disbursed on or after October 1, 2007, a lender is charged a lender fee equal to 1.0% of the principal amount of each FFELP loan made.</p>	Federal	Loans first disbursed on or after October 1, 2007.
985	Consolidation Loan Verification Certificates	<p><u>15.3.C Reviewing the Loan Verification Certificate</u></p> <p>Incorporates more detailed guidance from DCL GEN-07-03/FP-07-07 regarding when a loan holder may decline to certify an LVC and when the loan holder must notify the Federal Student Aid Financial Partners staff of a its decision not to complete an LVC.</p>	Federal	Consolidation Loan Verification Certificates (LVC) received by a loan holder on or after May 22, 2007.
986	Student Eligibility Requirements	<p><u>5.1.B Student Eligibility Requirements</u></p> <p>States that, in order to receive any Title IV aid <i>other than a parent PLUS loan</i>, the student must certify, as part of the FAFSA, a statement of educational purpose. To receive a parent PLUS loan without completing a FAFSA, the student must complete and submit to the school a separate statement of educational purpose.</p>	Correction	Retroactive to the implementation of the <i>Common Manual</i> .
987	Additional Unsubsidized Stafford Eligibility for a Dependent Student	<p><u>6.15.D Additional Unsubsidized Stafford Eligibility for a Dependent Student</u></p> <p>Places into a bulleted format the list of exceptional circumstances that may prevent a dependent student's parent from obtaining a PLUS loan. Also clarifies that if the school refuses to certify a loan for which the student is eligible, or refuses to certify the full amount of unsubsidized loan funds for which the student is eligible, the school must document the reason.</p>	Correction	Retroactive to the implementation of the <i>Common Manual</i> .
988	Disclosure Requirements	<p><u>7.6.A General and Initial Disclosure Requirements</u></p> <p>Removes the requirement that the lender disclose to the borrower in the initial disclosure, information on how the interest rate is calculated.</p>	Correction	Disclosures provided by the lender to a borrower on or after July 1, 2006.

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
989	Overawards	<p><u>8.6 Managing Overawards</u></p> <p>Clarifies that an overaward may occur not only from a student's receipt of additional Title IV funds, but also from the receipt of additional non-Title IV financial assistance, such as a scholarship or an alternative loan.</p>	Correction	Retroactive to the implementation of the <i>Common Manual</i> .
990	Excess Interest Rebates	<p><u>10.9.C Excess Interest Rebates</u></p> <p>Revises Subsection 10.9.C to remove historic information on excess interest rebates, called "windfall profits," which were last required in 1994. This information is present in Section H.2 of the History Appendix. The historic information is being replaced with the current requirement for excess interest rebates (as currently listed in Figure A-3 in Appendix A), effective for loans first disbursed on or after April 1, 2006.</p>	Organizational	Upon approval by the Governing Board.

Batch 145 - approved

trans

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: December 20, 2007

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Dec 20

SUBJECT: Lender Fee

AFFECTED SECTIONS: 3.5.A Federal Origination Fee and Lender Fee
15.1.A Agreement to Guarantee Federal Consolidation Loans
Appendix G

POLICY INFORMATION: 984/Batch 145

EFFECTIVE DATE/TRIGGER EVENT: Loans first disbursed on or after October 1, 2007.

BASIS:

Higher Education Act of 1965, Section 438(d), as amended by the College Cost Reduction and Access Act (P.L. 110-84).

CURRENT POLICY:

Current policy states that a lender is charged a lender fee equal to 0.5% of the principal amount of each FFELP loan made.

REVISED POLICY:

Revised policy states that for loans first disbursed on or after October 1, 1993, and prior to October 1, 2007, a lender is charged a lender fee equal to 0.5% of the principal amount of each FFELP loan made. Beginning with loans first disbursed on or after October 1, 2007, a lender is charged a lender fee equal to 1.0% of the principal amount of each FFELP loan made. Revised policy also makes conforming changes to the glossary definition of "Lender Fee" in Appendix G.

REASON FOR CHANGE:

This change is being made to comply with statutory changes derived from the College Cost Reduction and Access Act.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 3.5.A, page 10, column 2, paragraph 4, as follows:

Federal Origination Fee and Lender Fee

This subsection contains information on two fees that a lender is required to pay two fees to the Department, for each Stafford and PLUS loan it originates. One is a federal origination fee that a lender must pay for each Stafford and PLUS loan it originates; and the other is a lender fee that a lender must pay for each FFELP loan it originates.

Revise Subsection 3.5.A, page 11, column 2, paragraph 3, as follows:

Lender Fee

In addition to the origination fee, lenders are charged a lender fee equal to 0.5% of based on the principal amount of each FFELP loan made. This fee is paid to the Department and cannot be charged to the borrower. For loans first disbursed on or after October 1, 1993, and prior to October 1, 2007, the lender fee is 0.5% of the principal loan amount. For loans first disbursed on or after October 1, 2007, the lender fee is 1.0% of the principal loan amount. [HEA §438(d); §682.305(a)(3)(ii)]

Revise Subsection 15.1.A, page 1, column 2, paragraph 1, bullet 6, as follows:

The lender must meet specific requirements in the agreement for Consolidation loan

guarantees to remain in effect. By signing the agreement, the lender agrees to meet the following requirements:

- ...
- To pay a ~~0.51.0%~~ 0.51.0% ~~origination~~ lender fee to the Department on each Consolidation loan made. This fee may not be charged to the borrower.
[HEA §438(d)]

Revise Appendix G, page 12, column 1, paragraph 7, as follows:

Lender Fee: A fee that the holder of the loan must pay to the Department, ~~on~~ For any loan first disbursed on or after October 1, 1993, ~~and prior to October 1, 2007,~~ the fee is equal to 0.5% of the principal amount of the loan. For loans first disbursed on or after October 1, 2007, the fee is equal to 1.0% of the principal amount of the loan. ~~and This fee is deducted from interest and special allowance due the lender. The lender remits the fee by making an entry on the Lender's Interest and Special Allowance Request and Report (LaRS report) that results in an offset of the amount of quarterly interest and special allowance benefits due to the lender. The lender may not pass this fee on to the borrower. For more information about the lender fee, see a~~Appendix A.

PROPOSED LANGUAGE - COMMON BULLETIN:

Lender Fee

The *Common Manual* has been revised to comply with statutory changes derived from the College Cost Reduction and Access Act (P.L. 110-84). For loans first disbursed on or after October 1, 1993, and prior to October 1, 2007, a lender is charged a lender fee equal to 0.5% of the principal amount of each FFELP loan made. Beginning with loans first disbursed on or after October 1, 2007, a lender is charged a lender fee equal to 1.0% of the principal amount of each FFELP loan made. Conforming changes have also been made to the glossary definition of "Lender Fee" in Appendix G.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:

None.

Lender/Service:

A lender will be required to pay an increased lender fee to the Department for each new FFELP loan originated, and will be required to adjust system calculations for the payment of the fee.

Guarantor:

A guarantor may be required to adjust program review procedures.

U.S. Department of Education:

The Department will be required to adjust the lender fee billing portion of the LaRS.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

September 27, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

December 13, 2007

PROPOSAL DISTRIBUTED TO:

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

COMMENTS RECEIVED FROM:

AES/PHEAA, CSLF, EAC, Great Lakes, HESC, KHEAA, MGA, 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. 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 noted that paragraph 1 of Subsection 3.5.A of the Manual states that a lender is required to pay a federal origination fee and lender fee for each Stafford and PLUS loan it originates, while the change in the Proposed Language states the lender fee applies to “each FFELP loan made.” The commenter suggested that paragraph 1 of Subsection 3.5.A be revised to clarify that the lender fee applies to all FFELP loans, and that the origination fee applies to Stafford and PLUS loans only.

This commenter also suggested that in Subsection 15.1.A, the reference to the 0.5% origination fee be updated to 1.0%, and include a cross-reference to Subsection 3.5.A.

Response:

The Committee agrees with the commenter’s suggestion to revise paragraph 1 of Subsection 3.5.A. This paragraph has been revised, as follows:

This subsection contains information on two fees that a lender is required to pay two fees to the Department, for each Stafford and PLUS loan it originates— One is a federal origination fee that a lender must pay for each Stafford and PLUS loan it originates; and the other is a lender fee that a lender must pay for each FFELP loan it originates.

The Committee also agrees with the commenter’s suggestion that the reference to the lender fee in Subsection 15.1.A needs to be revised to be 1.0%; however, the Committee disagrees that a cross-reference to Subsection 3.5.A should be included. The information in 15.1.A is specific to Consolidation loans and, as stated above, providing a cross-reference to 3.5.A would confuse readers regarding the fees a lender pays to the Department on Consolidation loans and the fact that Consolidation loans have no origination fee. While reviewing the comment responses to this proposal, the Committee did discover that in 15.1.A, bullet 6, the term “origination fee” should be changed to “lender fee” to provide consistency throughout the Manual and avoid causing confusion between the lender fee that the lender must pay and not pass on to the borrower, and the origination fee that can be charged to borrowers.

Change:

Subsection 15.1.A, bullet 6 has been revised, as follows:

- To pay a ~~0.5~~1.0% ~~origination~~ lender fee to the Department on each Consolidation loan made. This fee may not be charged to the borrower.
[HEA §438(d)]

COMMENT:

Three commenters suggested removing the phrase “increased to” from the newly-added language in Subsection 3.5.A because it is unnecessary and not consistent with the language contained in the Revised Policy statement and the Common Bulletin.

Response:

The Committee agrees.

Change:

The phrase “increased to” has been removed from the newly-added language in Subsection 3.5.A.

COMMENT:

While reviewing the comment responses to this proposal, the Committee realized that a conforming change needed to be made to the glossary definition of "Lender Fee."

Response:

Not applicable.

Change:

The glossary definition of "Lender Fee" has been revised, as follows:

Lender Fee: A fee that the holder of the loan must pay to the Department. ~~on~~ For any loan first disbursed on or after October 1, 1993, ~~the~~ the fee is equal to 0.5% of the principal amount of the loan. For loans first disbursed on or after October 1, 2007, and prior to October 1, 2007, the fee is equal to 1.0% of the principal amount of the loan. ~~and~~ This fee is deducted from interest and special allowance due the lender. The lender remits the fee by making an entry on the Lender's Interest and Special Allowance Request and Report (LaRS report) that results in an offset of the amount of quarterly interest and special allowance benefits due to the lender. The lender may not pass this fee on to the borrower. For more information about the lender fee, see ~~a~~Appendix A.

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: December 20, 2007

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Dec 20

SUBJECT: Consolidation Loan Verification Certificates

AFFECTED SECTIONS: 15.3.C Reviewing the Loan Verification Certificate

POLICY INFORMATION: 985/Batch 145

EFFECTIVE DATE/TRIGGER EVENT: Consolidation Loan Verification Certificates (LVCs) received by a loan holder on or after May 22, 2007.

BASIS:
DCL GEN-07-03/FP-07-07.

CURRENT POLICY:
Current policy contains the information on processing the LVC and lists a limited number of circumstances under which a loan holder may decline to certify the LVC.

REVISED POLICY:
Revised policy includes more detailed guidance from DCL GEN-07-03/FP-07-07 regarding when a loan holder may decline to certify the LVC and when the loan holder must notify the Federal Student Aid Financial Partners staff of a decision not to complete the LVC.

REASON FOR CHANGE:
To align the *Common Manual* with the guidance provided in DCL GEN-07-03/FP-07-07.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 15.3.C, page 7, column 1, paragraph 2, as follows:

Circumstances That May Prevent the Loan Holder from Certifying the LVC

...

...

If a loan holder receives an LVC that does not include the name and, in the case of a FFELP lender, the lender identification number (LID) of the eligible consolidating lender or trustee lender, it should not provide any information related to a borrower's loan. The loan holder should instead provide a written explanation to inform the requestor as to why it is not completing the LVC.

~~Additional~~ Other circumstances that may prevent a holder from completing the LVC include those in which:

- The loan holder never held the loan.
- The loan is not fully disbursed or the borrower is not in grace or repayment status.
- The loan has been sold.
- The loan is more than 270 days delinquent and a default claim has been submitted to the guarantor.

- The loan has been assigned to a guarantor.
- The loan is subject to collection by administrative wage garnishment.
- There is a judgment against the borrower on the loan for which the borrower has requested consolidation.

If the loan holder is unable to certify the LVC due to one of these ~~additional~~ circumstances, the ~~reason~~ should be included on the LVC and the loan holder should return the LVC, or other must provide a written explanation; to the consolidating lender within 10 business days of the loan holder's receipt of the LVC.

[§682.209(j); DCL FP-04-02]

For each of the following additional circumstances, within 10 business days of the loan holder's receipt of the LVC, the loan holder must provide to the consolidating lender a written explanation as to why the LVC is not being completed with payoff information, and also must notify the Federal Student Aid Financial Partners staff of the holder's decision not to complete the LVC. These additional circumstances are:

- Within the last 90 days, the loan holder has completed an LVC on the loan for another lender, indicating that the borrower may have more than one Consolidation loan application outstanding.
- The borrower appears to have no eligible loans other than a single Consolidation loan that is held by the loan holder.

For the two additional circumstances listed above, once the loan holder provides the consolidating lender with an explanation of why the LVC is not completed, if the consolidating lender provides additional information to the loan holder that supports the borrower's eligibility to consolidate the loans, the holder must complete the LVC within 10 business days of receipt of that information. Supporting information may include the following:

- For the first circumstance noted above, a written statement from the borrower stating that he or she has canceled any previous Consolidation loan applications.
- For the second circumstance, documentation from the consolidating lender showing that the borrower has one or more additional loans that will be consolidated with the Consolidation loan.

[DCL GEN-07-03/FP-07-07]

PROPOSED LANGUAGE - COMMON BULLETIN:

Consolidation Loan Verification Certificates

The *Common Manual* has been revised to clarify the circumstances under which a loan holder may decline to complete a Consolidation Loan Verification Certificate (LVC). The list of extenuating circumstances has been expanded and Manual text is expanded to note the cases in which the loan holder must notify the Federal Student Aid Financial Partners staff of its decision not to complete an LVC.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

If the borrower has recently submitted another Consolidation loan application to a loan holder, the borrower may need to provide a written statement that all other outstanding Consolidation loan applications have been canceled.

School:

None.

Lender/Service:

The loan holder may need to adjust procedures for completing LVCs. A consolidating lender must be certain that its LID and name are visible on the LVC and may need to supply additional information to a loan holder if the loan holder's records indicate that the only loan the borrower has is a single Consolidation loan.

Guarantor:

The guarantor may need to adjust its program review procedures.

U.S. Department of Education:

The Department may need to adjust its program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

May 22, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

December 13, 2007.

PROPOSAL DISTRIBUTED TO:

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

Comments Received From:

AES/PHEAA, CSLF, Great Lakes, HESC, KHEAA, MGA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCCLC, SLMA, SLND, SLSA, TG, UHEAA, USA Funds, and VSAC.

Responses to Comments

Many of the commenters supported this proposal as written. Other commenters recommended wordsmithing changes that made no substantive changes to the policy but that 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:

Three commenters recommended the word "loan" be added to the subsection's heading between the words "the" and "Holder" and also in two places of the first sentence of the second paragraph.

Response:

The Committee agrees.

Change:

The heading and the first sentence of the second paragraph have been revised as suggested.

COMMENT:

One commenter suggested the following change to the first paragraph:

"If a loan holder receives an LVC that does not include the name and, in the case of a FFELP lender, the identification number (LID) of the eligible consolidating lender or trustee lender in section 19 of the form, it should not provide any information related to a borrower's loan."

Response:

The Committee disagrees. It is not standard convention for the Manual to specify in policy the form sections

that must be completed.

Change:

None.

COMMENT:

Two commenters suggested that, while the order of the first set of bullets follows the order in the DCL, it would be more reader-friendly for the bullets to follow a more logical, "life of the loan" order.

Response:

The Committee agrees.

Change:

The first set of bullets has been re-sequenced in a "life of the loan" order.

COMMENT:

One commenter suggested that the last bullet in the first set of bullets be revised to state:

"The loan is subject to collection by administrative wage garnishment."

The commenter said this text should be consistent with the definition of this term in the *Common Manual* glossary.

Response:

The Committee agrees.

Change:

The last bullet in the first set of bullets has been revised as noted above.

COMMENT:

One commenter suggested, in order to provide clarity and consistency, to make the following change to the last sentence in the fourth paragraph:

"These additional circumstances are ~~the following:~~"

Response:

The Committee agrees.

Change:

The last sentence in the fourth paragraph has been modified as noted.

COMMENT:

One commenter asked that the following directional information be inserted after the second set of bullets:

"For information on how a loan holder can notify the Federal Student Aid Financial Partners staff of its decision to not complete an LVC, refer to DCL GEN-07-03/FP-07-07."

Response:

The Committee disagrees. It is not standard convention for operational issues to be included in the text of the Manual. However, the DCL is referenced at the end of the subsection, and when hyperlinked, it will be easily accessible.

Change:

None.

COMMENT:

Three commenters recommended that in the fifth paragraph, the words:

“Supporting information is the following:” should be changed to “may include the following.”

The commenters noted that the referenced DCL did not state that the 2 bullets that follow in the text are the only types of supporting documentation that are allowed.

Response:

The Committee agrees.

Change:

The text has been revised to state:

“Supporting information may include the following”.

COMMENT:

Three commenters requested that the last bullet be revised as follows:

“For the second circumstance, documentation from the consolidating lender showing that the borrower has one or more additional loans that will be consolidated with the ~~single~~ Consolidation loan.”

The rationale for this change is that if the consolidating lender can provide documentation back to the underlying loan holder that the borrower does indeed have at least one other loan that is eligible for consolidation, that other eligible loan may or may not be a Consolidation loan. However, if the other eligible loan is a Consolidation loan, the borrower does not, ultimately, have a “single” Consolidation loan.

Response:

The Committee agrees.

Change:

The last bullet has been revised by removing the word “single”, as recommended.

COMMENT:

Four commenters noted that there were two instances in which the phrase “10 business days” needed to be added, or the word “business” needed to be inserted. The commenters’ recommendations affect the first sentence of the fourth paragraph and the first sentence of the fifth paragraph as follows:

“For each of the following additional circumstances, within 10 business days of the loan holder’s receipt of the LVC, the loan holder must provide to the consolidating lender a written explanation as to why...”

“...if the consolidating lender provides additional information to the loan holder that supports the borrower’s eligibility to consolidate the loans, the holder must complete the LVC within 10 business days of receipt of that information.”

Response:

The Committee agrees.

Change:

The changes have been made as noted above.

COMMENT:

One commenter suggested that in the borrower implications statement, the word “written” be added in front of the word “statement”.

Response:

The Committee agrees.

Change:

The borrower implications statement has been revised as follows:

“If the borrower has recently submitted another consolidation application to a loan holder, the borrower may need to provide a written statement that all other outstanding Consolidation loan applications have been canceled.”

COMMENT:

One commenter recommended that the borrower implication statement be modified as follows:

“If the borrower has recently submitted another Consolidation loan application to a loan holder, the borrower may need to provide a written statement that all other outstanding Consolidation loan applications have been ~~cancelled~~ withdrawn.”

The rationale is that it is consistent with the language in the DCL and that some lenders have been known to reject borrower statements of “cancellation” on the grounds that they do not contain a “withdrawal”.

Response:

The Committee disagrees. While the Committee acknowledges that a lender may not accept a statement from a borrower that a “loan” has been canceled, the context of this statement in the proposal is that the borrower is certifying that any previous loan “applications” have been canceled. The Committee also believes that the borrower implications statement should be consistent with the verbiage in the body of the proposal.

Change:

None.

djo/edited-as

985-1078 145

COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: December 20, 2007

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Dec 20

SUBJECT: Student Eligibility Requirements

AFFECTED SECTIONS: 5.1.B Student Eligibility Requirements

POLICY INFORMATION: 986/Batch 145

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

BASIS:
§668.32(h).

CURRENT POLICY:

Current policy states that each student who is seeking a Stafford or Grad PLUS loan, or for whom a parent borrower is seeking a PLUS loan, must certify, as part of the Free Application for Federal Student Aid (FAFSA), a statement of educational purpose.

REVISED POLICY:

Revised policy states that, in order to receive any Title IV aid with the exception of a parent PLUS loan, the student must certify, as part of the FAFSA, a statement of educational purpose. To receive a parent PLUS loan without completing a FAFSA, the student must complete and submit to the school a separate statement of educational purpose.

REASON FOR CHANGE:

The *Common Manual* is being revised to remove the incorrect implication that the student must file a FAFSA when the only Title IV aid applied for is a parent PLUS loan and to provide information regarding how the student provides the statement of educational purpose when a FAFSA is not completed.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 5.1.B, page 2, column 1, paragraph 1, bullet 2, as follows:

Note: This subsection was previously revised by policy 968, batch 142:

**5.1.B
Student Eligibility Requirements**

In addition to meeting the requirements of ~~§~~Subsection 5.1.A, each student who is seeking a Stafford loan or a Grad PLUS loan—and each student for whom a parent borrower is seeking a PLUS loan—must meet the following eligibility requirements:

- ...
- To receive any Title IV aid with the exception of a parent PLUS loan, the student must certify, as part of the Free Application for Federal Student Aid (FAFSA) filed with the Department, a statement of educational purpose. To receive a parent PLUS loan without completing a FAFSA, the student must complete and submit to the school a separate statement of educational purpose.
[HEA §432(m)(1)(C); HEA §484(a)(4)(A); §668.32(h)]
- ...

PROPOSED LANGUAGE - COMMON BULLETIN:

Student Eligibility Requirements

The *Common Manual* has been revised to clarify that, if the only Title IV aid applied for is a parent PLUS loan, the student is not required to certify a statement of educational purpose by completing the Free Application for Federal Student Aid (FAFSA). To receive a parent PLUS loan without completing a FAFSA, the student must complete and submit to the school a separate statement of educational purpose.

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 Governing Board

DATE SUBMITTED TO CM POLICY COMMITTEE:

September 20, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

December 13, 2007

PROPOSAL DISTRIBUTED TO:

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

Comments Received From:

AES/PHEAA, CSLF, EAC, Great Lakes, HESC, KHEAA, MGA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, USA Funds, and VSAC.

Responses to Comments

Most of the commenters supported this proposal as written. Other commenters recommended wordsmithing changes that made no substantive changes to the policy but that 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 suggested adding language to clarify how the student provides a statement of educational purpose in the absence of a completed FAFSA.

Response:

The Committee agrees.

Change:

A new sentence has been added to clarify how the student provides a statement of educational purpose in the absence of a completed FAFSA.

ma/edited-chh

986-J021 145

COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: December 20, 2007

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Dec 20

SUBJECT: Additional Unsubsidized Stafford Eligibility for a Dependent Student

AFFECTED SECTIONS: 6.15.D Additional Unsubsidized Stafford Eligibility for a Dependent Student

POLICY INFORMATION: 987/Batch 145

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

BASIS:
None.

CURRENT POLICY:

Current policy indicates that a dependent student is eligible for an additional unsubsidized Stafford loan if exceptional circumstances prevent the dependent student's parent from obtaining a PLUS loan.

REVISED POLICY:

Revised policy places into a bulleted format the list of exceptional circumstances that may prevent a dependent student's parent from obtaining a PLUS loan and adds an exceptional circumstance in which a dependent student is eligible to receive additional unsubsidized Stafford loan funds. Revised policy also clarifies that if the school refuses to certify a loan for which the student is eligible, or refuses to certify the full amount of unsubsidized Stafford loan funds for which the student is eligible, the school must document the reason.

REASON FOR CHANGE:

Subsection 6.15.D is being reorganized for simplicity; to clarify that the school must document its reason if it refuses to certify the loan, or refuses to certify the full amount of unsubsidized Stafford loan funds for which the student is eligible; and to add an exceptional circumstance in which a dependent student is eligible to receive additional unsubsidized Stafford loan funds.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 6.15.D, page 31, column 1, paragraph 3, of the November ICM as follows:

Note: This subsection was previously revised by policy 970, batch 142:

6.15.D

Additional Unsubsidized Stafford Loan Certification

If a dependent student's parent is unable to obtain a PLUS loan at a school that participates in the Federal PLUS Loan Program due to exceptional circumstances documented by the financial aid administrator (FAA)—~~such as adverse credit history, incarceration, parental whereabouts unknown, or family income limited to public assistance or disability benefits~~—and the student's family is otherwise unable to provide the expected family contribution (EFC), the dependent student is eligible for additional unsubsidized Stafford loan funds not to exceed the student's additional unsubsidized Stafford annual loan limit, assuming the student meets the other criteria in Section 5.1. See Figure 6-4. ~~The school is not permitted to deny the additional funds to an otherwise eligible student, unless the school's refusal to certify is based on a documented reason. See Subsection 6.15.E for information on the requirements for exercising professional judgment to reduce or deny loan certification.~~
~~[\$682.603(e)]~~

~~Other Exceptional circumstances—if properly documented—that may entitle an otherwise~~

~~eligible dependent student to additional unsubsidized Stafford loan funds~~ may include, but are not limited to:

- The dependent student's parent has an adverse credit history.
[§682.201(a)(3)]
- The dependent student's parent is incarcerated.
[§682.201(a)(3)]
- The whereabouts of the dependent student's parent are unknown.
[§682.201(a)(3)]
- The dependent student's family income is limited to public assistance or disability benefits.
[§682.201(a)(3)]
- The dependent student's parent is prohibited from borrowing a PLUS loan because he or she is not a U.S. citizen or eligible noncitizen. See Subsection 5.2.A for citizenship and eligible noncitizenship criteria.
[DCL GEN-05-16, Q&A 5]
- The dependent student's parent files a bankruptcy petition and provides the school with an official letter from the bankruptcy court confirming that the parent has filed for bankruptcy and is prohibited from incurring additional debt.
[DCL GEN-05-16, Q&A 6]
- The dependent student's parent is prohibited from borrowing a PLUS loan because he or she is in default on a Title IV loan.
[§682.201(b)(1)(iv)]
- The dependent student's school has evidence that the student's parent has been denied a PLUS loan by a lender due to the parent's existing debt burden, income-to-debt ratio, likely inability to repay, or other credit standards or factors the lender has adopted.
[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-85]

The school is not permitted to deny the additional unsubsidized Stafford loan funds to an otherwise eligible student unless such denial is based on a permissible reason and the school provides the reason for its action to the borrower in writing. For more information, see Subsection 6.15.E.
[§682.603(e)]

A parent's unwillingness or refusal . . .

PROPOSED LANGUAGE - COMMON BULLETIN:

Additional Unsubsidized Stafford Loan Eligibility for a Dependent Student

Subsection 6.15.D of the *Common Manual* has been reorganized to improve the clarity of the subsection and to add another exceptional circumstance in which a dependent student is eligible to receive additional unsubsidized Stafford loan funds. Also, language is added to clarify that the school must document its reason if it refuses to certify the loan or to certify the full amount of unsubsidized Stafford loan funds for which the student is eligible.

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:

TG

DATE SUBMITTED TO CM POLICY COMMITTEE:

August 30, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

December 13, 2007

PROPOSAL DISTRIBUTED TO:

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

Comments Received From:

AES/PHEAA, CSLF, EAC, Great Lakes, HESC, KHEAA, MGA, NASFAA, NCHelp, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, USA Funds, and VSAC.

Responses to Comments

—
Most of the commenters supported this proposal as written. Other commenters recommended wordsmithing changes that made no substantive changes to the policy but that 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 felt that the “may” in the first paragraph of 6.15.D implies that certifying the additional unsubsidized loan funds is optional on the part of the school.

Response:

The Committee agrees that the reader may mistake the intent of that verbiage.

Change:

The paragraph has been revised as follows:

. . . ~~the school may certify~~ student is eligible for additional unsubsidized Stafford loan funds ~~for the student~~ not to exceed the student’s maximum additional unsubsidized Stafford loan limit, assuming the student meets the other criteria in Section 5.1. See Figure 6-4.

COMMENT:

One commenter noted that an additional exceptional circumstance is provided in the 07-08 FSA Handbook for

certifying additional unsubsidized Stafford loan funds.

Response:

The Committee agrees.

Change:

The additional exceptional circumstance has been added as follows:

- The dependent student's school has evidence that the student's parent has been denied a PLUS loan by a lender due to the parent's existing debt burden, income-to-debt ratio, likely inability to repay, or other credit standards or factors the lender has adopted. [07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-85]

COMMENT:

One commenter recommended revising the last paragraph to clarify that the school must document the basis of the dependent student's eligibility for additional unsubsidized Stafford loan amounts under all circumstances. Two other commenters recommended wordsmithing of the last sentence to provide clarity.

Response:

The Committee agrees.

Change:

The paragraph has been revised as follows:

The school is not permitted to deny the additional unsubsidized Stafford loan funds to an otherwise eligible student unless such denial is based on a permissible reason and the school provides the reason for its action to the borrower in writing. For more information see, Subsection 6.15.E.

om/edited-bb

J016

COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: December 20, 2007

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Dec 20

SUBJECT: Disclosure Requirements

AFFECTED SECTIONS: 7.6.A General Initial Disclosure Requirements

POLICY INFORMATION: 988/Batch 145

EFFECTIVE DATE/TRIGGER EVENT: Disclosures provided by the lender to a borrower on or after July 1, 2006.

BASIS:
§682.205(a)(2)(vii).

CURRENT POLICY:
Current policy states that the initial disclosure statement provided to a borrower by the lender must include the actual interest rate and information on how the rate is calculated.

REVISED POLICY:
Revised policy removes the requirement that the lender disclose to the borrower information on how the interest rate is calculated.

REASON FOR CHANGE:
This change is necessary as the current interest rates on FFELP loans are fixed.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 7.6.A, page 9, column 1, paragraph 2, bullet 5, as follows:

At or before the first disbursement of a Stafford or PLUS loan, the lender must provide the borrower (at no cost to the borrower) with the following initial disclosure information in a written or electronic format:

- ...
- ...
- ...
- ...
- The actual interest rate, ~~including information on how the rate is calculated.~~

PROPOSED LANGUAGE - COMMON BULLETIN:

Disclosure Requirements

The *Common Manual* has been revised to remove the requirement that a lender provide, through the initial disclosure, information on how a borrower's interest rate is calculated. This information is no longer necessary as FFELP loan interest rates are currently fixed.

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:

July 25, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

December 13, 2007

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

CM Governing Board Representatives

COMMENTS RECEIVED FROM:

AES/PHEAA, CSLF, EAC, Great Lakes, HESC, KHEAA, MGA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCCLC, SLMA, SLND, SLSA, TG, UHEAA, USA Funds, and VSAC.

Responses to Comments

Note: All commenters supported this policy as written. We appreciate the review of all commenters, their careful consideration of the policy, and their assistance in crafting clear, concise policy statements.

nm/edited-rl

988-1090 145

COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: December 20, 2007

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Dec 20

SUBJECT: Overawards

AFFECTED SECTIONS: 8.6 Managing Overawards

POLICY INFORMATION: 989/Batch 145

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

BASIS:

HEA §428G(d)(2); §682.200; §682.604(h); and 07-08 FSA Handbook, Volume 5, Chapter 1, p. 5-6.

CURRENT POLICY:

Current policy does not address that an overaward may occur if the student receives additional financial assistance other than Title IV funds.

REVISED POLICY:

Revised policy clarifies that an overaward may occur not only from a student's receipt of additional Title IV funds, but also from the receipt of additional non-Title IV financial assistance, such as a scholarship or an alternative loan.

REASON FOR CHANGE:

This change is necessary to clarify existing text in the *Common Manual*.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 8.6, page 6, column 2, paragraph 3, as follows:

**8.6
Managing Overawards**

An overaward occurs when a student receives additional financial assistance after the initial awarding process, which may include financial assistance other than Title IV funds (e.g., a scholarship or an alternative loan), or the student's expected family contribution (EFC) increases, which results in a reduction of the borrower's eligibility for any previously certified Stafford or Grad PLUS loan. Up to \$300 of Federal Work-Study are excluded from the determination of an overaward.

PROPOSED LANGUAGE - COMMON BULLETIN:

The *Common Manual* has been revised to clarify that an overaward may occur not only from a student's receipt of additional Title IV funds, but also from receiving additional non-Title IV financial assistance, such as a scholarship or an alternative loan.

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:

August 1, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

December 13, 2007

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

CM Governing Board Representatives

Comments Received From:

AES/PHEAA, CSLF, EAC, Great Lakes, HESC, KHEAA, MGA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, USA Funds, and VSAC.

Responses to Comments

Many of the commenters supported this proposal as written. Other commenters recommended wordsmithing changes that made no substantive changes to the policy but that 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:

Three commenters noted that the basis needed to include the year of the FSA Handbook.

Response:

The Committee agrees that the year of the FSA Handbook should be included in the basis.

Change:

The basis has been revised as follows:

“HEA §428G(d)(2); §682.200; §682.604(h); and 07-08 FSA Handbook, Volume 5, Chapter 1, p. 5-5.”

COMMENT:

One commenter noted that the page number in the basis should be 5-8.

Response:

The Committee disagrees that the page number should be 5-8. However, a further review of the 07-08 FSA Handbook indicates that the page number should be 5-6, which states the overaward tolerance for Stafford Loans.

Change:

The basis has been revised as follows:

“HEA §428G(d)(2); §682.200; §682.604(h); and 07-08 FSA Handbook, Volume 5, Chapter 1, p. 5-56 .”

COMMENT:

Two commenters suggested that the first sentence of Section 8.6 be broken into two sentences to provide additional clarity.

Response:

The Committee disagrees. It is believed that the suggested change could lead to a misinterpretation by separating the cause of the overaward from the result.

Change:

None.

COMMENT:

One commenter suggested changing the last sentence of Section 8.6, to more closely align with language found in §682.604(h)(3)(i). A second commenter suggested that the \$300 tolerance should apply to all campus-based funds.

Response:

The Committee agrees that the proposed change to the last sentence of Section 8.6, which was intended to clarify the text, does not completely accomplish that mission. The application of the \$300 tolerance to all campus-based funds is outside the scope of this proposal. Because it is a substantive change, it should be submitted for community review and comment. As a result, the last sentence will not be altered from the 2007 ECM language at this time. Both the wording modification and the tolerance application issues will be developed in a future policy proposal.

Change:

The last sentence of Section 8.6, paragraph 1, will be unaltered from the 2007 ECM.

dt/edited-tmh

989-J007 145

COMMON MANUAL - ORGANIZATIONAL POLICY PROPOSAL

Date: December 20, 2007

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Dec 20

SUBJECT: Excess Interest Rebates

AFFECTED SECTIONS: 10.9.C Excess Interest Rebates

POLICY INFORMATION: 990/Batch 145

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

BASIS:
§682.305(d)(1).

CURRENT POLICY:
Current policy recaps the "windfall profits" requirements initiated in 1986 and 1992.

REVISED POLICY:
Revised policy removes the historic information on windfall profits and inserts information on excess interest rebates currently required on loans first disbursed on or after April 1, 2006.

REASON FOR CHANGE:
Subsection 10.9.C is being revised to remove historic information on excess interest rebates, called "windfall profits," which were last required in 1994. This information is present in Section H.2. The information is being replaced with the current requirement for excess interest rebates (as currently listed in Figures A-3 and A-4), effective for loans first disbursed on or after April 1, 2006.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 10.9.C, page 17, column 2, paragraph 1, as follows:

10.9.C Excess Interest Rebates

~~In 1986 and 1992, Congress required lenders to refund interest to certain Stafford loan borrowers under specific circumstances. The process of refunding interest is commonly referred to as excess interest rebates or "windfall profits."~~

~~This requirement affected certain Stafford loan borrowers with fixed rates of 7%, 8%, 9%, or 8%/10%. Until January 1, 1994, lenders were required to make excess interest rebates. On or before January 1, 1995, lenders were required to convert fixed rate Stafford loans that were eligible for interest rebates to a variable interest rate. Loans that are converted to a variable interest rate under these provisions require lenders to adjust the interest rate annually on July 1. Effective for loans first disbursed on or after April 1, 2006, lenders are required to refund excess interest on Stafford, PLUS, and Consolidation loans for any quarter in which the applicable interest rate of the loan exceeds the special allowance support level. See Figures A-3 and A-4 for further information on the current calculation of excess interest rebates.~~

~~For more historic information about previous which Stafford loans that were eligible for excess interest rebates, and the conversion of these loans to a variable interest rate, see Section H.2.~~

PROPOSED LANGUAGE - COMMON BULLETIN: Excess Interest Rebates

Subsection 10.9.C of the *Common Manual* is being revised to remove historic information on excess interest rebates, called "windfall profits," which were last required in 1994. This information is present in Section H.2 . The information is being replaced with the current requirement for excess interest rebates, effective for loans first disbursed on or after April 1, 2006.

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 16, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

December 13, 2007

PROPOSAL DISTRIBUTED TO:

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

Comments Received From:

AES/PHEAA, CSLF, EAC, Great Lakes, HESC, KHEAA, MGA, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, USA Funds, and VSAC.

Responses to Comments

Most of the commenters supported this proposal as written. Other commenters recommended wordsmithing changes that made no substantive changes to the policy but that 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:

Three commenters suggested changing the newly added sentence regarding excess interest for loans first disbursed on or after April 1, 2006, by deleting the reference to the average 3-month commercial paper rate. The commenters noted that the term "special allowance support level" includes the average of the bond equivalent rate of the 3-month commercial paper rate. Adding the commercial paper rate to the special allowance support level would be, in effect, adding it twice.

Two of the commenters also suggested including a cross reference to Figure A-4.

Response:

The Committee agrees and thanks the commenters for their thorough review of the new proposed language.

Change:

The text has been revised, as follows:

“Effective for loans first disbursed on or after April 1, 2006, lenders are required to refund excess interest on Stafford, PLUS, and Consolidation loans for any quarter in which the applicable interest rate of the loan exceeds the ~~average 3-month commercial paper rate plus~~ special allowance support level. See Figures A-3 and A-4 for further information on the current calculation of excess interest rebates.”

ma/edited-chh

990-J015 145