#	Subject	Summary of Change to Common Manual	Type of Update	Effective Date
1014	Converting Stafford Loans to Repayment	10.4.A Stafford Loan Repayment Start Date Clarifies that, for purposes of converting Stafford loans to repayment, the lender must use the day-specific method.	Federal	Effective for Stafford loans converted to repayment on or after March 1, 1997, unless implemented earlier by the lender or guarantor.
1015	Using Current- Year Title IV Funds to Pay Minor Prior- Year Charges	8.3 Required Authorizations 8.7.H Delivery Methods Figure 8-1 States that a school may credit a student's account with Title IV funds from the current year to satisfy prioryear charges of up to \$200. The school is not required to obtain the borrower's authorization for credits to prior-year charges for tuition, fees, room, and board, but is required to obtain the borrower's authorization for credit to prior-year charges for other educationally related expenses.	Federal	Educationally related charges paid by a school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.
1016	Eligible Lender Trustee Relationships 3.2 Schools Acting as Lenders and Eligible Lender Trustee Relationships Aligns the Manual guidance for a school or school-affiliated organization that makes or originates loans through an eligible lender trustee with the final regulations published November 1, 2007.		Federal	Loans first disbursed under an ELT relationship on or after January 1, 2007.
1017	Refusing to Certify a Loan or Reducing Borrower Eligibility	 6.15.E Refusing to Certify a Loan or Reducing Borrower Eligibility Clarifies that a school may not establish any one of the following general policies: Limiting the number of times a student who is making satisfactory academic progress may have a full Stafford annual loan limit at any one grade level. Prorating the Stafford annual loan limit based on a student's enrollment status, such as when the student is enrolled less than full-time, or is enrolled for less than a full academic year that is not a final 	Federal	Publication date of the 07-08 FSA Handbook for the prohibition against a general policy that limits the number of times a student may have a full annual loan limit at any grade level. Publication date of the 05-06 FSA Handbook for the prohibition against a general policy of prorating the annual loan limit based on a student's enrollment

#	Subject	Summary of Change to Common Manual	Type of Update	Effective Date
		 Period of study. Certifying a Stafford loan only for the amount needed to cover school charges. Limiting unsubsidized Stafford borrowing by independent students. 		status. Publication date of the 03-04 FSA Handbook for the prohibition against a general policy that: • Limits borrowing to the amount needed to cover school charges. • Limits unsubsidized Stafford borrowing by independent students.
1018	Stafford Annual Loan Limits for Transfer Students	6.1 Stafford Annual Loan Limits Includes new guidance from the 07-08 FSA Handbook stating that when a student transfers from a graduate program to an undergraduate program within an academic year, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher, (graduate/professional) annual loan limit.	Federal	Publication date of the 07-08 FSA Handbook.
1019	Maximum Stafford and PLUS Loan Periods Deferred for further consideration.	6.2 Determining the Loan Period Specifies that the maximum loan period length that a school may certify is an academic year. The 12 month maximum no longer applies.	Federal	Loan periods beginning on or after July 1, 2008.
1020	Rehabilitation of a Defaulted Loan	Rehabilitation of Defaulted FFELP Loans Clarifies that there are no federal restrictions that prohibit a loan from	Correction	Retroactive to the implementation of the Common Manual.

#	Subject	Summary of Change to Common Manual	Type of Update	Effective Date
		being rehabilitated more than once.		
1021	PLUS MPN with Endorser	6.16 Applying for Federal Stafford and PLUS Loans Clarifies that when an endorser is used, the PLUS MPN becomes a "single-loan" promissory note because the endorser is liable only for the specific loan that he or she agreed to endorse. The lender must obtain a new MPN and new endorser addendum if the PLUS borrower (parent or student) requests an increase in the loan amount or a subsequent new PLUS loan.	Correction	Effective for PLUS MPNs used for loan periods beginning on or after July 1, 2003.
1022	Obtaining a Subsequent Consolidation Loan	Borrower Eligibility and Underlying Loan Holder Requirements Clarifies one of the conditions that permits a Consolidation loan borrower to obtain a subsequent Consolidation loan. A borrower with either a Federal or Direct Consolidation loan is eligible for a subsequent, separate Federal or Direct Consolidation loan if the borrower is consolidating at least one other eligible loan (except a Consolidation loan) made before or after the date that the existing Consolidation loan was made.	Correction	Consolidation loans made on or after July 1, 2000.

Approved Batch 148 trans

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: March 20, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
Х	APPROVED	with no changes	Mar 20

SUBJECT: Converting Stafford Loans to Repayment

AFFECTED SECTIONS: 10.4.A Stafford Loan Repayment Start Date

POLICY INFORMATION: 1014/Batch 148

Effective Date/Trigger Event: Effective for Stafford loans converted to repayment on or after March 1,

1997, unless implemented earlier by the lender or guarantor.

BASIS:

§682.209(a)(3); DCL 96-L-186/96-G-287.

CURRENT POLICY:

Current policy states that the lender may use either a month-specific or day-specific method of converting a Stafford loan to repayment. The month-specific method allows the lender to convert the loan based on the number of months that have elapsed since the borrower was last enrolled, while the day-specific method requires the lender to convert a loan to repayment based on the exact date of the borrower's last day of atleast-half-time enrollment, plus the applicable grace period.

REVISED POLICY:

Common Manual text has been revised to clarify that lenders must use the day-specific method for converting loans to repayment. Appendix H has been updated accordingly.

REASON FOR CHANGE:

To more closely align *Common Manual* policy with current regulation and to comply with ED's program review requirements.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 10.4.A, p. 6, column 1, paragraph 4, as follows:

10.4.A

Stafford Loan Repayment Start Date

. . .

There are two permissible methods for calculating the date on which a Stafford loan borrower's grace period ends and the repayment period begins: A lender calculates the grace period end date as the day that is exactly 6, 9, 10, 11, or 12 months, as applicable based on the terms of the loan, following the date on which the student was last enrolled at least half-time. The repayment period begins on the day following the grace period end date.

• The month-specific method

A lender converts the loan to repayment based on the number of months elapsed since the borrower was last enrolled. Repayment began on the first day of the 7th, 10th, 11th, 12th, or 13th month following the month in which the student graduated, withdrew, or ceased at least half-time enrollment.

The day-specific method
 A lender calculates the grace end date as the day that is exactly 6, 9, 10, 11, or

12 months following the date on which the student was last enrolled at least half time. The repayment period begins on the day following the grace end date.

At the time this manual was published, the Department had not yet begun enforcing the day-specific requirement. However, lenders and schools must make a good-faith effort to comply with this requirement. When the Department begins enforcing these requirements, lenders must use the day-specific method for converting loans to repayment. A loan is to be converted to repayment based on the exact date of the borrower's last day of at least half-time enrollment, plus the applicable grace period.

[§682.200; §682.209(a)(3); DCL 96-G-287/96-L-186, Q&A #18]

PROPOSED LANGUAGE - COMMON BULLETIN:

Stafford Loan Repayment Start Date

The Common Manual has been revised to clarify that for purposes of converting Stafford loans to repayment, the lender must use the day-specific method.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower may benefit from all of his or her loans being converted to repayment similarly.

School

A school may need to adjust its reporting processes to ensure that a student's last day of attendance is reported to the lender in a month/day/year format.

Lender/Servicer:

A lender may need to adjust its processes to ensure the day-specific method of conversion to repayment is used when converting Stafford loans to repayment.

Guarantor:

A guarantor may need to adjust its program review processes.

U.S. Department of Education:

The Department may need to adjust its program review processes.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

USA Funds

DATE SUBMITTED TO CM POLICY COMMITTEE:

March 12, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

March 13, 2008

PROPOSAL DISTRIBUTED TO:

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

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, Great Lakes, GSFC, HESAA, HESC, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, and VSAC.

Responses to Comments

Many of the commenters supported this proposal as written. Other commenters recommended wordsmithing, grammatical, or other non-substantive changes that were considered without comment. 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 the proposal wording would be more accurate and consistent if the word "period" followed each instance of the word "grace" in the text.

Response:

The Committee agrees.

Change:

The word "period" has been added to each instance where only the word "grace" was previously present.

COMMENT:

One commenter suggested the following change to the second sentence of the first paragraph of the proposed language:

A lender calculates the grace period end date as the day that is exactly 6, 9, 10, 11, or 12 months, as applicable based on the terms of the loan, following the date on which the student was last enrolled at least half-time. The repayment period begins on the day following the grace period end date.

The commenter's rationale was that as the text was written, it would appear that a lender had a choice of how many months of grace to grant a borrower.

Response:

The Committee agrees.

Change:

The text has been changed per the suggestion above.

COMMENT:

Two commenters suggested that the reference to the "9, 10, 11, or 12" months of grace be removed from Chapter 10 and moved to the History Appendix.

Response:

The Committee realizes that it may be unusual for a borrower to be eligible for a grace period that is longer than 6 months, but the Committee believes that removing this information may cause confusion for lenders that may still be servicing these types of loans.

Change:

None.

COMMENT:

One commenter suggested that the first paragraph would be more clear if the first sentence were removed as follows:

There are two permissible methods for calculating the date on which a Stafford loan borrower's grace period ends and the repayment period begins: A lender calculates the grace period end date as the day that is exactly 6, 9, 10, 11, or 12 months following the date on which the student was last enrolled at least half-time. The repayment period begins on the day following the grace period end date.

Response:

The Committee agrees.

Change:

By incorporating the suggestions from this commenter and other commenters above, the first paragraph now reads:

There are two permissible methods for calculating the date on which a Stafford loan borrower's grace period ends and the repayment period begins: A lender calculates the grace period end date as the day that is exactly 6, 9, 10, 11, or 12 months, as applicable based on the terms of the loan, following the date on which the student was last enrolled at least half-time. The repayment period begins on the day following the grace period end date.

COMMENT:

One commenter asked that Appendix H be updated with this information.

Response:

The Committee agrees. However, the Committee moves historical information to Appendix H through a separate process rather than through the proposal process.

Change:

This information will appear in the History Appendix in the 2008 annual publication.

COMMENT:

One commenter suggested to add to the Reason for Change that ED is now enforcing the day-specific method of determining the borrower's grace end and repayment start dates.

Response:

The Committee agrees.

Change:

The Reason for Change statement has been changed accordingly.

Comment:

One commenter expressed a concern that some schools - particularly foreign schools - do not use the NSLDS reporting mechanisms and thus, some of those schools continue to report in the simpler month/year format. The commenter suggests that the policy should provide guidance to assist in a common policy approach to managing the enrollment status process with these schools.

Response:

The Committee disagrees. There is no provision in the regulations that would preclude foreign schools from being required to adhere to the day-specific reporting requirement, so the Committee's opinion is that foreign schools must report in the same format as domestic schools.

Change:

None.

djo/edited-aes

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: March 20, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
Χ	APPROVED	with no changes	Mar 20

SUBJECT: Using Current-Year Title IV Funds to Pay Minor Prior-Year Charges

AFFECTED SECTIONS: 8.3 Required Authorizations

8.7.H Delivery Methods

Figure 8-1

POLICY INFORMATION: 1015/Batch 148

EFFECTIVE DATE/TRIGGER EVENT: Educationally related charges paid by a school on or after July 1, 2008,

unless implemented earlier by the school on or after November 1, 2007.

BASIS:

§668.164(d)(2); §668.165(b)(1)(i).

CURRENT POLICY:

Current policy requires a school to obtain a student's or parent borrower's authorization to use FFELP loan proceeds from the current year to pay minor, prior-year charges of less than \$100. With the proper authorization, a school may also use current-year funds to pay prior-year charges of \$100 or more, provided the school determined that the payment of prior-year charges does not, or will not, prevent the student from paying current-year educational costs.

REVISED POLICY:

Revised policy states that a school is not required to obtain a student's or parent borrower's authorization to use current-year Title IV funds to pay minor, prior-year charges for tuition, fees, room, and board. A school must obtain a student's or parent borrower's written authorization to pay minor, prior-year charges incurred for other educationally related activities. The sum of all minor, prior-year charges for tuition, fees, room, board, and with the student's or parent's written authorization, other educationally related activities that are paid with Title IV funds from the current year must not exceed \$200.

REASON FOR CHANGE:

This change is required to comply with final rule changes published in the November 1, 2007, *Federal Register*, Vol. 72, No. 211, p. 62029.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 8.3, p. 4, column 1, paragraph 1, bullet 6, as follows:

A school must have written authorization from a student or parent borrower, as applicable, to perform the following activities:

- . . .
- ...
- ...
- ...
- ...
- Use Stafford or PLUS loan proceeds <u>Title IV funds</u> for the current year to pay for minor, prior-year charges <u>incurred for educationally related activities other than tuition</u>, fees, room, and board. A school is not required to obtain a student's or parent <u>borrower's authorization to use Title IV funds from the current year to pay minor</u>, prior-year charges for tuition, fees, room, and board. The sum of all minor, prior-year

charges for tuition, fees, room, board, and other educationally related activities that are paid with Title IV funds from the current year must not exceed \$200. (sSee sSubsection 8.7.H.):

[§668.164(d)(2)(i) and (ii); §668.165(b)(1)(i)]

FFELP Written Notification/Authorization Requirements

Revise Figure 8-1, p. 5, as follows:

Additional Activity Notification Required Authorization Required

...

. . .

Pay minor, prior-year charges for tuition, fees, room, and board [§668.164(d)(2)(i)]

<u>No</u>

No

Figure 8-1

Pay minor, prior-year charges for educationally related activities other than tuition, fees, room and board [§668.164(d)(2)(ii)]

No

Yes

. . .

Revise Subsection 8.7.H, page 15, column 2, paragraph 2, as follows:

A school may credit a student's account with FFELP loan proceeds <u>Title IV funds</u> to satisfy the following current-year charges without obtaining the student's or parent borrower's authorization:

- <u>Current-year or minor, prior-year charges for t</u>Tuition and fees. [§668.164(d)(1)(i);§668.164(d)(2)(i)]
- Current-year or minor, prior-year charges for rRoom and/or board, if the student contracts with the school for room and/or board.
 [§668.164(d)(1)(ii), and (iii); §668.164(d)(2)(i)]

After obtaining <u>written</u> the student's authorization <u>from the student</u>, or the <u>parent's parent borrower authorization</u> in the case of a parent PLUS loan, a school may credit a student's account with <u>FFELP loan proceeds</u> <u>Title IV funds</u> to pay the following charges:

- Additional current-year charges incurred for educationally related activities <u>other than tuition, fees, room, and board</u>.
 [§668.164(d)(2)(i)(1)(iv)]
- Minor prior-year charges of less than \$100. [§668.164(d)(2)(ii)]

Minor, pPrior-year charges of \$100 or more, provided the school has determined that
the payment of the prior-year charges does not, or will not, prevent the student room
paying his or her current-year education costs incurred for educationally related
activities other than tuition, fees, room, and board.
[§668.164(d)(2)(ii)]

<u>Limitation on Payment of Minor, Prior-Year Charges With Current-Year Title IV Funds</u>

The sum of all minor, prior-year charges for tuition, fees, room, board, and, with the student's or parent borrower's authorization, other educationally related activities that are paid with Title IV funds from the current year must not exceed \$200.

[§668.164(d)(2)]

For more information on required authorizations, see Ssection 8.3.

PROPOSED LANGUAGE - COMMON BULLETIN:

Using Title IV Funds for the Current Year to Pay for Minor Prior-Year Charges

The Common Manual has been revised to state that a school may credit a student's account with Title IV funds from the current year to satisfy minor, prior-year charges for tuition, fees, room, and board without obtaining the student's or parent borrower's authorization. After obtaining written authorization from the student, or from the parent borrower in the case of a parent PLUS loan, a school may credit a student's account with Title IV funds from the current year to pay minor, prior-year charges incurred for educationally related activities other than tuition, fees, room, and board.

However, the sum of all minor, prior-year charges for tuition, fees, room, board, and, with the student's or parent borrower's written authorization, other educationally related activities that are paid with Title IV funds from the current year must not exceed \$200.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower will be limited in the amount of allowable, prior-year charges that may be paid with Title IV funds from the current year, even though payment of those prior-year charges may not prevent the student from paying his or her current-year educational costs. While a student or parent borrower will not be required to authorize the school to use current-year funds to pay minor, prior-year charges for tuition, fees, room, and board, a student or parent borrower must still execute an authorization allowing the school to use Title IV funds from the current year to pay minor, prior-year charges incurred for other educationally related activities.

School:

A school may be required to modify forms, procedures, and student consumer information regarding cases when an authorization must be collected to pay minor, prior-year charges with Title IV funds from the current year, and to adhere to the \$200 limit on the total amount of minor, prior-year charges that may be paid with current-year funds.

Lender/Servicer:

None.

Guarantor:

A guarantor may be required to modify program review procedures.

U.S. Department of Education:

The Department may be required to modify program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

March 13, 2008

PROPOSAL DISTRIBUTED TO:

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

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, Great Lakes, GSFC, HESAA, HESC, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, and VSAC.

Responses to Comments

Many of the commenters supported this proposal as written. Other commenters recommended wordsmithing, grammatical, or other non-substantive changes that were considered without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

COMMENT:

Two commenters recommended the addition of "other" to describe "minor, prior-year charges" in the proposed policy text. One of these commenters also recommended the addition of "other" to describe "educationally related activities." Both commenters indicated their suggestions would provide consistency with regulatory language.

Response:

The Committee believes that the inclusion of "other" to describe "minor, prior-year charges" and "educationally related activities" in policy text that uses both phrases frequently and in close proximity to each other creates redundancy and may prove confusing in some cases. The Committee believes that the use of the word "other" should be confined to describing allowable charges other than tuition, fees, room, and board, in keeping with the description of "institutional charges" in Subsection 9.5.A, p. 14, column 1, last paragraph.

Change:

The proposed policy text has been modified to refer to "other educationally related activities", or "educationally related activities other than tuition, fees, room, and board" where that additional explanation is necessary.

COMMENT:

Three commenters questioned the need for the cross-referencing statement quoted below in both places in which it appeared in Subsection 8.7.H. The commenters believed that the cross-reference may be unnecessary and redundant, since the policy text to which it refers is present in paragraphs that closely follow.

See below for more information about a limit on the amount of minor, prior-year charges that may be paid with Title IV funds from the current year.

Response:

The Committee concurs.

Change:

The cross-referencing statement quoted above has been removed from both places in which it previously appeared in the proposed changes to Subsection 8.7.H.

COMMENT:

One commenter requested that the common bulletin, paragraph 1, sentence 2, be modified to clarify that a school must obtain a *written* authorization from a student or parent borrower to perform the noted activities.

Response:

The Committee thanks the commenter for this observation. The Committee notes that the same clarification would be beneficial in the second paragraph of the bulletin, and in the proposed policy changes to Subsection 8.7.H.

Change:

The common bulletin and the proposed policy text in Subsection 8.7.H now consistently state that a school may perform the noted activities after obtaining a written authorization from the student, or from the parent borrower in the case of a parent PLUS loan.

COMMENT:

Two commenters requested the addition of §668.164(d)(2)(i) as a citation under the last, new bullet in proposed change to Section 8.3. The commenters stated that this citation supports proposed policy text that permits a school to use current-year funds to pay other minor, prior-year charges for tuition, fees, room, and board without the student's or parent borrower's authorization.

Response:

The Committee agrees.

Change:

The proposed policy text now includes the citation the commenters requested.

COMMENT:

Two commenters requested the addition of §668.164(d)(1)(i);§668.164(d)(2)(i) in Subsection 8.7.H, page 15, column 2, paragraph 2, under bullet 1. The commenters also asked that the existing citation under paragraph 2 be indented under bullet 2, so as to provide a separate citation for each bullet.

Response:

The Committee agrees.

Change:

Subsection 8.7.H, page 15, column 2, paragraph 2 is now supported by separate citations for each bullet, per the commeters' request.

jcs/edited-as

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: March 20, 2007

	DRAFT Comments Due		
	FINAL	Consider at GB meeting	
Χ	APPROVED	with no changes	Mar 20

SUBJECT: Eligible Lender Trustee Relationships

AFFECTED SECTIONS: 3.2 Schools Acting as Lenders and Eligible Lender Trustee

Relationships

POLICY INFORMATION: 1016/Batch 148

EFFECTIVE DATE/TRIGGER EVENT: Loans first disbursed under an ELT relationship on or after January 1,

2007.

BASIS:

§682.602.

CURRENT POLICY:

Current policy lists the requirements for a school or school-affiliated organization that makes or originates loans through an eligible lender trustee, as those requirements were outlined in DCL GEN-06-21.

REVISED POLICY:

Revised policy amends the requirements for a school or school-affiliated organization that makes or originates loans through an eligible lender trustee to align with the final regulations published November 1, 2007.

REASON FOR CHANGE:

The *Common Manual* is being updated to align the requirements for a school or school-affiliated organization that makes or originates loans through an eligible lender trustee.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 3.2, page 3, column 1, paragraph 2, as follows:

Eligible Lender Trustee (ELT) Relationships

Effective September 30, 2006, a school may not enter into a new relationship with an eligible lender to make and/or hold a FFELP loan as a trustee for the school or for an organization affiliated with the school, also known as an Eligible Lender Trustee relationship. ELT relationships established prior to September 30, 2006, may continue, and may be renewed, as long as the relationship remains in effect after September 30, 2006, and the ELT held at least one loan in trust on behalf of the school or organization as of that date. [§682.602(a)]

Effective January 1, 2007, and for all loans first disbursed on or after that date under an ELT relationship, the all-parties involved in the an-ELT relationship must meet the following eligibility requirements:

- A school directly involved in, or affiliated with an organization directly involved in an ELT relationship:
 - Must employ at least one person whose full-time responsibilities are limited to the administration of the school's financial aid programs for students attending that school.
 - Must not be a home study school.
 - Must have a cohort default rate of 10% or less.

- May lend only to its own students.
- May make only Stafford loans to graduate and professional students.
- Must offer an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate.
- Must use the proceeds from interest payments from borrowers, interest subsidy and special allowance payments on the loans made and held in trust, and proceeds from the sale or other disposition of the loans, (exclusive of return of principal, any financing costs incurred by the school to acquire funds to make the loan, and the cost of charging an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate), for need-based grants if the school receives these proceeds directly or indirectly.
- Must ensure that ELT loans are included in the school's annual compliance audit.

[§682.602(b)(1)]

- An "organization affiliated with the school_affiliated organization" is defined as any
 organization that is directly or indirectly connected to the school, including, but not limited
 to, an alumni association, athletics organization, or social, academic, or professional
 organization. An organization affiliated with the school and involved in an ELT
 relationship:
 - May lend only to students attending the school with which it is affiliated.
 - May make only Stafford loans to graduate and professional students.
 - Must offer an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate.
 - Must use the proceeds from interest payments from borrowers, interest subsidy and special allowance payments on the loans made and held in trust, and proceeds from the sale or other disposition of the loans, (exclusive of return of principal, any financing costs incurred by the school to acquire funds to make the loan, and the cost of charging an origination fee and/or interest rate that is lower than the statutory maximum for that fee or rate), for need-based grants if the school receives these proceeds directly or indirectly.
 - Must ensure that ELT loans are included in the annual lender compliance audit.

[§682.602(b)(2)]

PROPOSED LANGUAGE - COMMON BULLETIN: Eligible Lender Trustee Relationships

The *Common Manual* has been updated to align the requirements for a school or school-affiliated organization that makes or originates loans through an eligible lender trustee with the final regulations published November 1, 2007. Specifically, the requirement for a school-affiliated organization to limit lending to Stafford loans for graduate and professional students, and only at one school, has been deleted. The requirement to include ELT loans in an annual compliance audit has been deleted for both the school and the school-affiliated organization involved in an ELT relationship.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

Sc	h	$\overline{}$	$\overline{}$	ı
SU	H	U	U	I.

A school involved in an ELT relationship must meet the specific requirements outlined in the regulations.

Lender/Servicer:

None.

Guarantor:

The guarantor may need to update program review requirements.

U.S. Department of Education:

The Department may need to update program review requirements.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

October 1, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

March 13, 2008

PROPOSAL DISTRIBUTED TO:

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

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, Great Lakes, HESAA, HESC, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SLMA, SLND, SLSA, TG, UHEAA, 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:

Two commenters requested that the reference to the November 1, 2007, Federal Register, Vol. 72, No. 211, p. 62008 be added to the reason for change.

Response:

The Committee appreciates the commenter's careful review of the policy; however, as the actual regulation cite is given in the Basis, the Committee feels that adding the *Federal Register* cite is redundant.

Change:

None.

om/edited-bb

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: March 20, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
Χ	APPROVED	with no changes	Mar 20

SUBJECT: Refusing to Certify a Loan or Reducing Borrower Eligibility

AFFECTED SECTIONS: 6.15.E Refusing to Certify a Loan or Reducing Borrower

Eligibility

POLICY INFORMATION: 1017/Batch 148

EFFECTIVE DATE/TRIGGER EVENT: Publication date of the 07-08 FSA Handbook for the prohibition against a

general policy that limits the number of times a student may have a full

annual loan limit at any grade level.

Publication date of the 05-06 FSA Handbook for the prohibition against a general policy of prorating the annual loan limit based on a student's

enrollment status.

Publication date of the 03-04 FSA Handbook for the prohibition against a general policy that:

Limits borrowing to the amount needed to cover school charges.

Limits unsubsidized Stafford borrowing by independent students.

BASIS:

03-04 FSA Handbook, Volume 8, Chapter 2, p. 8-15; 05-06 FSA Handbook, Volume 3, Chapter 4, p. 3-80; 07-08 FSA Handbook, Volume 3, Chapter 5, pp. 3-85 and 3-92.

CURRENT POLICY:

Current policy states that a school may not refuse to certify a loan if it is based on policies that result in a pattern or practice of discrimination, or solely because the borrower has filed a bankruptcy petition.

REVISED POLICY:

Revised policy adds that a school may not establish any one of the following general policies:

- Limiting the number of times a student who is making satisfactory academic progress may have a full Stafford annual loan limit at any one grade level.
- Prorating the annual loan limit based on a student's enrollment status.
- Certifying a Stafford loan only for the amount needed to cover school charges.
- Limiting unsubsidized Stafford borrowing by independent students.

REASON FOR CHANGE:

The Common Manual is being revised to include guidance provided in the FSA Handbook.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 6.15.E, page 31, column 1, by inserting a new paragraph 3, as follows:

A school may not refuse to certify a loan if that refusal is based on policies that result in a pattern or practice of denying access to FFELP loans because of borrower race, sex, religion, national origin, age, income, or selection of a particular lender or guarantor. Practices at the school also may not discriminate against student borrowers who are physically, emotionally, or intellectually challenged—provided the student exhibits an appropriate ability to benefit. The school also may not refuse to certify a loan solely because it is aware that the student or borrower has filed a bankruptcy petition.

[§682.603(e); DCL GEN-95-40, Q&A #1]

A school may not establish any one of the following general policies:

- <u>Limiting the number of times a student who is making satisfactory academic progress may borrow up to the maximum Stafford annual loan limit at any one grade level.</u>
 [07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-85]
- Prorating the Stafford annual loan limit based on a student's enrollment status, such as when the student is enrolled less than full-time, or is enrolled for less than a full academic year that is not a final period of study.
 [07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-92]
- <u>Certifying a Stafford loan only for the amount needed to cover school charges.</u>
 [07-08 FSA Handbook, Volume 4, Chapter 1, p. 4-15]
- <u>Limiting unsubsidized Stafford borrowing by independent students.</u>
 [07-08 FSA Handbook, Volume 4, Chapter 1, p. 4-15]

PROPOSED LANGUAGE - COMMON BULLETIN:

Refusing to Certify a Loan or Reducing Borrower Eligibility

The Common Manual has been updated to clarify that a school may not establish any one of the following general policies:

- Limiting the number of times a student who is making satisfactory academic progress may borrow up to the maximum Stafford annual loan limit at any one grade level.
- Prorating the Stafford annual loan limit based on a student's enrollment status, such as when the student
 is enrolled less than full-time, or is enrolled for less than a full academic year that is not a final period of
 study.
- Certifying a Stafford loan only for the amount needed to cover school charges.
- Limiting unsubsidized Stafford borrowing by independent students.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower is assured access to the loan amounts for which he or she is eligible, unless the school documents its reason for denying or reducing that eligibility on a case-by-case basis.

School:

A school may not apply general policies that have the effect of denying or reducing loan eligibility in an effort to reduce default rates or for other administrative reasons.

Lender/Servicer:

None.

Guarantor:

A guarantor may be required to update program review procedures.

U.S. Department of Education:

The Department may be required to update program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

September 4, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

March 13, 2008

PROPOSAL DISTRIBUTED TO:

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

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, Great Lakes, GSFC, HESAA, HESC, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, and VSAC.

Responses to Comments

Many of the commenters supported this proposal as written. 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 opined that the proposed policy was an excellent addition to the Manual, observing that there are schools that package only up to direct costs.

Response:

The Committee appreciates the commenter's specific statement of support for the proposed policy.

Change:

None.

COMMENT:

One commenter requested that the first bullet under the proposed, new text in Subsection 6.15.E be clarified to indicate that there is no limit to the number of times a borrower who is making satisfactory academic progress may borrow up to the maximum annual Stafford loan limit at any one grade level.

Response:

The Committee agrees that the commenter's suggestion adds clarity.

Change:

The first bullet under the proposed, new text in Subsection 6.15.E has been modified as follows:

A school may not establish any one of the following general policies:

• Limiting the number of times a student who is making satisfactory academic progress may have a full borrow up to the maximum Stafford annual loan limit at any one grade level.

COMMENT:

One commenter requested an addition to the Basis, the 07-08 FSA Handbook, Volume 4, Chapter 1, page 4-15, to support two of the bullets included in the new proposed policy text. These bullets prohibit a school from establishing a general policy of 1) certifying a Stafford loan only for the amount needed to cover school charges, and 2) limiting Stafford borrowing by independent students.

The same commenter requested some typographical changes to the Basis, to capitalize "Chapter" in references to the FSA Handbook, and spell out "page" in cases where page numbers are referenced.

Response:

The Committee declines to make the commenter's requested addition to the Basis. A policy proposal's Basis references the original foundation for new policy text and establishes the timing of the triggering event for that new text. The original guidance that supports the two aforementioned bullets first appeared in the 03-04 FSA Handbook, Volume 8, chapter 2, p. 8-15.

Change:

The Committee has made typographical changes to capitalize "Chapter" in references to the FSA Handbook. However, the Committee's convention is to abbreviate "page" or "pages" in cases where page numbers are referenced. ke-jcs/edited-aes

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: March 20, 2008

	DRAFT Comments Due		
	FINAL	Consider at GB meeting	
Χ	APPROVED	with no changes	Mar 20

SUBJECT: Stafford Annual Loan Limits for Transfer Students

AFFECTED SECTIONS: 6.1 Defining an Academic Year

6.11.A Stafford Annual Loan Limits

POLICY INFORMATION: 1018/Batch 148

EFFECTIVE DATE/TRIGGER EVENT: Publication date of the 07-08 FSA Handbook.

BASIS:

07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88.

CURRENT POLICY:

Current policy does not specifically address the effect on the annual loan limit when a student transfers from a graduate program to an undergraduate program in the middle of an academic year.

REVISED POLICY:

Revised policy states that, when a student transfers from a graduate program to an undergraduate program in the middle of an academic year, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher (graduate/professional) annual loan limit.

REASON FOR CHANGE:

The Common Manual has been revised to include new guidance from the 07-08 FSA Handbook regarding the effect on the annual loan limit when a student transfers from a graduate program to an undergraduate program in the middle of an academic year.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 6.1, page 2, column 2, paragraph 2, as follows:

Transfer Students

If a student borrows Stafford loan funds to attend one school and then transfers to a new school, the new school is not permitted to certify a Stafford loan until it determines whether the student's new academic year will overlap with the final academic year at the prior school. This requires the new school to determine the student's academic year at the prior school. The new school may use either of the following methods to make this determination:

- . . .
- ...

If the final academic year of the prior school does not overlap

If the final academic year of the prior school does overlap with the initial academic year of the new school, the new school must not certify a Stafford loan for more than the student's current annual loan limit *minus* the loan amount the student received at the prior school for the prior school's final academic year. If the student's grade level decreases as a result of the transfer, the new school must not certify a Stafford loan for more than the annual loan limit applicable to the student's current (i.e., decreased) grade level *minus* the outstanding loan amount the student received at the prior school during the prior school's final academic year. The exception to this rule is a transfer from a graduate program to an undergraduate program

within an academic year. In this case, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher (graduate/professional) annual loan limit.

[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88]

Revise Subsection 6.11.A, page 19, column 2, bullet 3, as follows:

• A student who transfers from one program of study to another at the same school or a different school within an academic year is eligible for Stafford loan funds not to exceed the annual loan limits applicable to the student's grade level in the student's new program of study (even if that student is at a lower grade level in the new program or has previously obtained an undergraduate degree in a different program), as determined by the school, minus any outstanding loan funds received in the prior program for the prior current academic year. For a student who transfers to a standard term-based credit-hour program, the student's Stafford loan eligibility for a subsequent term(s) that begins within the initial academic year of the new program, but after the end of the final academic year in the prior program, is the annual loan limit applicable to the student's current grade level minus the outstanding loan amount the student has already received in that academic year in the new program. See section 6.1 for detailed information about defining an academic year and calculating Stafford annual loan amounts for a student who transfers. See section 6.10 for information about determining a student's grade level.

Exception: When a student transfers from a graduate program to an undergraduate program within an academic year, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher (graduate/professional) annual loan limit. See Section 6.1 for detailed information about defining an academic year and calculating Stafford annual loan limits for a student who transfers.

[2006-2007 Federal Student Aid Handbook 07-08 FSA Handbook, Volume 3, Chapter 45, p. 3-88 pp. 3-75 to 3-77]

A student who transfers to a standard term-based credit-hour program at the same school or a different school within an academic year and receives the remaining annual loan limit from the initial academic year for attendance in the new program is eligible to receive an additional Stafford loan in a subsequent term(s) that begins within the initial academic year of the new program, but after the end of the academic year in the prior program. In this case, the student is eligible to receive the annual loan limit applicable to the student's grade level minus the outstanding loan amount the student has already received in that academic year in the new program. See Section 6.1 for detailed information about defining an academic year and calculating Stafford annual loan amounts for a student who transfers. See Section 6.10 for information about determining a student's grade level. [07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88]

• ...

PROPOSED LANGUAGE - COMMON BULLETIN:

Stafford Annual Loan Limits for Transfer Students

The Common Manual has been revised to include new guidance from the 07-08 FSA Handbook stating that when a student transfers from a graduate program to an undergraduate program within an academic year, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher, (graduate/professional) annual loan limit.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower who transfers from a graduate program to an undergraduate program within an academic year is eligible for the full undergraduate annual loan limit, as long as the total amount borrowed during the academic year does not exceed the graduate/professional annual loan limit.

School:

A school may award the full undergraduate annual loan limit to a student who transfers from a graduate program to an undergraduate program within an academic year, as long as the total amount borrowed during the academic year does not exceed the graduate/professional annual loan limit.

Lender/Servicer:

None.

Guarantor:

A guarantor that edits for annual loan limits may need to address guarantee system edits. A guarantor may also be required to modify program review procedures.

U.S. Department of Education:

The Department may need to revise program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

September 4, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

March 13, 2008

PROPOSAL DISTRIBUTED TO:

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

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, Great Lakes, GSFC, HESAA, HESC, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, and VSAC.

Responses to Comments

Many of the commenters supported this proposal as written. Other commenters recommended wordsmithing, grammatical, or other non-substantive changes that were considered without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy statements.

COMMENT:

Two commenters recommended the following clarification to Subsection 6.11.A, page 19, column 2, new bullet 4 to align its language more closely with bullet 2 from which this text originates:

For a A student who transfers to a standard term-based credit-hour program at the same school or a different school within an academic year and receives the remaining annual loan limit from the initial academic year for attendance in the new program is eligible the student's Stafford loan eligibility for to receive a Stafford loan in a subsequent term(s) that begins within the initial academic year of the new program, but after the end of the final academic year in the prior program. In this case, the student is eligible to receive is the annual loan limit applicable to the student's current grade level minus the outstanding loan amount the student has already received in that academic year in the new program...

Response:

The Committee agrees that the commenters' requested changes to bullet 4 add clarity.

Change:

The commenters' suggested language has been incorporated with some minor wordsmithing changes.

COMMENT:

One commenter recommended the inclusion of a detailed example that illustrated the implementation of proposed policy text in Subsection 6.11.A, page 19, column 2, new bullet 4. This bullet discusses annual Stafford loan eligibility for a student attending a standard-term-based program, for any term in the new school's academic year that begins after the ending date of the academic year at the prior school.

Response:

The Committee believes that the addition of a detailed example to illustrate bullet 4 is outside the scope of this proposal, which focuses on determining annual loan limits for students who transfer from a graduate to an undergraduate program mid-year. The Committee also notes that detailed information about determining eligibility for transfer students is contained in Section 6.1, and includes examples that address the same scenario illustrated in the commenters' example. The Committee will consider the commenter's example language separately from this proposal, as a possible enhancement to the existing examples in Section 6.1.

Change:

None.

COMMENT:

One commenter recommended that the proposed policy text outlining the exceptional treatment of students who transfer from a graduate to an undergraduate program mid-year be set off separately, and identified as an "Exception" in Subsection 6.11.A, page 19, column 2, under bullet 3. The commenter noted that this formatting change would highlight the exception.

Response:

The Committee agrees.

Change:

The commenter's recommendation has been adopted in Subsection 6.11.A.

ke-jcs/edited-aes

COMMON MANUAL CORRECTION POLICY PROPOSAL

Date: March 20, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
Χ	APPROVED	with no changes	Mar 20

SUBJECT: Rehabilitation of a Defaulted Loan

AFFECTED SECTIONS: 13.7 Rehabilitation of Defaulted FFELP Loans

POLICY INFORMATION: 1020/Batch 148

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

BASIS:

HEA §428F(a); §682.405; DGAD letter dated July 30, 1993; Federal Register Final Rule published June 28, 1994, p. 33342.

CURRENT POLICY:

Current policy does not indicate whether there is a limit on the number of times a loan may be rehabilitated.

REVISED POLICY:

Revised policy clarifies that there are no federal restrictions that prohibit a loan from being rehabilitated more than once.

REASON FOR CHANGE:

The *Common Manual* is being revised to clarify that there are no federal restrictions that prohibit a loan from being rehabilitated more than once. Initially, the rehabilitation program was a voluntary demonstration program and the Department's Agreement to Participate in the Loan Rehabilitation Program prohibited a loan from being rehabilitated more than once. A Dear Guaranty Agency Director letter dated July 30, 1993, amended the agreement by removing the restriction and this policy was clarified in the *Federal Register* Final Rule published June 28, 1994, p. 33342.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 13.7, page 15, column 2, paragraph 1, as follows:

13.7

Rehabilitation of Defaulted FFELP Loans

To be eligible to rehabilitate a defaulted FFELP loan a borrower must enter into a rehabilitation agreement with the guarantor or a collection agency acting on its behalf. A borrower who receives loan funds for which he or she is ineligible due solely to his or her error may not rehabilitate the ineligible funds or otherwise have his or her Title IV eligibility reinstated until the ineligible funds are repaid in full. A borrower may not include in a rehabilitation agreement a loan on which a judgment has been obtained or a loan on which the borrower has been convicted of, or has pled *nolo contendere* or guilty to, a crime involving fraud in obtaining Title IV funds. There are no federal restrictions that prohibit a loan from being rehabilitated more than once.

[§682.405(a)(1); DGAD letter dated July 30, 1993]

▲ Contact the guarantor for information about its rehabilitation program.

PROPOSED LANGUAGE - COMMON BULLETIN:

Rehabilitation of a Defaulted Loan

The Common Manual has been revised to clarify that there are no federal restrictions that prohibit a loan from being rehabilitated more than once.

GUARANTOR COMMENTS:

None.

Е	Borrower: Ione.
	School: Ione.
	ender/Servicer: Ione.
	Guarantor: lone.
ι	J.S. Department of Education:

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

EAC

None.

DATE SUBMITTED TO CM POLICY COMMITTEE:

October 2, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

March 13, 2008

PROPOSAL DISTRIBUTED TO:

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

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, Great Lakes, GSFC, HESAA, HESC, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, and VSAC.

Responses to Comments

Most of the commenters supported this proposal as written. 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 recommended adding to the Basis, the Final Rule published in the *Federal Register* on June 28, 1994, p. 33342.

Response:

The Committee agrees.

Change:

The citation has been added to the Basis and the Reason for Change statement.

ma/edited-chh

COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: March 20, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
Χ	APPROVED	with no changes	Mar 20

SUBJECT: PLUS MPN with Endorser

AFFECTED SECTIONS: 6.16 Applying for Federal Stafford and PLUS Loans

POLICY INFORMATION: 1021/Batch 148

EFFECTIVE DATE/TRIGGER EVENT: Effective for PLUS MPNs used for loan periods beginning on or after July

1. 2003.

BASIS:

DCL GEN-03-03.

CURRENT POLICY:

Current policy states that in any case in which an endorser is required, a new PLUS MPN is required for each loan regardless of whether an endorser is required for the subsequent loan.

REVISED POLICY:

Revised policy states that when an endorser is used, the PLUS MPN becomes a "single-loan" promissory note because the endorser is liable only for the specific loan that he or she agreed to endorse.

REASON FOR CHANGE:

The purpose for the change is to provide clarity with regard to the "single-loan" promissory note status of a PLUS MPN with an Endorser Addendum.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 6.16, page 32, column 1, paragraph 3, as follows:

Information Applicable to all PLUS Loan Borrowers

Before each PLUS loan is disbursed, the borrower must indicate the amount he or she wishes to borrow (the requested loan amount). This amount may be obtained by the school, the lender, or the guarantor, depending on the process agreed to by the parties. If the lender determines that the borrower has an adverse credit history and an endorser is used, a separate Endorser Addendum is required for each PLUS loan. In any case in which an endorser is required, a new PLUS MPN is required for each loan regardless of whether an endorser is required for the subsequent loan. When an endorser is used, the PLUS MPN becomes a "single-loan" promissory note because the endorser is liable only for the specific loan that he or she agreed to endorse. Any increase in the requested loan amount by the borrower must be approved by the endorser and requires a new PLUS MPN and Endorser Addendum.

EXAMPLE: Based on adverse credit, a PLUS loan applicant is denied a loan for the academic year. The loan applicant obtains an endorser and the PLUS application is approved based on the endorser's lack of adverse credit. The PLUS loan borrower then requests an increase in the loan amount for the same academic year. Since a PLUS MPN with an Endorser Addendum is a "single-loan" promissory note, the PLUS loan borrower must sign a new MPN and obtain an endorser without adverse credit for the additional loan funds or for any subsequent PLUS loan requested during a period in which the PLUS loan borrower has adverse credit.

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

PROPOSED LANGUAGE - COMMON BULLETIN:

PLUS MPN with Endorser

The Common Manual has been revised to clarify that when an endorser is used, the PLUS MPN becomes a

"single-loan" promissory note because the endorser is liable only for the specific loan that he or she agreed to endorse. The lender must obtain a new MPN and new Endorser Addendum if the PLUS borrower (parent or student) requests an increase in the loan amount or a subsequent new PLUS loan.

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:

November 2, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

March 13, 2008

PROPOSAL DISTRIBUTED TO:

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

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, Great Lakes, GSFC, HESAA, HESC, NASFAA, NCHELP, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, and VSAC.

Responses to Comments

Many of the commenters supported this proposal as written. Other commenters recommended wordsmithing, grammatical, or other non-substantive changes that were considered without comment. 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 requested the inclusion of a statement at the end of the example noting that if in a subsequent year a borrower is deemed creditworthy, then the borrower may take out subsequent loans on that MPN until the borrower is deemed to have adverse credit or the MPN expires.

Response:

The Committee does not concur with the request. If the borrower applies for a PLUS loan in a subsequent year and does not have adverse credit, the borrower must complete a "new" PLUS MPN because each of the prior year's PLUS MPNs with an endorser is a "single-loan" promissory note.

Change:

None.

COMMENT:

One commenter suggested the following revisions to the example because "creditworthy" is not equivalent to "not having adverse credit." A borrower could have no credit history at all and could be considered not creditworthy but cannot be considered to have adverse credit.

EXAMPLE: Based on adverse credit, a PLUS loan applicant is denied a loan for the academic year. The loan applicant obtains an endorser and the PLUS application is approved based on the endorser's <u>creditworthiness lack of adverse credit</u>. The PLUS loan borrower then requests an increase in the loan amount for the same academic year. Since a PLUS MPN with an Endorser Addendum is a "single-loan" promissory note, the PLUS loan borrower must sign a new MPN and obtain an <u>creditworthy</u> endorser <u>without adverse credit</u> for the additional loan funds and for any subsequent PLUS loan requested during a period in which the PLUS loan borrower has adverse credit.

Response:

The Committee agrees.

Change:

The text in the example has been revised as requested.

ce/edited- tmh

COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: March 20, 2008

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
Х	APPROVED	with no changes	Mar 20

SUBJECT: Obtaining a Subsequent Consolidation Loan

AFFECTED SECTIONS: 15.2 Borrower Eligibility and Underlying Loan Holder

Requirements

POLICY INFORMATION: 1022/Batch 148

EFFECTIVE DATE/TRIGGER EVENT: Consolidation loans made on or after July 1, 2000.

BASIS:

§682.201(e)(2), Interim Final Rules published in the *Federal Register* dated August 9, 2006, page 45699, *Federal Register* dated November 1, 1999, and preambles to the *Federal Registers* dated November 1, 1999, and August 10, 1999, page 43430.

CURRENT POLICY:

Current policy states that a borrower may obtain a subsequent Consolidation loan as a result of obtaining a new eligible loan after the date the existing Consolidation loan was made. Current policy also states that an eligible borrower may consolidate any or all outstanding eligible loans, including existing Consolidation loans and loans made before or after any existing Consolidation loan.

REVISED POLICY:

Revised policy states that a borrower may obtain a subsequent, separate Consolidation loan as a result of having at least one other eligible loan made before or after the date the existing Consolidation loan was made. Revised policy also retains the existing text which states that an eligible borrower may consolidate any or all outstanding eligible loans, including existing Consolidation loans and loans made before or after any existing Consolidation loan.

REASON FOR CHANGE:

This text is being revised, based on a comment made to proposal 934 in Batch 139, to conform with federal regulations and to provide consistency within the Manual.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 15.2, page 4, column 1, paragraph 4, as follows:

Obtaining a Subsequent Consolidation Loan

A borrower who currently has either a Federal or a Direct Consolidation loan is not eligible for a subsequent Federal or Direct Consolidation loan unless the borrower meets one of the following conditions:

- The borrower has obtained a new is consolidating an eligible loan(s) obtained before or after the date the existing Consolidation loan was made to form a separate Consolidation loan.
- The borrower is consolidating an existing Consolidation loan with at least one other eligible loan, including another eligible Consolidation loan, regardless of whether that eligible loan was made before or after the date the existing Consolidation loan was made. [HEA 428C(a)(3) and (a)(4); §682.201(e)(2) and (3); DCL GEN-06-20/FP-06-16]

A borrower who currently has a Federal Consolidation loan and does not meet one of the above conditions is not eligible for a subsequent Federal Consolidation loan, but may be eligible for a subsequent Direct Consolidation loan if the borrower meets one of the following conditions:

• The borrower's consolidation loan holder has requested default aversion assistance from the

guarantor, and the borrower is seeking an income-contingent repayment schedule.

The borrower has filed an adversary complaint in a bankruptcy proceeding and is seeking an income-contingent repayment schedule. [HEA 428C(a)(3)(B)(I); DCL GEN-06-20/FP-06-16]

If the borrower meets all eligibility requirements, any or all outstanding eligible loans may be consolidated, including existing Consolidation loans and loans made before or after any existing Consolidation loan.

[§682.201(d)(e)(2) and (3)]

PROPOSED LANGUAGE - COMMON BULLETIN:

Obtaining a Subsequent Consolidation Loan

The Common Manual has been revised to clarify one of the conditions that permits a Consolidation loan borrower to obtain a subsequent Consolidation loan. A borrower with either a Federal or Direct Consolidation loan is eligible for a subsequent, separate Federal or Direct Consolidation loan if the borrower is consolidating

at least one other eligible loan (except a Consolidation loan) made before or after the date that the existing Consolidation loan was made. This change provides consistency with existing <i>Common Manual</i> text which states that an eligible borrower may consolidate any or all outstanding eligible loans, including existing Consolidation loans and loans made before or after any existing Consolidation loan.		
Guarantor Comments: None.		
IMPLICATIONS: Borrower: None.		

Lender/Servicer:

None.

School: None.

Guarantor: None.

U.S. Department of Education:

None.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

SLSA

DATE SUBMITTED TO CM POLICY COMMITTEE:

February 1, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

March 13, 2008

PROPOSAL DISTRIBUTED TO:

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

Comments Received From:

AES/PHEAA, ASA, CSLF, EAC, Great Lakes, GSFC, HESAA, HESC, NASFAA, NCHELP, NSLP, OGSLP,

PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, and VSAC.

Responses to Comments

Most commenters supported this proposal as written. Other commenters recommended wordsmithing, grammatical, or other non-substantive changes that were considered without comment. We appreciate the review of all commenters, their careful consideration of this policy, and their assistance in crafting clear, concise policy language.

COMMENT:

One commenter noted that the change to Section 15.2 is not an accurate reflection of the applicable statutory language. The change seems to imply that an "eligible loan" made <u>before</u> a current existing Consolidation loan may be consolidated, sans the current existing Consolidation loan, into a Consolidation loan in and of itself. The commenter asserts that this is inaccurate. Under the statutory language, only an eligible loan <u>made</u> <u>after</u> the existing Consolidation loan may be so consolidated.

Response:

Although the Committee acknowledges the commenter's interpretation of statutory language, the Committee is guided by the Department's interpretation through regulation of the statutory language (as provided below) that allows a Consolidation borrower to consolidate loans made before or after the date of the borrower's existing Consolidation loan into a separate, subsequent Consolidation loan.

Section 420(a) of the Higher Education Act (HEA) of 1998 (P.L.105-244) clarifies the treatment of loans made before and after a Consolidation loan by adding text in section 428C(a)(3)(B) of the HEA to state that (1) an individual who receives eligible student loans after the date of receipt of the Consolidation loan may receive a subsequent Consolidation loan and (2) loans received prior to the date of the first Consolidation loan may be added to a subsequent Consolidation loan. In the *Federal Register*, Volume 64, No. 153 dated August 10, 1999, the Department states on page 43430 of the preamble that the proposed regulations would reflect the changes made by the 1998 Amendments to section 428C(a)(3)(B) of the HEA to expand the universe of loans that may be included in a FFELP Consolidation loan. The Department continues its explanation by noting that "loans received prior to the date of a borrower's first FFEL Consolidation loan may be added to any subsequent FFEL Consolidation loan the borrower obtains." The Department further clarified its perspective of the statutory language in the Interim Final Rules resulting from the Higher Education Reconciliation Act and published in the *Federal Register*, Volume 71, No. 153, dated August 9, 2006 by revising §682.201(e)(2) to state the following:

"A borrower who receives an eligible loan before or after the date a Consolidation loan is made may receive a subsequent Consolidation loan."

10	secret a subsequent consolidation loan.
Change: None.	
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