

#	Subject	Summary of Change to Common Manual	Type of Update	Effective Date
1272	Elimination of Interest Subsidy during Grace Period	<p>2.1.B Types of Loans Available 2.2.B The Interim Period 6.14.A Subsidized Stafford Loans 10.3.B Payment of Interest during the Grace Period 10.9 Interest Charges 10.10.B Capitalization Frequency A.1.B When Federal Interest Benefits Will Be Paid Appendix G</p> <p>Removes temporarily language that states that the federal government will pay interest to the borrower's lender until the borrower enters repayment and adds language to explain that new subsidized Stafford loans first disbursed on or after July 1, 2012 but before July 1, 2014 will no longer be eligible for interest subsidy from the date the student ceases to be enrolled at least half time until the loan enters repayment, otherwise known as the borrower's 6-month grace period.</p>	Federal	Stafford loans first disbursed on or after July 1, 2012 and before July 1, 2014.
1273	Repeal of Subsidized Stafford Loans for Graduate and Professional Students	<p>5.1.C Graduate or Professional Student and Parent PLUS Loan Borrower Eligibility Requirements 6.11.A Stafford Annual Loan Limits 6.11.B Stafford Aggregate Loan Limits 6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students 6.16 Applying for Federal Stafford and PLUS Loans</p> <p>Adds information about the loss of subsidized loan eligibility for graduate and professional students.</p>	Federal	Stafford loans made for periods of enrollment beginning on or after July 1, 2012.
1274	Stafford Loan Interest Rates – Figure 7-1	<p>Figure 7-1</p> <p>Adds the applicable interest rate for Stafford loans first disbursed on or after July 1, 2012 and reflects the statutory increase in this rate.</p>	Federal	For Stafford loans first disbursed on or after July 1, 2012.
1275	Military Service Deferment	<p>11.8.A Eligibility Criteria – Military Service</p> <p>Removes language that may lead a reader to think that this deferment is only for borrowers who are serving in the military after October 1, 2007. The October 1, 2007 date is only tied to the 180-day post-deferment time frame and is discussed in Subsections 11.8.B and 11.8.C of the <i>Common Manual</i>.</p>	Correction	Military service deferments granted on or after October 1, 2007.

COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: March 2, 2012

X	DRAFT	Comments Due	Mar 23
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Elimination of Interest Subsidy during Grace Period

AFFECTED SECTIONS:

- 2.1.B Types of Loans Available
- 2.2.B The Interim Period
- 6.14.A Subsidized Stafford Loans
- 10.3.B Payment of Interest during the Grace Period
- 10.9 Interest Charges
- 10.10.B Capitalization Frequency
- A.1.B When Federal Interest Benefits Will Be Paid
- Appendix G

POLICY INFORMATION: 1272/Batch 187

EFFECTIVE DATE/TRIGGER EVENT: Stafford loans first disbursed on or after July 1, 2012 and before July 1, 2014.

BASIS:

H.R. 2055 amendments to HEA §428(a)(3)(A)(i)(1).

CURRENT POLICY:

Current policy states that the federal government will pay interest on a subsidized Stafford loan to the borrower's lender until the borrower enters repayment and during periods of deferment.

REVISED POLICY:

Revised policy temporarily removes language that states that the federal government will pay interest to the borrower's lender until the borrower enters repayment and adds language to explain that new subsidized Stafford loans first disbursed on or after July 1, 2012 but before July 1, 2014 will no longer be eligible for interest subsidy from the date the student ceases to be enrolled at least half time until the loan enters repayment, otherwise known as the borrower's 6-month grace period.

REASON FOR CHANGE:

This policy is necessary to implement amendments made to the HEA by H.R. 2055.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 2.1.B, page 1, column 2, paragraph 2, as follows:

Types of Loans Available

There are several types of education loans currently offered by lenders under the FFELP:

- A **subsidized Federal Stafford loan** is available to an eligible student attending a participating postsecondary school. A student who demonstrates financial need is eligible to have the federal government pay the interest on the loan to the lender while the student is enrolled at least half time, in some instances until repayment of the loan begins, and during any deferment periods. The student is allowed a grace period (usually six months) after leaving school or dropping below half-time enrollment before repayment begins. Repayment of a Stafford loan is scheduled over a maximum period of 10 years. However, the repayment period may be longer than 10 years under an income-based repayment plan. For a borrower eligible for an extended repayment schedule, the maximum repayment period is 25 years (see Section 10.8).

Revise Subsection 2.2.B, page 8, column 1, paragraph 1, as follows:

The Interim Period

In-School and Grace Periods

Each student who borrows a Stafford loan is entitled to an “interim period.” This period includes the time when the student is in school and the grace period before the student is required to begin making payments. During the in-school and grace periods on a some subsidized Stafford loans, the federal government pays the interest due the lender on behalf of the student. Subsidized Stafford loans first disbursed on or after July 1, 2012, do not receive this interest benefit during the grace period; instead, the Department is responsible for collecting or capitalizing interest due from the student. During the in-school and grace periods on an unsubsidized Stafford loan, the lender is responsible for collecting or capitalizing interest due from the student.
[HEA § 428(a)(3)(A)(i)(1)]

Revise Subsection 6.14.A, page 47, column 2, paragraph 1, as follows:

Subsidized Stafford Loans

A subsidized Stafford loan made for the certified amount or less—subject to the applicable Stafford annual and aggregate loan limits—is eligible for federal interest subsidy. The Department pays accruing interest on behalf of the borrower to the lender on a some subsidized Stafford loans during the student’s in-school, grace, deferment, and, if applicable, post-deferment grace periods (see Appendix A). Subsidized Stafford loans first disbursed on or after July 1, 2012 do not receive this interest benefit during the grace period; instead, the Department is responsible for collecting or capitalizing interest due from the borrower. The borrower is generally responsible for paying the interest that accrues during all other periods. However, if a borrower qualifies for income-based repayment (IBR) and the monthly payment amount during the period of the borrower’s partial financial hardship (PFH) is not sufficient to pay the interest accruing on a subsidized Stafford loan, the Department pays the accrued interest that exceeds the scheduled monthly PFH payment during a consecutive 3-year period beginning on the established repayment period start date when each loan enters IBR. This 3-year period excludes any period during which the borrower receives an economic hardship deferment.
[HEA § 428(a)(3)(A)(i)(1); § 682.300(b)(1)]

Revise Subsection 10.3.B, page 5, column 1, paragraph 5, as follows:

Payment of Interest during the Grace Period

For some subsidized Stafford loans, interest accruing during the grace period is paid by the Department. Subsidized Stafford loans first disbursed on or after July 1, 2012 do not receive this interest benefit during the grace period; instead, the Department is responsible for collecting or capitalizing interest due from the borrower. For unsubsidized Stafford loans, the borrower is responsible for paying all interest that accrues during the life of the loan.
[HEA § 428(a)(3)(A)(i)(1); § 682.300(b)(1)(i)]

Revise Section 10.9, page 19, column 2, paragraph 2, as follows:

Interest Charges

If a borrower’s loan is a subsidized Stafford loan first disbursed prior to July 1, 2012, the federal government pays the interest that accrues during the in-school, grace, and authorized deferment periods. If a borrower’s subsidized Stafford loan is first disbursed on or after July 1, 2012, the federal government does not pay the interest that accrues during the grace period. If a borrower’s monthly partial financial hardship (PFH) payment amount under an income-based repayment (IBR) plan is not sufficient to pay the interest accruing on a subsidized Stafford loan, the Department pays the accrued interest that exceeds the scheduled monthly PFH payment amount during a consecutive 3-year period beginning with the repayment period start date when each loan enters IBR. This 3-year period excludes any period during which the borrower receives an economic hardship deferment.
[HEA § 428(a)(3)(A)(i)(1); § 682.215(b)(4)]

Revise Subsection 10.10.B, page 21, column 2, paragraph 1, as follows:

Capitalization Frequency

To determine when the lender may capitalize interest, the lender should refer to the following instructions.

For a loan in repayment under an income-based repayment (IBR) plan, unpaid interest is capitalized if the borrower ceases to have a partial financial hardship (PFH) or leaves IBR and is placed on the expedited-standard repayment schedule.

[§682.215(b)(5)]

Subsidized Stafford Loans First Disbursed on or after July 1, 2012

The lender may capitalize unpaid interest only as follows:

- When the loan enters repayment.
- When the grace period ends.
- When a deferment ends.
- When a forbearance ends.
- When the loan defaults.

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

When Federal Interest Benefits Will Be Paid

Interest benefits are paid on subsidized Stafford loans first disbursed prior to July 1, 2012, qualifying Consolidation loans, and any qualifying portions of Consolidation loans when the loans are in an in-school, grace, deferment, or post-deferment grace status.

[§682.300(b)(1)]

Interest benefits are paid on subsidized Stafford loans first disbursed on or after July 1, 2012 when the loans are in an in-school or deferment status.

[HEA §428(a)(3)(A)(i)(1)]

The borrower is responsible for paying the interest that accrues during all other periods.

Revise Subsection A.1.B, page 2, column 2, paragraph 4, as follows:

The payment of interest benefits on a subsidized Stafford loan first disbursed prior to July 1, 2012, continues through the period during which the borrower is continuously enrolled at least half time in school and through the grace period. Subsidized Stafford loans first disbursed on or after July 1, 2012 do not receive this interest benefit during the grace period. If a borrower qualifies for a deferment after entering repayment on the loan, the Department's obligation to pay interest benefits resumes on the date the borrower's deferment eligibility began, except in the case of an initial period of unemployment deferment for which the borrower self-certified his or her eligibility. The Department's obligation to pay interest benefits on behalf of a borrower who qualifies for an initial period of unemployment deferment based on the borrower's self-certification of eligibility begins on the later of:

[HEA §428(a)(3)(A)(i)(1); §682.300(b)(1)(i) and (ii)]

Revise Appendix G, page 9, column 2, paragraph 3, as follows:

Federal Interest Benefits: The federal government's payment of accrued interest on subsidized Stafford loans to the lender on behalf of the borrower during in-school, grace, and deferment periods if the loan meets certain eligibility requirements (see Section 10.9). Some Consolidation loans also may qualify for interest benefits (see Section 15.6). For more

detailed information regarding the collection of federal interest benefits, see Section A.1.

PROPOSED LANGUAGE - COMMON BULLETIN:

Elimination of Interest Subsidy during Grace Period

The *Common Manual* is updated to remove language that states that the federal government will pay the interest to the borrower's lender until the borrower enters repayment and adds language to explain that subsidized Stafford loans first disbursed on or after July 1, 2012 but before July 1, 2014 will no longer be eligible for interest subsidy from the date the student ceases to be enrolled at least half time until the loan enters repayment, otherwise known as the borrower's 6-month grace period.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower whose subsidized Stafford loan is first disbursed on or after July 1, 2012 will no longer receive interest benefits during the grace period.

School:

None.

Lender/Service:

None.

Guarantor:

None.

U.S. Department of Education:

The Department may need to amend its program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

January 17, 2012

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

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COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: March 2, 2012

X	DRAFT	Comments Due	Mar 23
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Repeal of Subsidized Stafford Loans for Graduate and Professional Students

AFFECTED SECTIONS:

- 5.1.C Graduate or Professional Student and Parent PLUS Loan Borrower Eligibility Requirements
- 6.11.A Stafford Annual Loan Limits
- 6.11.B Stafford Aggregate Loan Limits
- 6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students
- 6.16 Applying for Federal Stafford and PLUS Loans

POLICY INFORMATION: 1273/Batch 187

EFFECTIVE DATE/TRIGGER EVENT: Stafford loans made for periods of enrollment beginning on or after July 1, 2012.

BASIS:

Budget Control Act of 2011; DCL GEN-11-16.

CURRENT POLICY:

Current policy does not include information about the loss of subsidized loan eligibility for graduate and professional students.

REVISED POLICY:

Revised policy adds information about the loss if subsidized loan eligibility for graduate and professional students.

REASON FOR CHANGE:

This change is being made to update the Manual with statutory changes as a result of the Budget Control Act of 2011, and information published in DCL GEN-11-16, dated August 31, 2011.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 5.1.C, page 3, column 1, paragraph 3, as follows:

Graduate or Professional Student and Parent PLUS Loan Borrower Eligibility Requirements

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

[Budget Control Act of 2011, Title V, §502; DCL FP-06-05; DCL GEN-11-16]

Revise Subsection 6.11.A, page 30, column 1, paragraph 2, as follows:

Graduate and Professional Students

A student enrolled in a graduate or professional program of study is eligible to borrow an ~~combined subsidized and unsubsidized~~ Stafford annual loan limit of up to \$20,500 for each academic year. ~~Of the total amount borrowed for the year, no more than \$8,500 may consist of subsidized Stafford loan funds. If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire \$20,500 Stafford annual loan limit in unsubsidized Stafford~~

loan funds.

[Budget Control Act of 2011, Title V, §502; §682.204(a)(5) and (d)(5); DCL GEN-11-16]

Exception: Increased unsubsidized Stafford annual loan limits are authorized for certain health profession students (see Subsection 6.11.D).

Revise Subsection 6.11.B, page 39, column 1, paragraph 2, as follows:

Graduate and Professional Students

A graduate or professional student is eligible to borrow an ~~combined subsidized and~~ unsubsidized Stafford aggregate loan amount of up to \$138,500 (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans). Subsidized Stafford loans may comprise no more than \$65,500 of the total amount borrower. If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire \$138,500 Stafford aggregate loan limit in unsubsidized Stafford loan funds.

Exception: Increased unsubsidized Stafford aggregate loan limits are authorized for certain health profession students (see Subsection 6.11.D).

[Budget Control Act of 2011, Title V, §502]

Revise Subsection 6.11.D, page 41, column 1, paragraph 3, as follows:

Special Stafford Aggregate Loan Limits

Graduate and professional health profession students who are eligible for increased unsubsidized Stafford loans are eligible to borrow an ~~combined subsidized and~~ unsubsidized Stafford aggregate loan amount of up to \$224,000 (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans). Subsidized Stafford loans may comprise no more than \$65,500 of this amount. If a student is ineligible for subsidized Stafford loan funds, the student may borrower the \$224,000 aggregate loan limit in unsubsidized Stafford loan funds.

[Budget Control Act of 2011, Title V, §502; DCL GEN-99-21; DCL GEN-99-7; DCL GEN-98-18; DCL GEN-97-14; DCL GEN-97-4; DCL GEN-96-14; DCL GEN-11-16]

Revise Section 6.16, page 53, column 2, paragraph 4, as follows:

Information Applicable to Graduate and Professional Student PLUS Loan Borrowers

Before applying for a Grad PLUS loan, a student is required to submit a completed FAFSA and the school is required to determine the student's maximum eligibility for ~~subsidized and~~ unsubsidized Stafford loan funds. However, the student may decline the Stafford loan funds and the school may not require the student to accept Stafford loan funds as a condition of applying for a Grad PLUS loan. The PLUS MPN may be used by a graduate or professional student borrower to obtain one or more PLUS loans.

[Budget Control Act of 2011, Title V, §502; DCL GEN-06-02/FP-06-01; DCL GEN-11-16]

PROPOSED LANGUAGE - COMMON BULLETIN:

Repeal of Subsidized Stafford Loans for Graduate and Professional Students

The *Common Manual* has been revised to reflect changes to graduate and professional students' eligibility for Direct Subsidized Stafford Loans resulting from passage of the Budget Control Act of 2011. Affected borrowers will no longer be eligible for Direct Subsidized Stafford loans for periods of enrollment beginning on or after July 1, 2012. The annual and aggregate loan limits for these borrowers are not affected.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

Prospective borrowers will have more information concerning loan types available for graduate and professional students.

School:

A school will need to provide graduate and professional students with the appropriate loan types available.

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 9, 2011

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

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COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: March 2, 2012

X	DRAFT	Comments Due	Mar 23
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Stafford Loan Interest Rates – Figure 7-1

AFFECTED SECTIONS: Figure 7-1

POLICY INFORMATION: 1274/Batch 187

EFFECTIVE DATE/TRIGGER EVENT: For Stafford loans first disbursed on or after July 1, 2012.

BASIS:

HEA Section 427A(l)(4); §685.20210(a)(1).

CURRENT POLICY:

Current figure provides the Stafford loan interest rates up until July 1, 2012.

REVISED POLICY:

Revised figure includes the applicable interest rate for Stafford loans first disbursed on or after July 1, 2012 and reflects the statutory increase in this rate.

REASON FOR CHANGE:

This proposal is necessary to make a statutory update to Figure 7-1 to include the applicable interest rate for Stafford loans first disbursed on or after July 1, 2012.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Figure 7-1, page 6, as follows:

Stafford Loan Interest Rates

Figure 7-1

Disbursement/Loan Period/Borrower Characteristics	Interest Rate
First disbursement on/after 7/1/06	Fixed interest rate of 6.8%
Subsidized Stafford loans made to undergraduate borrowers and first disbursed as follows:	
<ul style="list-style-type: none">On or after July 1, 2008, and before July 1, 2009On or after July 1, 2009, and before July 1, 2010On or after July 1, 2010, and before July 1, 2011On or after July 1, 2011, and before July 1, 2012On or after July 1, 2012	<ul style="list-style-type: none">Fixed interest rate of 6%Fixed interest rate of 5.6%Fixed interest rate of 4.5%Fixed interest rate of 3.4%Fixed interest rate of 6.8%

PROPOSED LANGUAGE - COMMON BULLETIN:

Stafford Loan Interest Rates – Figure 7-1

The *Common Manual* is being revised to include the interest rate for Stafford loans first disbursed on or after July 1, 2012.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

Borrowers who have loans prior to July 1, 2012 will have loans with different interest rates depending on when the loans were first disbursed.

School:

Schools may need to update their financial aid disclosures to reflect the current interest rate and may need to update their entrance and exit counseling material.

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:

February 17, 2012

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

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COMMON MANUAL – CORRECTION POLICY PROPOSAL

Date: March 2, 2012

X	DRAFT	Comments Due	Mar 23
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: Military Service Deferment

AFFECTED SECTIONS: 11.8.A Eligibility Criteria—Military Service

POLICY INFORMATION: 1275/Batch 187

EFFECTIVE DATE/TRIGGER EVENT: Military service deferments granted on or after October 1, 2007.

BASIS:

§682.210(t)(1); DCL GEN-08-01.

CURRENT POLICY:

Current policy states that a military service deferment is available for all periods that include October 1, 2007, or begin on or after that date, during which a borrower is serving in one of the capacities as stated in §682.210(t)(1).

REVISED POLICY:

Revised policy removes language that may lead a reader to think that this deferment is only for borrowers who are serving in the military after October 1, 2007. The October 1, 2007 date is only tied to the 180-day post-deferment time frame and is discussed in Subsections 11.8.B and 11.8.C of the *Common Manual*.

REASON FOR CHANGE:

This policy is necessary to clarify borrower eligibility for the military service deferment.

PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 11.8.A, page 16, column 1, paragraph 3, as follows:

Eligibility Criteria – Military Service

This deferment is available to Stafford, PLUS, and Consolidation loan borrowers ~~for all periods that include October 1, 2007, or begin on or after that date~~ during periods in which a borrower is serving in one of the following capacities:

- On active duty during a war or other military operation, or a national emergency.
- On qualifying National Guard duty during a war or other military operation, or a national emergency.
[HEA §428(b)(1)(M); §682.210(t)(1) - (4); DCL GEN-06-02; DCL GEN-08-01]

PROPOSED LANGUAGE - COMMON BULLETIN:

Military Service Deferment

The *Common Manual* is being revised to clarify borrower eligibility for the military service deferment.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

All borrowers who meet the military service criteria are eligible for the military service deferment.

School:

None.

Lender/Service:

A lender may need to revise its military service deferment criteria and processes.

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:
February 10, 2012

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:
CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others

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