

#	Subject	Summary of Change to <i>Common Manual</i>	Type of Update	Effective Date
1072	Eligible Lender - Eligible Financial Institutions	<p><b><u>3.1</u></b>      <b><u>Eligible Lenders</u></b></p> <p>Adds a third exemption for the criterion that FFELP loans may not represent more than 50% of a lender's consumer credit loan portfolio in order for the lender to be considered eligible to participate in the FFELP. This exemption is for a National or State chartered bank or credit union with assets of less than \$1 billion.</p>	Federal	August 14, 2008.
1073	New School-as-Lender Audit Requirement	<p><b><u>3.2</u></b>      <b><u>Schools Acting as Lenders and Eligible Lender Trustee Relationships</u></b></p> <p>Adds the requirement that a school-as-lender (SAL), a lender serving as a trustee for a school, or a school-affiliated organization participating as a lender in the FFELP must have an annual audit of its lending function that focuses on ensuring that the income (special allowance, interest received from students and the Department, proceeds of any loan sale, etc.) is used to provide need-based grants and that the school applies only a reasonable portion of those proceeds to administrative expenses. The audit must confirm that the proceeds of the loan portfolio are used to supplement and not to supplant federal and non-federal funds that would otherwise be directed to need-based grant programs.</p>	Federal	School-lender fiscal years beginning on or after August 14, 2008.
1074	Credit Reporting Requirements	<p><b><u>3.5.C</u></b>      <b><u>Credit Bureau Reporting</u></b></p> <p><b><u>13.8</u></b>      <b><u>Discharge</u></b></p> <p>Changes credit bureaus to "consumer reporting agencies" to align with new statutory terminology. The policy also requires the lender to report to all national consumer reporting agencies, and adds to the list of data that the lender is required to report that the lender must report that the loan is an education loan.</p>	Federal	Loans on which the lender reports credit transactions on or after August 14, 2008.
1075	Lenders of Last Resort	<p><b><u>3.7.A</u></b>      <b><u>Eligible Lenders</u></b></p> <p><b><u>3.7.C</u></b>      <b><u>How the LLR Program Works</u></b></p>	Federal	May 7, 2008.

		<b><u>Appendix G</u></b> Includes new and amended provisions for lender of last resort (LLR) loans outlined in the Ensuring Continued Access to Student Loans Act (ECASLA) and subsequent federal guidance.		
1076	Drug Conviction Notices	<b><u>4.4.B</u></b> <b><u>Consumer Information</u></b> <b><u>5.8</u></b> <b><u>Effect of Drug Conviction on Eligibility</u></b>  Adds the requirement that a school must provide a written notice to a student who has been convicted of a state or federal offense involving drug possession or sale while the student is enrolled in school and receiving Title IV aid.  Adds the requirement that a school must provide a written notice to a student who loses Title IV eligibility due to a drug-related conviction that advises the student of his or her loss of Title IV eligibility and the ways in which the student may regain eligibility for Title IV aid.	Federal	For the notice upon enrollment: Students who enroll at the school on or after August 14, 2008.  For the notice upon loss of Title IV eligibility due to a drug conviction: School determinations of a student's loss of Title IV eligibility on or after August 14, 2008.  <i>If the Department publishes guidance with a different triggering event, the Common Manual will immediately notify the FFELP community of the change.</i>
1077	Multiple School Enrollment	<b><u>5.15</u></b> <b><u>Multiple School Enrollment</u></b> <b><u>6.7</u></b> <b><u>Determining the Amount of Estimated Financial Assistance (EFA)</u></b>  Adds that for a student enrolled simultaneously at multiple schools, any Stafford or PLUS loan certified by one school is not included as estimated financial assistance (EFA) by any other school when determining a student or parent borrower's loan eligibility for the same payment period or period of enrollment.	Federal	Publication date of the 05-06 FSA Handbook.
1078	Teacher Education Assistance for College and Higher Education (TEACH) Grants	<b><u>6.6</u></b> <b><u>Determining the Expected Family Contribution (EFC)</u></b> <b><u>6.7</u></b> <b><u>Determining the Amount of Estimated Financial Assistance (EFA)</u></b> <b><u>6.11.A</u></b> <b><u>Stafford Annual Loan Limits</u></b>	Federal	For provisions regarding estimated financial assistance (EFA), annual, and aggregate Stafford loan limits: Loan eligibility determinations

		<p><b><u>6.11.B</u></b>      <b><u>Stafford Aggregate</u></b>  <b><u>Loan Limits</u></b></p> <p><b><u>9.5.A</u></b>      <b><u>Return Amounts for</u></b>  <b><u>the Title IV Grant and</u></b>  <b><u>Loan Programs</u></b></p> <p><b><u>9.5.B</u></b>      <b><u>Processing Returned</u></b>  <b><u>Funds</u></b></p> <p><b><u>13.8.G</u></b>    <b><u>Total and Permanent</u></b>  <b><u>Disability</u></b></p> <p><b><u>16.2</u></b>      <b><u>Calculation of School</u></b>  <b><u>Cohort Default Rates</u></b></p> <p>Adds information on certain TEACH grant provisions and their implications for FFELP borrowers and loan eligibility. These provisions relate to: estimated financial assistance (EFA); Stafford annual and aggregate loan limits; return of Title IV funds calculation; total and permanent disability; and a school's cohort default rate.</p> <p>Adds a glossary definition to the Manual for TEACH grants.</p>		<p>made by a school on or after July 1, 2008.</p> <p>For provisions regarding return of Title IV funds: TEACH Grant recipients who withdraw on or after July 1, 2008.</p> <p>For total and permanent disability discharge determinations: total and permanent disability discharge applications received by the lender on or after July 1, 2008.</p> <p>For all other provisions: July 1, 2008.</p>
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# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: November 7, 2008

X	DRAFT	Comments Due	Dec 1
	FINAL	Consider at GB Meeting	
	APPROVED	With Changes / No Changes	

**SUBJECT:** Eligible Lender - Eligible Financial Institutions

**AFFECTED SECTIONS:** 3.1 Eligible Lenders

**POLICY INFORMATION:** 1072/Batch 155

**EFFECTIVE DATE/TRIGGER EVENT:** August 14, 2008.

**BASIS:**

HEA §435(d)(1)(A)(ii)(IV) as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315.

**CURRENT POLICY:**

Current policy states that one of the criteria for a national or state chartered bank, mutual savings bank, savings and loan association, stock savings bank or credit union to be considered eligible to participate in the FFELP is that FFELP loans may not represent more than 50% of the lender's consumer credit loan portfolio. Under current policy, there are two exceptions to this criterion.

**REVISED POLICY:**

Revised policy adds a third exemption for the criterion that FFELP loans may not represent more than 50% of a lender's consumer credit loan portfolio in order for the lender to be considered eligible to participate in the FFELP. The additional exemption is for a National or State chartered bank or credit union with assets of less than \$1 billion.

**REASON FOR CHANGE:**

This change is made to comply with provisions of the HEOA.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Section 3.1, page 1, column 1, paragraph 1, by adding a new item under sub bullet 2, as follows:

Eligible lenders participate in the FFELP on a voluntary basis. An eligible lender can be any of the following:

- A national or state chartered bank, mutual savings bank, savings and loan association, stock savings bank, or credit union. To be considered eligible to participate in the FFELP, the lender must meet both of the following criteria:  
[HEA §435(d)(1)(A); §682.200(b)]
  - The lender is subject to examination and supervision in its capacity as a lender by an agency of the United States or the state in which its principal place of operation is established.  
[HEA §435(d)(1)(A)(I); §682.200(b)]
  - The lender does not have as its primary consumer credit function the making or holding of FFELP loans to students and parents. FFELP loans may not represent more than 50% of the lender's consumer credit loan portfolio (including home mortgages). Loans held in trust by a trustee lender are not considered part of the trustee lender's consumer credit function. A lender is exempt from this requirement in any one ~~either~~ of the ~~two~~ three following scenarios:
    - (1) The lender is a bank wholly owned by a state, or a bank that is subject to examination and supervision by an agency of the United States; makes student loans as a trustee pursuant to an express trust; has operated as

a lender under the loan programs before January 1, 1975; and has met these requirements before the enactment of the Higher Education Amendments of 1992; ~~or~~.

- (2) The lender is a single, wholly owned subsidiary of a bank holding company that does not have as its primary consumer credit function the making or holding of student loans;\_
- (3) The lender is a National or State chartered bank, or credit union, with assets of less than \$1 billion.

**Proposed Language - Common Bulletin:**

**Eligible Lender - Eligible Financial Institutions**

The *Common Manual* has been revised to amend the requirements for a lender that is a National or State chartered bank, mutual savings bank, savings and loan association, stock savings bank, or credit union to be considered eligible to participate in the FFELP. Under the current requirements, a lender's FFELP loans may not represent more than 50% of the lender's consumer credit portfolio. Existing policy provides two exemptions from this 50% rule and these two existing exemptions remain unchanged. However, the Higher Education Opportunity Act of 2008 adds a third exemption for a National or State chartered bank, or credit union, with assets of less than \$1 billion.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

A borrower may have more choice among lenders from which to obtain a FFELP loan.

*School:*

A school may have more lenders that are able to offer FFELP loans to their students.

*Lender/Servicer:*

A small lender that had been limited in FFELP lending by the 50% rule is now permitted to re-enter the FFELP market.

*Guarantor:*

May need to review program participation parameters.

*U.S. Department of Education:*

May need to review program participation parameters.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

October 15, 2008

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee  
CM Guarantor Designees  
Interested Industry Groups and Others

jhh/edited - aes

# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: November 7, 2008

X	DRAFT	Comments Due	Dec 1
	FINAL	Consider at GB Meeting	
	APPROVED	With Changes / No Changes	

**SUBJECT:** New School-as-Lender Audit Requirement

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

**POLICY INFORMATION:** 1073/Batch 155

**EFFECTIVE DATE/TRIGGER EVENT:** School-lender fiscal years beginning on or after August 14, 2008.

**BASIS:**

HEA §435(d)(8), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315.

**CURRENT POLICY:**

Current policy does not specify that the school-as-lender (SAL) must have an annual audit performed to confirm that the school or its affiliates are using income from its loan portfolio to provide need-based grants and that the school uses only a reasonable portion of that income to pay administrative expenses.

**REVISED POLICY:**

Revised policy adds the requirement that the SAL, a lender serving as a trustee for a school, or a school-affiliated organization participating as a lender in the FFELP have an annual audit of its lending function that focuses on ensuring that the income (special allowance, interest received from students and the Department, proceeds of any loan sale, etc.) is used to provide need-based grants and that the school applies only a reasonable portion of those proceeds to administrative expenses. The audit must confirm that the proceeds of the loan portfolio are used to supplement and not to supplant federal and non-federal funds that would otherwise be directed to need-based grant programs.

**REASON FOR CHANGE:**

This change is made to comply with the provisions of the HEOA.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Section 3.2, page 2, column 1, paragraph 3 , adding a new bullet, as follows:

**Schools Acting as Lenders**

An eligible school may act as a lender under the Federal Stafford Loan Program if it meets all eligibility requirements applicable as of February 7, 2006, and made its first loan under the FFELP on or before April 1, 2006. In addition, in order to continue to participate, the eligible school must meet all of the following criteria:

- ...
- ...
- ...
- ...
- ...
- ...

- ...
- ...
- ...
- The school submits to the Department an annual lender compliance audit for each fiscal year ~~beginning on or after July 1, 2006~~, in which the school engages in activities as an eligible lender. This requirement applies regardless of the size of the school's loan portfolio or annual loan volume. (See Subsection 3.8.A for more information regarding the annual compliance audit.)  
[HEA §435(d)(2)(A)(vii); §682.601(a)(7)]
- The school submits to the Department an annual audit of its lending function to document that the school's revenue from lending (special allowance payments, interest payments received from students and the Department, proceeds of any loan sale, etc.) is used to provide need-based grants and that the school applies only a reasonable portion of this revenue to direct administrative expenses. The purpose of the program audit is to ensure that the revenue from the loan portfolio is used to supplement and not supplant federal and nonfederal funds that would otherwise be directed to need-based grant programs.  
[HEA §435(d)(8)]

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

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

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

- An eligible lender acting as a trustee:
  - ...
  - ...
  - ...
  - ...
  - Must submit to the Department an annual program audit of its lending function that focuses on ensuring that the revenue from its lending function (special allowance payments, interest payments received from students and the Department, proceeds of any loan sale, etc.) is used to provide need-based grants and that the school applies only a reasonable portion of this revenue to direct administrative expenses. The purpose of the program audit is to ensure that the revenue from the loan portfolio is used to supplement and not supplant federal and nonfederal funds that would otherwise be directed to need-based grant programs.  
[HEA §435(d)(8)]

#### **PROPOSED LANGUAGE - COMMON BULLETIN:**

##### **New School-as-Lender Audit Requirement**

The *Common Manual* has been revised to add the requirement that a school functioning as a lender, a lender serving as a trustee for a school, or a school-affiliated organization participating as a lender in the FFELP have an annual program audit of its lending function that focuses on ensuring that the revenue from its lending function (special allowance payments, interest payments received from students and the Department, proceeds of any loan sale, etc.) is used to provide need-based grants and that the school applies only a reasonable portion of this revenue to direct administrative expenses. The purpose of the program audit is to ensure that the revenue from the loan portfolio is used to supplement and not supplant federal and nonfederal

funds that would otherwise be directed to need-based grant programs.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

None.

*School:*

A school acting as a lender must obtain an audit that focuses on its use of the proceeds of its lending function and provide the necessary reports to the Department.

*Lender/Service:*

None.

*Guarantor:*

A guarantor may be required to amend program review procedures.

*U.S. Department of Education:*

The Department may be required to amend program review procedures.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

October 20, 2008

**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: November 7, 2008

X	DRAFT	Comments Due	Dec 1
	FINAL	Consider at GB Meeting	
	APPROVED	With Changes / No Changes	

**SUBJECT:** Credit Reporting Requirements

**AFFECTED SECTIONS:** 3.5.C Credit Bureau Reporting  
13.8 Discharge

**POLICY INFORMATION:** 1074/Batch 155

**EFFECTIVE DATE/TRIGGER EVENT:** Loans on which the lender reports credit transactions on or after August 14, 2008.

**BASIS:**

HEA §430A(a), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315.

**CURRENT POLICY:**

Current policy requires the lender to report to at least one national credit bureau, and specifies data elements that the lender is required to report.

**REVISED POLICY:**

Revised policy changes credit bureaus to "consumer reporting agencies" to align with statutory terminology. The policy also requires the lender to report to all national consumer reporting agencies, and adds to the list of data that the lender is required to report that the lender must report that the loan is an education loan.

**REASON FOR CHANGE:**

This change is made to comply with the provisions of the HEOA.

**PROPOSED LANGUAGE - COMMON MANUAL:**

*Note: Other references to "credit bureaus" and "credit bureau reporting" in the context of the Common Manual will be amended via technical edits to support the new statutory terminology.*

Revise Subsection 3.5.C, page 14, column 2, paragraph 2, as follows:

**3.5.C**

**Credit Bureau Reporting to Consumer Reporting Agencies**

A lender must report information on each FFELP loan it makes or holds to all at least one national consumer reporting agencies credit bureau. ~~Federal regulations require that The lender must report all of the~~ the following information ~~be reported~~ within the specified time frames, as applicable:

[HEA §430A(a); §682.208(b)(1)]

- The loan is an education loan.  
[HEA §430A(a)]
- The total amount of loans made to the borrower (to be reported within 90 days of each disbursement).  
[§682.208(b)(1)(i)]
- The outstanding balance of the borrower's FFELP loans held by the lender.  
[§682.208(b)(1)(ii)]
- The repayment status of delinquent loans, including delinquent loans, not to affect any otherwise applicable provisions of the Fair Credit Reporting Act. The minimum

frequency with which a lender must report status changes to ~~each at least one national consumer reporting agency credit bureau~~ is quarterly. To avoid unnecessarily confusing the borrower and damaging the borrower's credit history, a lender is strongly encouraged to wait until a borrower is at least 60 days delinquent before reporting the delinquency to the consumer reporting agencies ~~a credit bureau~~.  
[§682.208(b)(1)(iii); DCL 96-L-186/96-G-287, Q&A#16]

- The date the loan is paid in full by or on behalf of the borrower (to be reported within 90 days of the date the loan is paid in full).  
[§682.208(b)(1)(iv)]
- The date the loan is discharged due to the borrower's death, disability, bankruptcy, or discharged under the spouses and parents of September 11, 2001, victims provisions (to be reported within 90 days of the date the loan is discharged).  
[§682.208(b)(1)(iv)]
- The date the loan is discharged due to a closed school or false certification (to be reported within 30 days of the date the lender is notified that the loan is discharged). The lender also must request that the consumer reporting agency ~~credit bureau~~ remove any negative or inaccurate information regarding a loan discharged due to a closed school or false certification. For more information on closed school and false certification claims, see Subsections 13.8.B, 13.8.D, and 13.8.E.  
[§682.402(d)(7)(iv) and (e)(2)(iv)]
- Other information required by federal or state law.  
[§682.208(b)(1)(v)]

A lender purchasing a FFELP loan must report the preceding information, as applicable, to all national consumer reporting agencies ~~credit bureau~~ within 90 days of purchasing the loan. The lender must retain evidence of its credit bureau reporting.  
[§682.208(b)(2)]

If a borrower or endorser requests that the lender provide information on the repayment status of his or her loan to a consumer reporting agency ~~credit bureau~~, the lender must do so within 30 days of the request. If a consumer dispute has been filed with a consumer reporting agency ~~credit bureau~~, the lender must respond to a borrower's or endorser's request for information within 30 days.  
[§682.208(c)(1)]

A guarantor will report each loan it purchases as a default claim to all national consumer reporting agencies ~~credit bureaus~~.  
[§682.410(b)(5)]

If a lender receives a valid identity theft report or notification of an alleged identity theft from a consumer reporting agency ~~credit bureau of an alleged identity theft~~, the lender must suspend ~~credit bureau~~ reporting on ~~at the loan to the consumer reporting agency~~ for a period not to exceed 120 days while the lender determines the legal enforceability of the loan. If a lender determines that a loan does not qualify for a false certification loan discharge as a result of the crime of identity theft, but the lender still determines the loan to be legally unenforceable, the lender must notify the consumer reporting agency ~~credit bureau~~ of the determination. FFELP consumer ~~credit bureau~~ reporting requirements do not preempt the provisions of the Fair Credit Reporting Act (FCRA) that provide relief to a borrower while a lender determines the legal enforceability of a loan after receiving a valid identity theft report or notification from a consumer reporting agency ~~credit bureau~~ of an alleged identity theft. See Subsection 13.8.E for more information on loan discharge as a result of the crime of identity theft.  
[§682.208(b)(3); 682.411(o)(2)]

Revise Section 13.8, page 16, column 2, paragraph 4, as follows:

**Credit Bureau Reporting to Consumer Reporting Agencies**

As required under Subsection 3.5.C, the lender must report to all at least one national consumer reporting agencies credit bureau the date a borrower's loan is discharged due to the disability, bankruptcy, or the death of the borrower or dependent student, as applicable. For closed school and false certification claims discharges, the current loan holder must, within 30 days of the date the lender is notified that a loan is discharged, notify all consumer credit reporting agencies to which any adverse credit has been reported that the loan obligation has been discharged and that the adverse credit information must be corrected.  
[HEA §430A(a); §682.208(b)(1)(iv); §682.402(d) and (e)]

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Lender Consumer Reporting Requirements**

The *Common Manual* has been revised to reflect statutory changes from the Higher Education Opportunity Act of 2008 (HEOA) that require the lender to report to all national consumer reporting agencies and that require the lender to report, in addition to previous credit bureau data reporting requirements, that the loan is an education loan.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

The borrower's outstanding credit history will be more consistently reflected at all national credit reporting agencies.

*School:*

None.

*Lender/Service:*

A lender must amend its consumer reporting processes and procedures to ensure that the borrower's loans are reported to all national consumer reporting agencies and to include information to show that the loan is an education loan.

*Guarantor:*

The guarantor must amend its program review procedures.

*U.S. Department of Education:*

The Department may be required to amend its program review procedures.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

October 14, 2008

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**PROPOSAL DISTRIBUTED TO:**

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CM Guarantor Designees  
Interested Industry Groups and Others

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# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: November 7, 2008

X	DRAFT	Comments Due	Dec 1
	FINAL	Consider at GB Meeting	
	APPROVED	With Changes / No Changes	

**SUBJECT:** Lenders of Last Resort

**AFFECTED SECTIONS:** 3.7.A Eligible Lenders  
3.7.C How the LLR Program Works  
Appendix G

**POLICY INFORMATION:** 1075/Batch 155

**EFFECTIVE DATE/TRIGGER EVENT:** May 7, 2008.

## **BASIS:**

HEA §428(j) as amended by the Ensuring Continued Access to Student Loans Act (ECASLA); DCLs GEN-08-05 and GEN-08-08.

## **CURRENT POLICY:**

Current policy does not include the following statutory changes to:

- Extend lender of last resort (LLR) provisions to all FFELP loans except Consolidation loans.
- Limit the terms of LLR loans to the applicable statutory interest rate and maximum origination and federal default fees.
- Provide that, as a temporary measure, an LLR designation may be made on a school-wide basis, rather than an individual borrower basis.

In addition, current policy still alludes to certain responsibilities of the Student Loan Marketing Association (SLMA) with respect to LLR loans.

## **REVISED POLICY:**

Revised policy includes new and amended provisions for LLR loans, as follows:

- Removes references to SLMA as an LLR designated by the Department.
- Includes parent and Grad PLUS Loans in the definition of eligible LLR loans.
- Requires the LLR to charge the borrower the maximum applicable rates for interest and fees.
- Provides that, on a temporary basis, the LLR designation may be made on a school-wide basis rather than an individual borrower basis.
- Requires the LLR to provide at least 60 days notice to the designated guarantor if it intends to cease LLR operations. In that 60-day period, the LLR must continue to accept and process loan certifications.
- Requires an LLR that intends to cease LLR operations to ensure that each loan made under the LLR program is fully disbursed prior to the date on which it ceases those operations.

## **REASON FOR CHANGE:**

Statutory changes and subsequent federal guidance regarding LLR programs, as noted above, have substantially amended policies with respect to the LLR.

## **PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Subsection 3.7.A, page 20, column 2, paragraph 3, as follows:

### **3.7.A Eligible Lenders**

The following entities may make LLR loans in any given state:

- The designated guarantor of FFELP loans in the state.
- An eligible FFELP lender that is an agency of the state, or a nonprofit private agency

- designated by the state.
- Any eligible FFELP lender, through arrangement with either of the eligible entities identified above.

~~If the Department determines that an eligible borrower is unable to obtain a subsidized or unsubsidized Stafford loan through the LLR program for the state, the Student Loan Marketing Association (Sallie Mae) may be authorized to make an LLR loan for the borrower.~~  
[HEA §435(d)(1)(D); ~~HEA §439(q)~~; §682.401(c)(1)]

A lender that provides LLR loans is prohibited from marketing those loans and from violating the prohibited inducement provisions (see Subsection 3.4.C).  
[GEN-08-08]

Revise Subsection 3.7.C, page 21, column 1, paragraph 2, as follows:

### **3.7.C**

#### **How the LLR Program Works**

A student or parent may request assistance under the LLR program if the student or parent is eligible to participate in the FFELP and ~~meets all of the following conditions:~~

- ~~The student qualifies for interest benefits:~~  
~~— [§682.401(c)(2)(i)]~~
- ~~The student is eligible for a combined subsidized and unsubsidized Stafford loan amount of at least \$200:~~  
~~— [§682.401(c)(2)(ii)]~~
- ~~The student is otherwise unable to obtain loans from another eligible lender for the same period of enrollment or is attending a school that has been designated an LLR school:~~  
~~— [§682.401(c)(2)(iii)]~~

~~A student who meets these conditions is entitled to receive Stafford loans under the LLR program. In addition, an LLR may offer unsubsidized Stafford loans and PLUS loans through LLR programs to eligible borrowers who have has been otherwise unable to obtain a those loans from another eligible lender. An eligible student or parent borrower who requests assistance under the LLR program may be referred to the designated guarantor in the student's state of residence or to the designated guarantor in the state where the student is attending school.~~  
[§682.401(c)(3); GEN-08-08]

Within 60 days of receiving a complete request from the borrower for an LLR loan, the guarantor must respond to the borrower with an approval or denial. If the LLR loan is approved, the guarantor will either serve as the lender or designate an eligible lender to make the LLR loan. A lender under the LLR program may refuse to make a loan if the borrower fails to meet the lender's credit standards.  
[682.401(c)(4)(v); 07-08 FSA Handbook, Volume 4, Chapter 1, p. 4-8]

The LLR is required to charge the statutory maximum interest rate and origination and federal default fees to students and parents borrowing under the LLR program. The LLR is not permitted to offer other loan terms or conditions to the LLR borrowers that are more favorable than those explicitly provided in statute and regulation.

If the LLR chooses to cease its participation as an LLR, it must provide notice to the designated guarantor that it intends to stop making LLR loans not less than 60 days prior to the effective date of its anticipated termination as an LLR. The lender must ensure that all loans in process under the LLR designation are fully disbursed prior to the date on which it ceases LLR operations. The lender must continue to accept additional certifications under the LLR provisions during the 60-day period, and must ensure that each of those loans is fully disbursed before it ceases LLR functions.  
[DCL GEN-08-05]

Revise Appendix G, page 13, column 1, paragraph 1, as follows:

**Lender of Last Resort: (LLR)** A lender (or guarantor, in some cases) that agrees to make Stafford and/or PLUS loans to students and/or parent borrowers who qualify for interest benefits, who are eligible for combined subsidized and unsubsidized Stafford loan amounts of at least \$200, if those students and/or parents and who are otherwise unable to obtain loans from other eligible lenders for the same period of enrollment (or for students who are attending schools that have been designated as LLR schools). See Section 3.7 and Subsection H.4.D.

Revise Appendix H by adding a new subsection H.4.D, as follows:

#### **H.4.D**

##### **Waiver of Borrower-by-Borrower LLR Designation**

Through June 30, 2009, if a school requests and is granted an LLR designation by the Department, eligible student and parent borrowers at that school may obtain loans from the LLR. The LLR must make loans to students attending the school and to eligible parent borrowers even if those loan applicants are otherwise unable to obtain Stafford or PLUS loans. [HEA §428(j)(3)]

A school that wishes to apply for the LLR designation must meet criteria established by the Department, including that the school, at a minimum:

- Demonstrate that it has made at least three attempts to identify participating lenders, beyond those lenders that had previously provided FFELP loans to students and parents of students attending the school, that will make FFELP loans.
  - Document its determination that 80% or more of the students and parents of students at its school are unable to obtain FFELP loans.
  - Provide other documentation and information specified by the Department.
- [HEA §428(j)(4); GEN-08-08]

#### **PROPOSED LANGUAGE - COMMON BULLETIN:**

##### **Lender of Last Resort Changes**

The *Common Manual* has been revised to update the glossary definition of "lender of last resort," to remove the Student Loan Marketing Association as a designated LLR option, and to insert in the history appendix "waiver" Subsections of the *Common Manual* new text to reference the school-wide LLR options authorized in statute through June 30, 2009.

Revised policy also states that the LLR is not permitted to offer reduced interest rates or reductions or waivers of origination or federal default fees, and that the LLR may not offer other loan terms or conditions to the LLR borrowers that are more favorable than those explicitly provided in statute and regulation. Revised policy stipulates that a lender that provides LLR loans is prohibited from marketing those loans and from violating the prohibited inducement provisions. The policy requires that the LLR provide at least 60 days notice to the designated guarantor of its intent to cease LLR operations and that the LLR ensure that all loans made under the LLR program are fully disbursed prior to the date on which it ceases LLR operations.

##### **GUARANTOR COMMENTS:**

None.

##### **IMPLICATIONS:**

###### *Borrower:*

A borrower who has difficulty finding an eligible, willing lender will may have access to an LLR based on his or her school's designation through June 30, 2009. Eligible unsubsidized Stafford and PLUS borrowers have more consistent access to FFELP funds.

###### *School:*

For a brief period, a school may obtain a single LLR designation to ease its student's and parents' difficulties in finding financial aid for attendance at the school, should such difficulties actually arise.

###### *Lender/Service:*

A lender who is an LLR participant is not permitted to charge lesser interest or fees, or to provide more favorable loan terms or conditions to borrowers under that LLR program. If the lender chooses to cease LLR

participation, it must provide a minimum 60-day notice to the guarantor and must ensure that all loans made under the LLR program are fully disbursed prior to ceasing LLR operations.

*Guarantor:*

A guarantor acting as an LLR is bound to the same terms and conditions as lenders functioning as LLRs.

*U.S. Department of Education:*

The Department must establish and administer policies and processes for the LLR designation of schools.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

October 2, 2008

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

bg/edited - kk

# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: November 7, 2008

X	DRAFT	Comments Due	Dec 1
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Drug Conviction Notices

**AFFECTED SECTIONS:** 4.4.B Consumer Information  
5.8 Effect of Drug Conviction on Eligibility

**POLICY INFORMATION:** 1076/Batch 155

**EFFECTIVE DATE/TRIGGER EVENT:** For the notice upon enrollment: Students who enroll at the school on or after August 14, 2008.

For the notice upon loss of Title IV eligibility due to a drug conviction: School determinations of a student's loss of Title IV eligibility on or after August 14, 2008.

*If the Department publishes guidance with a different triggering event, the Common Manual will immediately notify the FFELP community of the change.*

**BASIS:**

HEA §485(k) as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315.

**CURRENT POLICY:**

Current policy does not include two notices that a school must provide to a student concerning the consequences for a student who receives a drug conviction during a period of enrollment for which the student receives Title IV aid.

**REVISED POLICY:**

Revised policy requires a school to provide a student, upon enrollment, with a separate, clear, and conspicuous written notice of the penalties (i.e., loss of Title IV eligibility) for a state or federal offense involving drug possession or sale that results in the student's conviction while the student is enrolled in school and receiving Title IV aid.

Revised policy also requires a school to provide a student who loses Title IV eligibility due to a drug-related conviction with a timely, separate, clear, and conspicuous written notice. The notice must advise the student of his or her loss of Title IV eligibility and the ways in which the student may regain eligibility for Title IV aid.

**REASON FOR CHANGE:**

This change is necessary to incorporate provisions of the HEOA.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Subsection 4.4.B, page 21, column 1, paragraph 5, as follows:

- ...
- ...
- ...
- ...

**Drug Conviction Penalty Information**

Upon a student's enrollment, a school must provide the student with a separate, clear, and



conspicuous written notice of the penalties (i.e., loss of Title IV eligibility) for a state or federal offense involving possession or sale of an illegal drug that results in the student's conviction while the student was enrolled in school and receiving Title IV aid. See Section 5.8 for detailed information about the time frame for which a student loses Title IV eligibility based on whether the student is convicted of a first, second, or third offense for drug possession, or a first or second offense for drug sale.  
[HEA §485(k)(1)]

A school must provide a student who loses Title IV eligibility due to a drug-related conviction with a timely, separate, clear, and conspicuous written notice. The notice must advise the student of his or her loss of Title IV eligibility and the ways in which the student may regain eligibility for Title IV aid (see Section 5.8).  
[HEA §485(k)(2)]

## **Format and Documentation Requirements**

...

Revise Section 5.8, page 12, column 2, by adding a new paragraph 3, as follows:

### **5.8 Effect of Drug Conviction on Eligibility**

As part of its consumer information disclosure requirements, a school must provide a separate, clear, and conspicuous written notice to the student about the penalties for a drug-related conviction that occurred while a student was enrolled in school and receiving Title IV aid. A school must provide the notice upon the student's enrollment at the school.  
[HEA §485(k)(1)]

A student who is convicted of a state or federal offense involving the possession or sale of an illegal drug that occurred while the student was enrolled in school and receiving Title IV aid, is not eligible for Title IV funds. . .

Revise Section 5.8, page 13, column 1, by adding a new paragraph 3, as follows:

...

A student who is convicted of a drug-related offense that occurred while the student was enrolled in school and receiving Title IV aid loses Title IV eligibility as follows:

- For the possession of illegal drugs:
  - 1st offense: one year from the date of conviction.
  - 2nd offense: two years from the date of conviction.
  - 3rd offense: indefinitely from the date of the third conviction  
[§668.40(b)(1)]
- For the sale of illegal drugs:
  - 1st offense: two years from the date of conviction.
  - 2nd offense: indefinitely from the date of the second conviction.  
[§668.409b)(2)]

A school must provide a student who loses Title IV eligibility due to a drug-related conviction with a timely, separate, clear, and conspicuous written notice. The notice must advise the student of his or her loss of Title IV eligibility and the ways in which the student may regain eligibility for Title IV aid.  
[HEA §485(k)(2)]

A student may regain eligibility at any time by completing an approved drug rehabilitation program and by informing the school that he or she has done so. . .

- ...
- ...
- ...
- ...

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Drug Conviction Notices**

The *Common Manual* has been updated to include Higher Education Opportunity Act changes in the law that incorporate two new consumer information disclosure requirements for a school. Upon a student's enrollment, a school must provide the student with a separate, clear, and conspicuous written notice of the penalties (i.e., loss of Title IV eligibility) for a state or federal offense involving drug possession or sale that results in the student's conviction while the student is enrolled in school and receiving Title IV aid. See Section 5.8 for detailed information about the time frame for which a student loses Title IV eligibility based on whether the student is convicted of a first, second, or third offense for drug possession, or a first or second offense for drug sale.

A school must also provide a student who loses Title IV eligibility due to a drug-related conviction with a timely, separate, clear, and conspicuous written notice. The notice must advise the student of his or her loss of Title IV eligibility and the ways in which the student may regain eligibility for Title IV aid (see Section 5.8).

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

A borrower will be afforded an opportunity to take note of the negative impact of drug possession or sale on his or her Title IV aid eligibility upon enrollment at a school. A borrower who loses Title IV eligibility due to a drug-related conviction will be timely notified of that penalty and the ways in which the borrower may restore his or her eligibility to receive Title IV aid.

*School:*

A school will be required to update its procedures for providing student consumer information and responding to information about a student's conviction for a drug-related offense during a period of enrollment for which the student is receiving Title IV aid.

*Lender/Service:*

None.

*Guarantor:*

A guarantor may be required to update its program review procedures regarding student consumer information and notification requirements for a school.

*U.S. Department of Education:*

The Department may be required to update its program review procedures regarding student consumer information and notification requirements for a school.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

September 16, 2008

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

jcs/edited - aes

# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: November 7, 2008

X	DRAFT	Comments Due	Dec 1
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Multiple School Enrollment

**AFFECTED SECTIONS:** 5.15 Multiple School Enrollment  
6.7 Determining the Amount of Estimated Financial Assistance (EFA)

**POLICY INFORMATION:** 1077/Batch 155

**EFFECTIVE DATE/TRIGGER EVENT:** Publication date of the 05-06 FSA Handbook.

**BASIS:**  
05-06 FSA Handbook, Volume 3, Chapter 5, p. 3-66.

**CURRENT POLICY:**  
For a student enrolled simultaneously at multiple schools, current policy does not address whether one school must include as EFA a Stafford or PLUS loan certified by another school for the same payment period or period of enrollment.

**REVISED POLICY:**  
Revised policy states that for a student enrolled simultaneously at multiple schools, any Stafford or PLUS loan certified by one school is not included as EFA by any other school when determining a student or parent borrower's loan eligibility for the same payment period or period of enrollment.

**REASON FOR CHANGE:**  
This change is needed to update Manual text with additional Departmental clarification on loans certified by multiple schools for simultaneous enrollment periods.

## PROPOSED LANGUAGE - COMMON MANUAL:

Revise Section 5.15, page 18, column 1, paragraph 1, as follows:

### 5.15 Multiple School Enrollment

A student may be enrolled simultaneously on at least a half-time basis ~~in~~ at more than one school. In this case, the student may be eligible to receive a Stafford and a Grad PLUS loan, if applicable—and the parent of a dependent undergraduate student may be eligible to receive a PLUS loan—at more than one school for the same payment period or period of enrollment. A Stafford or PLUS loan certified by one school is not included as estimated financial assistance (EFA) by another school when determining a student or parent borrower's eligibility for a Stafford or PLUS loan for the same payment period or period of enrollment.  
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-90]

...

Revise Section 6.7, page 19, column 1, paragraph 1, by adding a new bullet 8, as follows:

EFA does not include:

- ...
- ...
- ...

- ...
- ...
- ...
- ...
- For a student who is enrolled simultaneously at multiple schools, the amount of a Stafford or PLUS loan certified at another school for the same payment period or period of enrollment. For more information about determining eligibility for a student who is enrolled simultaneously at multiple schools, see Section 5.15. [08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-90]

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Multiple School Enrollment**

The *Common Manual* has been updated based on clarification contained in the FSA Handbook concerning a student who is enrolled simultaneously on at least a half-time basis at more than one school. In such a case, a Stafford or PLUS loan certified by one school is not included as estimated financial assistance (EFA) by another school when determining the student or parent borrower's eligibility for a Stafford or PLUS loan for the same payment period or period of enrollment.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

In the case of a student who is simultaneously enrolled at multiple schools, a student or parent borrower's eligibility for a Stafford or PLUS loan at each school will not be reduced by including in estimated financial assistance the amount of a Stafford or PLUS loan certified by another school.

*School:*

A school may need to revise its procedures for determining Stafford and PLUS loan eligibility when one of its students is simultaneously enrolled at another school(s) for the same payment period or period of enrollment.

*Lender/Service:*

None.

*Guarantor:*

A guarantor may be required to revise program review procedures.

*U.S. Department of Education:*

The Department may be required to revise program review procedures.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

October 21, 2008

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others



# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: November 7, 2008

X	DRAFT	Comments Due	Dec 1
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

**SUBJECT:** Teacher Education Assistance for College and Higher Education (TEACH) Grants

**AFFECTED SECTIONS:**

- 6.6 Determining the Expected Family Contribution (EFC)
- 6.7 Determining the Amount of Estimated Financial Assistance (EFA)
- 6.11.A Stafford Annual Loan Limits
- 6.11.B Stafford Aggregate Loan Limits
- 9.5.A Return Amounts for the Title IV Grant and Loan Programs
- 9.5.B Processing Returned Funds
- 13.8.G Total and Permanent Disability
- 16.2 Calculation of School Cohort Default Rates

Appendix G

**POLICY INFORMATION:** 1078/Batch 155

**EFFECTIVE DATE/TRIGGER EVENT:** For provisions regarding estimated financial assistance (EFA), annual, and aggregate Stafford loan limits: Loan eligibility determinations made by a school on or after July 1, 2008.

For provisions regarding return of Title IV funds: TEACH Grant recipients who withdraw on or after July 1, 2008.

For total and permanent disability discharge determinations: total and permanent disability discharge applications received by the lender on or after July 1, 2008.

For all other provisions: July 1, 2008.

**BASIS:**

§668.22(a)(2) and (i)(2)(v); §668.183(b)(3); §682.200(b); §682.204(c); §682.402(c)(4)(i)(B); §686.1; *Federal Register* dated June 23, 2008, Vol. 73, No. 121; 08-09 FSA Handbook, Volume 1, Chapter 7, p. 1-81.

**CURRENT POLICY:**

Current policy does not include information about the TEACH Grant Program.

**REVISED POLICY:**

Revised policy includes information on the following TEACH grant provisions and their implications for FFELP borrowers and loan eligibility:

- Estimated financial assistance (EFA) includes TEACH grant funds. EFA does not include the amount of a TEACH grant that is used to replace the EFC.
- Stafford annual and aggregate loan limits do not include any TEACH grant amount that has been converted to a Direct unsubsidized Stafford loan.
- For a student who withdraws, TEACH grant funds are included in the return of Title IV funds calculation, and in the order of unearned funds that a school must return to the Title IV programs.
- One of the criteria that a borrower, comaker, or endorser must meet to qualify for final total and permanent disability discharge is that, during the 3-year conditional discharge period, the borrower, comaker, or endorser must not receive a new TEACH grant or a new loan under the Federal Perkins Loan Program, the FFELP, or the Federal Direct Loan Program (with the exception of a Consolidation

loan that does not include any loans that are in a conditional discharge status).

- A TEACH grant that has been converted to a Direct unsubsidized Stafford loan is not considered for the purpose of calculating a school's cohort default rate.
- TEACH grant is defined in the glossary as a non-need-based grant intended for undergraduate, certain post-baccalaureate, or graduate students enrolled at a TEACH-grant eligible school who plan to become teachers. In exchange for the grant, a student must agree to serve as a full-time teacher in a high-need field, in a low-income school for at least four academic years within eight years of completing the program of study for which the student received the grant. If a TEACH Grant recipient does not satisfy the service obligation, the TEACH Grant funds that the student received convert to a Direct unsubsidized Stafford loan that must be repaid with interest accruing from the date of disbursement.

**REASON FOR CHANGE:**

This change is required to incorporate provisions of the *Federal Register*, Vol. 73, No. 121, dated June 23, 2008, concerning the TEACH Grant Program and its implications for FFELP borrowers and loan eligibility.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Section 6.6, page 17, column 1, paragraph 3, as follows:

**6.6 Determining the Expected Family Contribution (EFC)**

...

...

When calculating eligibility for a subsidized Stafford loan, a school may offset all or any portion of the student's EFC with any TEACH grant, PLUS loan, unsubsidized Stafford loan, or other education loan obtained for the loan period.

[HEA §442(c); §682.200(b)(2)(i); §682.301(c); ~~HEA §442(c)~~]

...

Revise Subsection 6.7, page 18, column 2, paragraph 1, as follows:

...

A student's EFA includes all aid the student—or a parent on behalf of a dependent student—will receive for the loan period from federal, state, institutional, or other sources. Examples of aid that must be included in the EFA are scholarships, grants, financial need-based employment income, and loans—including, but not limited to:

- ...

- ...

- ...

- ...

- ...

- ...

- ...



- The estimated amount of other federal student financial aid—including, but not limited to, Federal Pell grant, Academic Competitiveness ~~G~~grant, National SMART ~~G~~grant, TEACH grant, and campus-based aid. The gross amount (including fees) of any subsidized Stafford, unsubsidized Stafford, or PLUS loan is also included, except as noted below.  
[HEA §480(j); §682.200(b)(1)(viii)]

A student's EFA does not include:

- Amounts used to replace the expected family contribution (EFC), including any TEACH grant amounts, unsubsidized Stafford loan amounts, PLUS loan amounts, and non-federal non-need-based loans, including private, state-sponsored, and institutional loan funds. However, if the sum of the ~~loan~~ amounts received that are being used to replace the student's EFC exceeds the EFC, the excess amount is treated as EFA.  
[§682.200(b)(2)(i)]
- . . .

Revise Subsection 6.11.A, page 23, column 1, paragraph 4, as follows:

. . .

A Stafford annual loan limit does not include any of the following:

- ~~The amount of capitalized interest or any collection costs that may have been added to the principal balance of the borrower's prior loans. When determining the borrower's Stafford loan eligibility, the financial aid administrator (FAA) may assume that all outstanding principal balances include only the balance of original principal. However, the school must secure and retain documentation of the capitalized amount included in any reported loan balances if the school's certification of a new loan would otherwise cause the borrower to exceed his or her annual limit.~~
- The amount of any TEACH Grant that has been converted to a Direct unsubsidized Stafford loan.  
[§682.204(c)]

The borrower, the school, and the lender are encouraged to work with the guarantor. . .

Revise Subsection 6.11.B, page 27, column 1, paragraph 2, as follows:

. . .

A Stafford aggregate loan limit does not include any of the following:

- ~~The amount of capitalized interest or any collection costs that may have been added to the principal balance of the borrower's prior loans. When determining the borrower's Stafford loan eligibility, the financial aid administrator (FAA) may assume that all outstanding principal balances include only the balance of original principal. However, the school must secure and retain documentation of the capitalized amount included in any reported loan balances if the school's certification of a new loan would otherwise cause the borrower to exceed his or her aggregate limit.~~
- ~~A Stafford aggregate loan limit also does not include~~ The amount of any PLUS loan borrowed by the student or his or her parents.
- The amount of any TEACH Grant that has been converted to a Direct unsubsidized Stafford loan.

[§682.204(c)]

A borrower who has reached the FFELP aggregate limit and whose principal is paid in part through refunds, returned funds, prepayments, payments, cancellations, discharge, or other reductions in principal regains eligibility up to the lesser of the applicable annual loan limit or the aggregate amount.

...

Revise Subsection 9.5.A, page 13, column 2, paragraph 1, as follows:

**Aid Types to Be Included in the Return Calculations**

When calculating the return of Title IV funds, the school must include the following Title IV funds, as applicable:

- Federal Perkins loan.
- Direct loan.
- FFELP loan.
- Federal Pell grant.
- Academic Competitiveness ~~G~~grant.
- National SMART ~~G~~grant.
- TEACH grant.
- FSEOG (not including the nonfederal share of an FSEOG award if the school meets its matching share by the individual recipient method or the aggregate method).  
[§668.22(a)(2)]

...

Revise Subsection 9.5.B, page 18, column 1, paragraph 1, as follows:

**Applying Returned Funds**

The Higher Education Act and federal regulations specify the order in which unearned funds must be returned to the Title IV programs. The school must ensure that returned funds are applied to eliminate outstanding balances on loans and grants for the payment period, or period of enrollment, in the following order:

- FFELP unsubsidized Stafford loans.
- FFELP subsidized Stafford loans.
- Direct unsubsidized Stafford loans.
- Direct subsidized Stafford loans.
- Federal Perkins loans.
- FFELP parent or Grad PLUS loans.
- Direct parent or Grad PLUS loans.
- Federal Pell grants.

- Academic Competitiveness Grants.
- National SMART Grants.
- Federal SEOG Program aid.
- TEACH grants.

The school may calculate and make refunds for non–Title IV federal, state, private, or institutional student assistance programs according to the applicable policies.  
[§668.22(i); DCL GEN-98-28]

...

Revise Subsection 13.8.G, page 47, column 1, paragraph 2, as follows:

...

If a borrower, comaker, or endorser receives a new TEACH Grant or a new loan under the Federal Perkins Loan Program, the FFELP, or the Federal Direct Loan Program (with the exception of a Consolidation loan that does not include any loans that are in a conditional discharge status) within 3 years of the date the physician completed and certified the discharge application stating that he or she is unable to work and earn money, the borrower, comaker, or endorser is not eligible for discharge on the loan on which he or she is a signatory or any loan made prior to that date. If a FFELP loan was certified prior to the date the physician certified the discharge application, any proceeds of the loan that will be or are disbursed after the date of the physician's certification must be canceled, or if the disbursement is made, must be returned to the holder within 120 days of the disbursement date(s) for the borrower to preserve his or her discharge eligibility. The 3-year period, i.e., the conditional discharge period, begins on the date the physician completes and certifies the discharge application. The lender must review its records for any new loan(s) or disbursements of prior loans made to the borrower, comaker, or endorser after the date the physician certified the discharge application stating that he or she is totally and permanently disabled. If the lender's records indicate (or the lender is otherwise aware) that a new loan(s) was made during the 3-year conditional discharge period, the lender must deny the discharge and inform the borrower, comaker, or endorser. If any FFELP loan was certified prior to the date the physician certified the discharge application, any proceeds of the loan that are disbursed after the date of the physician's certification must be returned to the holder within 120 days of disbursement or the lender must deny the discharge and inform the borrower, comaker, or endorser. For information regarding a borrower's eligibility for a new loan(s) after the conditional period, see Section 5.4.

[§682.402(c)(4)(ii)(B) & (C); §682.402(c)(5)(vi)(B)]

Revise Subsection 13.8.G, page 47, column 2, paragraph 2, as follows:

If the Department makes an initial determination that the borrower, comaker, or endorser is totally and permanently disabled, the Department sends notification to the borrower, comaker, or endorser that the loan—or the comaker's or endorser's obligation on the loan—is in a conditionally discharged status and that the conditional discharge period will last for up to 3 years after the date the physician completed and certified the discharge application. The Department's notification identifies the following conditions that apply during the 3-year conditional discharge period:

- ...
- ...
- ...

- . . .
- . . .
- . . .
- The disabled borrower, comaker, or endorser must not receive a new TEACH Grant or a new loan under the Federal Perkins Loan Program, the FFELP, or the Federal Direct Loan Program, except for a FFELP or Direct Consolidation loan that does not include any loans that are in a conditional discharge status.  
[§682.402(c)(1)(ii)(B)(4)(i)(B)]
- . . .

Revise Section 16.2, page 3, column 1, by adding a new paragraph after paragraph 1, as follows:

## **16.2 Calculation of School Cohort Default Rates**

A cohort default rate is defined as the percentage of a school's student borrowers who enter repayment during a specific fiscal year on certain FFELP or FDLP loans and who default on those loans during the same or following fiscal year (see Section 16.1). This includes borrowers who borrow any of the following types of loans:

- A Federal Stafford loan, Federal SLS loan, or Direct Stafford loan.
- The portion of a Federal Consolidation loan or Federal Direct Consolidation loan used to repay a Federal Stafford loan, Federal SLS loan, or Direct Stafford loan.

A TEACH Grant that has been converted to a Direct unsubsidized Stafford loan is not considered for the purpose of calculating a school's cohort default rate.

. . .

Revise Appendix G, page 19, column 2, by adding a new paragraph 3 and 4, as follows:

**T**

**T-bill:** See Treasury Bill.

**TEACH Grant:** See Teacher Education Assistance for College and Higher Education (TEACH) Grant.

**Teacher Education Assistance for College and Higher Education (TEACH) Grant:** A non-need-based grant intended for undergraduate, certain post-baccalaureate, or graduate students enrolled at a TEACH grant-eligible school who plan to become teachers. In exchange for the grant, a student must agree to serve as a full-time teacher in a high need field, in a low-income school for at least four academic years within eight years of completing the program of study for which the student received the grant. If a TEACH grant recipient does not satisfy the service obligation, the TEACH grant funds that the student received convert to a Direct unsubsidized Stafford loan that must be repaid with interest accruing from the date of disbursement. See the FSA Handbook for more information about the TEACH grant.

. . .

### **PROPOSED LANGUAGE - COMMON BULLETIN:**

#### **Teacher Education Assistance for College and Higher Education (TEACH) Grants**

The *Common Manual* has been updated to include the following salient TEACH Grant references:

- Estimated financial assistance (EFA) includes TEACH Grant funds. EFA does not include the amount of a TEACH grant that is used to replace the EFC.

- Stafford annual and aggregate loan limits do not include any TEACH grant amount that has been converted to a Direct unsubsidized Stafford loan.
- For a student who withdraws, TEACH grant funds are included in the return of Title IV funds calculation, and in the order of unearned funds that a school must return to the Title IV programs.
- One of the criteria that a borrower, comaker, or endorser must meet to qualify for final total and permanent disability discharge is that, during the 3-year conditional discharge period, the borrower, comaker, or endorser must not receive a new TEACH grant or a new loan under the Federal Perkins Loan Program, the FFELP, or the Federal Direct Loan Program (with the exception of a Consolidation loan that does not include any loans that are in a conditional discharge status).
- A TEACH Grant that has been converted to a Direct unsubsidized Stafford loan is not considered for the purpose of calculating a school's cohort default rate.
- TEACH Grant is defined in the glossary as a non-need-based grant intended for undergraduate, certain post-baccalaureate, or graduate students enrolled at a TEACH grant-eligible school who plan to become teachers. In exchange for the grant, a student must agree to serve as a full-time teacher in a high need field, in a low-income school for at least four academic years within eight years of completing the program of study for which the student received the grant. If a TEACH grant recipient does not satisfy the service obligation, the TEACH grant funds that the student received convert to a Direct unsubsidized Stafford loan that must be repaid with interest accruing from the date of disbursement. See the FSA Handbook for more information about the TEACH Grant Program.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

A borrower's Stafford loan annual or aggregate loan limit will not be impacted by the amount of a TEACH Grant that is converted to a Direct unsubsidized Stafford loan. Unlike other Title IV grants, a borrower who received a TEACH grant during a conditional total and permanent disability discharge period may be ineligible for final discharge of the borrower's FFELP loans.

*School:*

A school may be required to revise its internal procedures for determining Stafford loan eligibility to ensure that a) TEACH grant amounts that are not used to replace the EFC are included in EFA and b) prevent any amount of a TEACH grant that is converted to a Direct unsubsidized Stafford loan from being included in the student's Stafford annual or aggregate loan limit. A school that uses the Department's approved return of Title IV funds forms and software to calculate a return of Title IV funds should not need to make procedural adjustments to ensure that TEACH grant funds are included in the calculation and considered in the order of unearned funds that a school must return. A TEACH grant that is converted to a Direct unsubsidized Stafford loan will not be included in the school's cohort default rate.

*Lender/Service:*

None.

*Guarantor:*

A guarantor may be required to revise its program review procedures.

*U.S. Department of Education:*

The Department may be required to revise its program review and conditional disability discharge monitoring procedures. The Department may need to modify its National Student Loan Data System (NSLDS) aggregate loan limit calculations to ensure that the amount of a TEACH grant that is converted to a Direct unsubsidized Stafford loan is not included.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**  
November 6, 2008

**DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:**

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

jcs/edited - kk