#	Subject	Summary of Change to *Common Manual*	Type of Update	Effective Date
1105	Annual Audit Waiver for Foreign Schools	**<u>4.8</u> <u>Independent Audits</u>** Incorporates the provision of the Higher Education Opportunity Act (HEOA) that allows the Secretary the ability to provide a waiver of the annual audit requirement for foreign schools that received less than $500,000 in Title IV loans in the award year preceding the audit year.	Federal	Audits required of foreign schools on or after August 14, 2008.
1106	Transfer Students	**<u>6.1.B</u> <u>Academic Year Categories</u>** **<u>6.2</u> <u>Determining the Loan Period</u>** Incorporate regulatory guidance and information from Volume 3 of the 08-09 FSA Handbook concerning the treatment of students who transfer between schools, between programs at the same school, and students who complete one program and begin another program at the same school during an academic year. In addition, these changes clarify minimum Stafford loan periods and grade level increases for such students. Establishes a centralized source in Subsection 6.11.A, for details about and examples of determining remaining Stafford annual loan limits for a student who transfers during an academic year. Previous Manual text that addressed a mid-year transfer student's remaining Stafford loan eligibility was relocated from Subsection 6.1.B., Section 6.2, and from existing bullets under the subheading *Undergraduate Students* in Subsection 6.11.A.	Federal	Loans certified on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007, for determining the minimum loan period for a student who transfers between schools and enrolls in a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W. For increases in the additional, unsubsidized Stafford annual loan limit, Stafford loans first disbursed on or after July 1, 2008. Publication date of Volume 3 of the FSA Handbook for determining remaining Stafford loan eligibility for students who transfer to: • Credit-hour programs with nonstandard terms that are substantially equal and at least nine weeks of instructional time in length (SE9W).

				• Clock-hour programs, non-term-based credit-hour programs, and credit-hour programs with nonstandard terms that are not SE9W.
1107	Dependency Overrides	**<u>6.8</u>** **<u>Determining the Student's Dependency Status</u>** Incorporates statutory change made by the College Cost Reduction and Access Act (CCRAA) of 2007 that allows an FAA to make a dependency override for a student based on the documented dependency override for that same student made by another FAA at a prior school. The documented dependency override of the prior FAA must be within the same award year. If a school uses the documented dependency override of another school, it must retain the SAR/ISIR that was used as the basis for continuing the dependency override.	Federal	Dependency overrides made by the school on or after July 1, 2009.
1108	Required Disclosures by Lenders Before Disbursement	**<u>7.6.A</u>** **<u>General Initial Disclosure Requirements</u>** Incorporates provisions of the HEOA regarding initial lender disclosure requirements.	Federal	August 14, 2008.
1109	Lender Disclosure - Before Repayment	**<u>10.7</u>** **<u>Disclosing Repayment Terms</u>** Incorporates provisions of the HEOA regarding additional information a lender is required to disclose at or prior to the start of the student borrower's repayment period.	Federal	Loans first disbursed on or after August 14, 2008.
1110	Required Lender Disclosures During Delinquency	**<u>12.1</u>** **<u>Collection Philosophies, Goals, and Minimum Standards</u>** Incorporates provisions of the HEOA regarding information a lender is required to disclose when a borrower is 60 days delinquent.	Federal	Loans that become delinquent on or after July 1, 2009.
1111	Rehabilitation of Defaulted FFELP Loans	**<u>13.7</u>** **<u>Rehabilitation of Defaulted FFELP Loans</u>** Incorporates the provision of the HEOA which states a loan may only be rehabilitated once, and that a borrower may continue to rehabilitate other defaulted loans that have not previously been rehabilitated.	Federal	Loans rehabilitated on or after August 14, 2008.

1112	Consumer Credit Reporting After FFELP Loan Rehabilitation	**<u>13.7</u>** **<u>Rehabilitation of Defaulted FFELP Loans</u>** **<u>Appendix G</u>** Incorporates the provision of the HEOA which states that upon successful rehabilitation of a loan, the guarantor and any other holder that reported the loan as a default, must request that the consumer reporting agency to which the default was reported remove the default record from the borrower's credit history. Adds a definition of Consumer Reporting Agency to Appendix G.	Federal	Loan rehabilitation sales to eligible lenders that take place on or after August 14, 2008.
1113	Teacher Loan Forgiveness	**<u>13.9.B</u>** **<u>Teacher Loan Forgiveness Program</u>** Incorporates the provisions of the HEOA which state that an otherwise eligible borrower may qualify for forgiveness if the borrower has provided qualifying teaching services at one or more locations that are operated by an educational service agency, but are not a school, and that have been determined by the Secretary, in consultation with the state, to be eligible locations for this purpose. The chief administrator of an educational service agency may certify a borrower's eligibility for teacher loan forgiveness for borrowers who perform their qualifying teaching service as employees of such an agency. This change also adds the definition of an educational service agency. that Adds that a borrower who receives teacher loan forgiveness benefits under the FFELP or Direct Loan Programs may not receive, for the same teaching service, benefits under the Public Service Loan Forgiveness Program or the Loan Forgiveness for Service in Areas of National Need.	Federal	Teacher Loan Forgiveness and Teacher Loan Forgiveness Forbearance Applications received by the lender on or after August 14, 2008.
1114	Lender Disclosure - Consolidation Loans	**<u>15.3.A</u>** **<u>Providing Consolidation Loan Information</u>** Incorporates the provisions of the HEOA regarding information a lender is required to disclose to a prospective Consolidation loan borrower, in simple and understandable terms, at the time the lender provides an application.	Federal	Consolidation loan applications provided to potential borrowers on or after August 14, 2008.

1115	Cohort Default Rate - Extended Calculation Period	**<u>16.1</u>** **<u>Overview of Cohort Default Rates and Terminology</u>** **<u>16.2</u>** **<u>Calculation of School Cohort Default Rate</u>** **<u>Figure 16-1</u>** **<u>Cohort Default Rate Formulas</u>** **<u>Figure 16-2</u>** **<u>Summary: Challenges, Adjustments, and Appeals</u>** Incorporates the provisions of the HEOA regarding cohort default rate (CDR) calculations for fiscal year 2009 and thereafter. Adds a second definition for CDR to include student borrowers who enter repayment during a specific fiscal year on certain FFELP or FDLP loans and who subsequently default before the end of the *second* year following the fiscal year in which the borrowers entered repayment. Amends current text to align policy related to the numerator used in the CDR calculation, including revisions to Figure 16-1. Adds a new Figure 16-2, "Cohort Default Rate Formulas Beginning with Fiscal Year 2009," to reflect the change in calculation in fiscal years 2009. The current Figure 16-2, "Summary: Challenges, Adjustments, and Appeals," has been re-numbered as Figure 16-3.	Federal	Cohort default rate calculations for fiscal years 2009 and thereafter.
1116	School Cohort Default Rate Appeals	**<u>16.3</u>** **<u>Challenging Draft Cohort Default Rates</u>** Aligns the Manual text with the policy contained in the *Cohort Default Rate Guide*. Any cohort default rate (CDR) challenge must be submitted by the school within 45 days of the time frame begin date. The time frame begin date for domestic schools is the sixth business day after the Department officially releases the draft cohort default rates. For foreign schools, the time frame begin date is the day after the official cohort default rate notification is received.	Federal	Cohort default rate appeals submitted by the school on or after the publication date of the August 2006 *Cohort Default Rate Guide*.

1117	Teach-Out Plan for Schools Placed Under Limitation, Suspension, Termination, or Emergency Action	**<u>18.1</u>** **<u>Actions to Limit, Suspend, or Terminate Participation</u>** Incorporates the provisions of the HEOA which states that a school placed on limitation, suspension, termination, or emergency action is required to prepare a teach-out plan and provide it to its accrediting agency or association. A "teach-out plan" is a written plan that provides for equitable treatment of students if an institution ceases to operate before all students have completed their program of study. The teach-out plan must be prepared in accordance with HEA §496(c)(3) (see Title I—General Provisions, Accreditation, Operating Procedures) and any applicable Title IV regulations or accrediting agency standards.	Federal	Limitation, suspension, termination, or emergency actions placed on a school 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.*

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: January 30, 2009

X	DRAFT	Comments Due	Feb 20
	FINAL	Consider at GB Meeting	
	APPROVED	With Changes / No Changes	

SUBJECT: **Annual Audit Waiver for Foreign Schools**

AFFECTED SECTIONS: **4.8 Independent Audits**

POLICY INFORMATION: **1105/Batch 158**

EFFECTIVE DATE/TRIGGER EVENT: Audits required of foreign schools on or after August 14, 2008.

BASIS:
HEA §487(c), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; *Dear Colleague Letter* GEN-08-12/FP 08-10.

CURRENT POLICY:
Current policy does not provide for the Secretary's waiver of the annual audit requirement for foreign schools that received less than $500,000 in Title IV loans in the award year preceding the audit year.

REVISED POLICY:
Revised policy includes the ability of the Secretary to provide a waiver of the annual audit requirement for foreign schools that received less than $500,000 in Title IV loans in the award year preceding the audit year.

REASON FOR CHANGE:
The change is necessary to incorporate provisions of the HEOA.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Revise Section 4.8, Page 28, column 1, by adding a new paragraph 3, as follows;

Waiver of Annual Audit Submission

<u>The Department may waive the annual audit submission requirement for a foreign school that received less than $500,000 in Title IV loans in the award year before the audit year. The Department will notify the school if a decision is made to exercise this waiver authority. [HEA §487(c)(1)(A)(i); DCL GEN-08-12/FP-08-10]</u>

<u>In addition, a</u>~~A~~t the request of a school, the Department may waive the annual audit submission requirement if the school meets all of the following criteria:

- Is not a foreign school.
  [§668.27(c)(1)]
- Disbursed less than $200,000 in Title IV program funds during each of the two completed award years preceding the school's waiver request.
  [§668.27(c)(2)]
- Agrees to keep records relating to each award year in the unaudited period for 2 years after the end of the record retention period specified in Section 4.5 for that award year.
  [§668.27(c)(3)]
- …
- …

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

PROPOSED LANGUAGE - COMMON BULLETIN:

Annual Audit Waiver for Foreign Schools

The *Common Manual* has been revised to incorporate provisions of the Higher Education Opportunity Act (HEOA), P.L. 110-315 that permit the Department of Education to waive the annual audit submission requirement for a foreign school that received less than $500,000 in Title IV loans in the award year before the audit year.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:
None

School:
A foreign school that received less than $500,000 in Title IV loans in the award year before the audit year may qualify for a waiver of the annual audit submission and, upon request, may need to provide evidence of the waiver.

Lender/Servicer:
None

Guarantor:
None

U.S. Department of Education:
The Department may waive the annual audit submission requirement for a foreign school that received less than $500,000 in Title IV loans in the award year before the audit year.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

August 14, 2008

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

CM Policy Committee
CM Guarantor Designee
Interested Industry Groups and Others

bmf/edited - rrl

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: January 30, 2009

X	DRAFT	Comments Due	Feb 20
	FINAL	Consider at GB Meeting	
	APPROVED	With Changes / No Changes	

SUBJECT: **Transfer Students**

AFFECTED SECTIONS: **6.1.B Academic Year Categories**
6.2 Determining the Loan Period

POLICY INFORMATION: **1106/Batch 158**

EFFECTIVE DATE/TRIGGER EVENT: Loans certified on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007, for determining the minimum loan period for a student who transfers between schools and enrolls in a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W.

For increases in the additional, unsubsidized Stafford annual loan limit, Stafford loans first disbursed on or after July 1, 2008.

Publication date of Volume 3 of the FSA Handbook for determining remaining Stafford loan eligibility for students who transfer to:

- Credit-hour programs with nonstandard terms that are substantially equal and at least nine weeks of instructional time in length (SE9W).
- Clock-hour programs, non-term-based credit-hour programs, and credit-hour programs with nonstandard terms that are not SE9W.

BASIS:

Ensuring Continued Access to Student Loans Act (ECASLA) of 2008, P.L. 110-227; §668.4(g)(1)(ii); §668.4(g)(3); §682.603(f)(1); §682.603(g); preamble to the *Federal Register* dated August 8, 2007, pp. 44632 and 44633; *Federal Register* dated November 1, 2007, pp. 62020, 62021, 62026, and 62031; 08-09 FSA Handbook, Volume 3, pp. 3-86 to 3-89.

CURRENT POLICY:

Current policy provides an example of determining remaining Stafford loan eligibility for a student who transfers between schools to a clock-hour, non-term-based credit-hour, or nonstandard term-based credit-hour program, and who may receive the balance of his or her annual loan limit for the remainder of the academic year at the prior school. However, this example does not clarify that 1) this guidance applies to a credit-hour program with nonstandard terms only if the terms are not SE9W; 2) the new school may certify a loan for the student for the remainder of the academic year at the prior school *only* if the school accepts credit hours or clock hours earned at a prior school toward completion of the program at the new school; 3) the regulation from which this example is derived permits a school to certify a loan for the *shorter of* the remainder of the prior school's academic year or the remaining portion of the program (i.e., a final period of study).

For the purpose of determining remaining Stafford loan eligibility for a student who transfers during an academic year, current policy contains the following inaccuracies or inadequacies:

- Erroneously indicates that the treatment of all students who transfer between programs during an academic year is the same as the treatment of students who transfer between schools during an academic year.

- Does not permit credit-hour programs with nonstandard terms that are SE9W to use the same rules as standard term-based programs, and fails to clarify that credit-hour programs with nonstandard terms that are not SE9W must use the same rules as a clock-hour program or a non-term-based credit-hour program.

- Fails to acknowledge in examples the increased additional unsubsidized Stafford annual loan limits that became effective July 1, 2008.

- Addresses in Section 6.2 (minimum loan periods) remaining Stafford loan eligibility for a student who completes one program and begins another at the same school. However, that guidance is not present in current Manual text (Subsection 6.1.B) that provides other details about determining remaining Stafford loan eligibility for transfer students.

- Does not clarify that the following minimum loan periods apply only to a clock-hour program, a non-term credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W:

  – The shorter of the remaining portion of the program or the remaining portion of the prior school's academic year if a student transfers from one school to another and an academic year overlap exists.

  – The remainder of the current academic year for a student who completes one program and begins another program within an academic year at the same school.

- Does not clarify how a student's remaining Stafford loan eligibility may be affected if the student transfers between schools or between programs and enrolls in the remaining portion of a clock-hour program, non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W.

- Does not provide an intuitive location for detailed discussion about determining remaining Stafford loan eligibility, i.e., how the maximum Stafford annual loan limit is impacted, when a student transfers between schools or programs.

REVISED POLICY:
Revised policy establishes a centralized source in Subsection 6.11.A, *Stafford Annual Loan Limits*, under a new subheading, *Transfer Students*, for details about determining the remaining Stafford annual loan limit for a student who transfers during an academic year. Revised policy relocates text on this topic from Subsection 6.1.B., Section 6.2, and from existing bullets under the subheading "Undergraduate Students" in Subsection 6.11.A.

Revised policy includes the following clarifications and new guidance concerning students who transfer during an academic year:

- The minimum periods for which a school may certify a loan for a student who is enrolled in a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W.

- In the case of a student who transfers between schools and enrolls in a clock-hour program, a non-term-based credit-hour program or a credit-hour program with nonstandard terms that are *not* SE9W, the new school may certify a loan for the remainder of the final academic year in the prior school's program *only* if the new school accepts credits or clock hours from another school toward completion of the student's program at the new school.

- The additional unsubsidized Stafford loan limit increases that became effective July 1, 2008, in the examples of determining remaining Stafford loan eligibility.

- That, for the purpose of determining remaining Stafford loan eligibility, a student who transfers to a credit-hour program with nonstandard terms that are SE9W is treated the same as a student who transfers to a standard term-based program.

- That, for the purpose of determining remaining Stafford loan eligibility, a student who transfers to a credit-hour program with nonstandard terms that are *not* SE9W is treated the same as a student who transfers to a clock-hour program or non-term-based credit-hour program.

- That a student who transfers between programs is treated the same as a student who transfers between schools if the new program in which the student enrolls is a credit-hour program with standard terms or nonstandard terms that are SE9W.

- That a school, at its option, may keep the student in the same payment period and loan period if the student transfers to a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are *not* SE9W and certain criteria are met. Otherwise, a school must place a student in a new payment period and loan period that begins on the student's start date in the new program and ends on the date that the school expects the student to complete the number of credit or clock hours and weeks of instructional time in the new program's academic year.

- That a school must prorate the Stafford annual loan limit for an undergraduate student who transfers in either of the following situations:

  – Between programs at the same school and enrolls for the remaining portion (i.e., the final period of study) of a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W.

  – Between schools and enrolls for the remaining portion (i.e., the final period of study) of a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W, if the remaining portion is shorter than the remainder of the academic year in the prior school's program.

  In both cases, the student's remaining Stafford loan eligibility amount is the *lesser* of the following:

  – The student's remaining Stafford loan eligibility (i.e., the Stafford annual loan limit for the student's grade level in the new program minus the Stafford loan amount the student received for the prior program's academic year).

  – The prorated Stafford annual loan limit for the student's grade level in the new program.

REASON FOR CHANGE:
These changes are required to comply with Departmental guidance and clarification provided in the Department's Spring 2008 Workshops and published in Volume 3 of the 08-09 FSA Handbook.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Note: The new acronym "SE9W" was previously introduced in Proposal 1092 in Batch 157, including a new glossary definition that explains what is, and what is not, a credit-hour program with nonstandard terms that are SE9W.

Revise Subsection 6.1.B, page 3, 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 or transfers to a new program at the same school, ~~the new~~ a 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 or with the prior program at the same school. As a result, a student's Stafford annual loan limit for the initial period of enrollment at the new school or in the new program at the same school may be limited. For detailed information about determining whether an academic year overlap exists for a transfer student and determining such a student's remaining Stafford loan eligibility, see Subsection 6.11.A. ~~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:~~
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-86]

- ~~Obtain documentation from the prior school about its academic year.~~

- ~~Make assumptions about the prior school's academic year based on information obtained from the National Student Loan Data System (NSLDS). Schools that use this method must determine that the academic year at the prior school ended on the later of the following:~~

  – ~~30 weeks after the first day of the most recent loan period listed.~~

- ~~The end date of the loan period for all loans made in the academic year.~~

~~If the final academic year of the program at the prior school does not overlap with the initial academic year of the program of the new school, the new school may certify a loan not to exceed the amount of the student's current annual loan limit.~~
~~[Dear Guaranty Agency Director Letter March 16, 1994]~~

~~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]~~

~~*Example: Transfer to a Standard Term-Based Credit-Hour Program*~~

~~A student received a base Stafford loan in the amount of $2,000 as a grade level 3 student at School A for the loan period August 21, 2006, to December 20, 2006. The student then enrolled in School B, where he was classified as grade level 1 in a standard term-based credit-hour program. School B wishes to certify a loan from his start date, January 5, 2007,through the end of that term, May 11, 2007.~~

~~School B opts to use the "assumption" method of determining the academic year at School A. The most recent loan period at School A began August 21, 2006; the end date of the minimum 30-week academic year, based on that date, would be March 18, 2007. When compared to the end date of School A's loan period, the later of these two dates in March 18, 2007; therefore, the assume end date of School A's final academic year is March 18, 2007.~~

~~Because School B's academic year begins prior to the assumed end date of the final academic year at School A, School B may certify a base Stafford loan of no more than $625 (the student's base Stafford annual loan limit as a grade level 1 student at School B, $2,625, minus the $2,000 received at School A).~~

~~For a subsequent term that begins after the end of School A's final academic year, but within School B's initial academic year, School B may certify a base Stafford loan of no more than $2,000 (the student's base Stafford annual loan limit as a grade level 1 student at School B, $2,625, minus the $625 already received at School B for its initial academic year)~~.

~~*Example: Transfer to a Clock-Hour, Non-Term-Based Credit-Hour, or Nonstandard Term-Based Credit-Hour Program*~~

~~A student received a base Stafford loan in the amount of $2,000 as a grade level 3 student at School A for the loan period August 21, 2008, to December 20, 2008. The student then enrolled in School B, where he was classified as grade level 1 in a clock-hour, non-term-based credit-hour, or nonstandard term-based credit-hour program. School B wishes to certify a loan from his start date, January 5, 2009, through the end of the academic year at school A.~~

~~School B contacts School A and determines that the final academic year at School A ends May 11, 2009. Because School B's initial academic year begins prior to the ending date of the final academic year at School A, School B may certify a base Stafford loan of no more than $625 (the student's base Stafford annual loan limit as a grade level 1 student at School B, $2,625, minus the $2,000 received at School A) until the completion of the academic year at School A, May 11, 2009. After that date, the student enters a new academic year for annual loan limit purposes, and School B may certify loans for the next full academic year or for the remainder~~

~~of the program, if less than a full academic year.~~

~~The same principles apply when a student transfers from one program of study to another program of study within the same school.~~
~~[*Dear Guaranty Agency Director Letter* March 16, 1994; 06-07 *FSA Handbook*, volume 3, chapter 4, pp. 3-75 to 3-77]~~

Revise Section 6.2, page 8, column 1, paragraph 1, as follows:

~~The minimum loan period that a school may certify is:~~

~~• A single academic term (e.g., a semester or quarter) for:~~

~~– A program that measures academic progress in credit hours and uses a semester, trimester, or quarter system~~

~~– A program that has terms that are substantially equal in length and for which no term in the loan period is less than nine weeks in length.~~
~~[§682.603(f)(1)(i)(A)]~~

In a program that measures academic progress in credit hours and uses standard terms, i.e., a semester, trimester, or quarter system, or in a credit-hour program that uses nonstandard terms that are substantially equal in length *and* at least nine weeks of instructional time in length (SE9W), the minimum period for which a school may certify a loan is a single academic term (e.g., a semester, quarter, or nonstandard term that is SE9W).
[§682.603(f)(1)(i)(A); 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-77]

In a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W (i.e., the terms are not substantially equal, or each term is not at least nine weeks of instructional time in length), the minimum period for which a school may certify a loan is:

• The lesser of the length of the student's program at the school, the school's academic year, or the student's remaining period of enrollment for the program of study at the school~~, for:~~.

~~– A program that measures academic progress in clock hours or in credit hours, but that does not use a semester, trimester, or quarter system.~~

~~– A program that does not have terms that are substantially equal in length wtih no term less than nine weeks in length~~.
[§682.603(f)(1)(ii)(B); 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-78]

• The ~~shorter~~ lesser of the remaining portion of the program of study or the remaining portion of the ~~original~~ prior school's final academic year if all of the following criteria are met:

– A~~a~~ student transfers to a new school from ~~another~~ a prior school (not a student who transfers between programs at the same school).

– The new school accepts credit or clock hours from another school (the prior school or a different school) toward completion of the program at the new school~~, and~~.

– T~~t~~he prior school certified ~~or originated~~ a loan for an academic year that overlaps the academic year at the new school.

In this case, the new school may certify a loan for no more than the remaining balance of the ~~student's~~ Stafford annual loan limit for the student's grade level at the new school ~~(see Section 6.1)~~. See Subsection 6.11.A for more information about determining remaining Stafford loan eligibility for a student who transfers between

schools during an academic year, and Figure 6-4 for more information about Stafford annual loan limits applicable to a student's grade level.
[§682.603~~(g)~~(f)(1)(ii); 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-78]

- The remainder of the current academic year for a student who completes one program and begins another program within an academic year at the same school. The school may certify an additional loan for an amount that does not exceed the remaining balance of the ~~student's~~ Stafford annual loan limit ~~at the loan level associated with~~ for the student's grade level in the new program (see ~~Section 6.1~~ Subsection 6.11.A) if each of the following criteria are met:

  – The student's last loan to complete that program was for a period of less than an academic year.

  – The student then begins a new program at the same school within the same academic year.

  [§682.603~~(g)~~(f)(1)(iii); 08-09 FSA handbook, Volume 3, Chapter 5, p. 3-78]

The exception to this rule is the completion of a graduate program and beginning of an undergraduate program within an academic year. . .

Revise Subsection 6.11.A, page 23, column 2, paragraph 5, as follows:

Undergraduate Students

. . .

. . .

. . .

In determining the appropriate Stafford annual loan limit for an undergraduate student, including a transfer student or a student who has completed a program of study at the same school or a different school, schools ~~and lenders~~ must adhere to the following additional parameters:

- . . .
- . . .
- . . .
- . . .
- . . .
- In a credit-hour ~~standard term-based~~ program with standard terms or nonstandard terms that are substantially equal in length and at least nine weeks of instructional time in length (SE9W), a student who experiences a grade level change within the academic year becomes eligible for the Stafford annual loan limits that are applicable to the new grade level, minus any loan funds already received for that academic year. In a clock-hour program, a ~~nonstandard term-based or~~ non-term-based credit-hour program, or ~~clock-hour~~ a credit-hour program with nonstandard terms that are *not* SE9W (i.e., the terms are not substantially equal, or each term is not at least nine weeks of instructional time in length), the school may not certify the higher loan limit associated with the next grade level until the student successfully completes (i.e., passes) ~~both~~ the ~~minimum~~ number of ~~weeks and the minimum number of~~ credit or clock hours and completes the weeks of instructional time in the program's defined academic year.
  [08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-96]

- ~~A student who transfers from one program of study 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 current academic year.~~

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

- ~~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]~~

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Graduate and Professional Students

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<u>Transfer Students</u>

<u>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 in the program at the prior school. This requires the new school to determine the student's academic year in the prior school's program using either of the following methods:</u>

- <u>Obtain documentation from the prior school about the academic year for the program in which the student was enrolled.</u>

- <u>Make assumptions about the program's academic year at the prior school based on information obtained from the National Student Loan Data System (NSLDS). Schools that use this method must determine that the academic year for the program at the prior school ended on the *later* of the following:</u>

– 30 weeks after the first day of the most recent loan period listed.

– The end date of the loan period for all loans made in the academic year.

If the final academic year in the prior school's program does not overlap with the initial academic year in the new school's program, the new school may certify a Stafford loan for no more than the Stafford annual loan limit applicable to the student's grade level in the new program. If the final academic year in the prior school's program *does* overlap with the initial academic year in the new school's program, the new school may certify a Stafford loan for no more than the Stafford annual loan limit for the student's grade level in the new program *minus* the Stafford loan amount the student received for the final academic year in the program at the prior school.
[*Dear Guaranty Agency Director Letter* March 16, 1994; 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-86 to 3-89]

These same general principles apply to a student who transfers from one program of study to another program of study within the same school. See below for specific information about determining remaining Stafford loan eligibility for a student who transfers during an academic year from one program to another at the same school, based on the type of program into which the student transfers.

Grade Level Changes Upon Transfer

If the student's grade level decreases as a result of a transfer between schools or between programs at the same school and an academic year overlap exists, the new school must not certify a Stafford loan for more than the Stafford annual loan limit for the student's decreased grade level at the new school *minus* the outstanding loan amount the student received during the final academic year at the prior school or in the prior program at the same school. 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.
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-93]

Transfer to a Credit-Hour Program with Standard Terms or Nonstandard Terms That Are SE9W

Transfer Between Schools

Example: A dependent undergraduate student received a subsidized Stafford loan in the amount of $2,000 as a grade level 3 student at School A for the loan period August 21, 2009, to December 20, 2009. The student then enrolls in School B, where he was classified as grade level 1 in a credit-hour program with standard terms or nonstandard terms that are SE9W. School B wishes to certify a loan from his start date, January 5, 2010.

School B opts to use the "assumption" method of determining the academic year for the program at School A. The most recent loan period at School A began August 21, 2009; the end date of the minimum 30-week academic year, based on that date, would be March 18, 2010. When compared to the end date of School A's loan period, the later of these two dates is March 18, 2010; therefore, the assumed end date of the final academic year in School A's program is March 18, 2010.

Because the academic year in School B's program begins prior to the assumed end date of the final academic year in School A's program, the maximum Stafford loan amount that the student may receive is the dependent student's grade level 1 Stafford annual loan limit at School B ($5,500, of which no more than $3,500 may consist of subsidized Stafford loan funds), minus the Stafford loan amount the student received for the final academic year of the program at School A ($2,000 in subsidized Stafford loan funds). School B may initially certify a combined subsidized and unsubsidized Stafford loan amount that does not exceed $3,500, of which no more than $1,500 may consist of subsidized Stafford loan funds. The initial loan period at School B begins on the student's start date, January 5, 2010, and ends no later than the end date of the initial academic year at School B.

For a subsequent term(s) that begins after the end of the final academic year in School A's program, but within the initial academic year of School B's program, School B may certify a subsequent Stafford loan that does not exceed the dependent student's grade level 1 Stafford annual loan limit at School B ($5,500, of which no more than $3,500 may consist of subsidized Stafford loan funds), minus the amount the student already received at School B for the initial academic year. If the student advances to a subsequent grade level for the subsequent term(s) that begins after the end of the final academic year in School A's program but within the initial academic year of School B's program, School B may certify a combined subsidized and unsubsidized Stafford loan amount that does not exceed the higher Stafford annual loan limit for the student's grade level (e.g., $6,500 for grade level 2), minus the amount the student already received at School B for the initial academic year.
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-86]

Transfer Between Programs At the Same School

The same principles illustrated in the example above apply to a student who transfers from one program to another program at the same school when the program into which the student transfers is a credit-hour program with standard terms or nonstandard terms that are SE9W.
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-86]

Transfer to a Clock-Hour Program, a Non-Term-Based Credit-Hour Program, or a Credit-Hour Program With Nonstandard Terms That Are Not SE9W

Transfer Between Schools

Example: A dependent undergraduate student received a subsidized Stafford loan in the amount of $2,000 as a grade level 3 student at School A for the loan period August 21, 2009, to December 20, 2009. The student then enrolls in School B, where he is classified as a dependent, grade level 1 student in a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are *not* SE9W (i.e., the terms are not substantially equal in length, or each term is not at least nine weeks of instructional time in length). School B wishes to certify a loan from his start date, January 5, 2010. School B opts to contact School A and determines that the final academic year in School A's program ends May 11, 2010. The student's initial Stafford loan eligibility at School B is dependent upon whether School B accepts credit or clock hours earned at a prior school toward completion of the program in which the student enrolls at School B.

School B Accepts Credit or Clock Hours

School B accepts credit or clock hours earned at another school (School A or a different school) toward completion of the program at School B in which the student enrolls. Because the initial academic year in School B's program begins prior to the end date of the final academic year in School A's program, *and* because School B accepts credit or clock hours from another school in transfer toward requirements of School B's program, the initial loan period at School B is the *lesser* of the following:

- The remainder of the final academic year in School A's program.

- The remainder of School B's program.

[§682.603(f)(1)(ii)]

If the remainder of the final academic year in School A's program is shorter than the remainder of School B's program, the initial loan period at School B begins on the student's start date at School B, January 5, 2010, and ends on the end date of the final academic year in School A's program, May 11, 2010. For this initial loan, the student may receive no more than the dependent student's grade level 1 Stafford annual loan limit at School B ($5,500, of which no more than $3,500 may consist of subsidized Stafford loan funds), minus the Stafford loan amount the student received for the final academic year in School A's program ($2,000 in subsidized Stafford loan funds). School B may initially certify a combined subsidized and unsubsidized Stafford loan amount that does not exceed $3,500, of which no more than $1,500 may consist of subsidized Stafford loan funds. After the final academic year in School A's program ends on May 11, 2010, the student enters a new academic year for Stafford annual loan limit purposes, and School B may certify a Stafford loan(s) for the next full academic year or for the remainder of the program, if less than a full academic year.

If the remaining portion of School B's program is shorter than the remainder of the final academic year in School A's program, the initial loan period at School B begins on the student's start date at School B, January 5, 2010, and ends on the date School B expects the student to complete the number of credit or clock hours and weeks of instructional time in the remaining portion of School B's program. Because this student is enrolled in an undergraduate program, the student's Stafford annual loan limit at School B must be prorated based on the number of hours that School B expects the student to complete during the final period of study in School B's program at the time School B certifies the loan (see Subsection 6.1.F). School B may certify a Stafford loan amount that does not exceed the *lesser* of the following:

- The grade level 1 Stafford annual loan limit, minus the Stafford loan amount the student received for the final academic year in School A's program.

- The prorated grade level 1 Stafford annual loan limit.

[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-87 and 3-89]

School B Does Not Accept Credit or Clock Hours

School B does not accept credit or clock hours earned at another school (School A or a different school) toward completion of the program at School B in which the student enrolls. Because the initial academic year in School B's program begins prior to the end date of the final academic year in School A's program, *and* because School B does *not* accept credit or clock hours in transfer toward the requirements of School B's program, the initial loan period at School B is the academic year for the program in which the student enrolls at School B. The initial loan period at School B begins on the student's start date at School B, January 5, 2010, and ends on the date that School B expects the student to complete the credit or clock hours and weeks of instructional time in the academic year definition for the student's program. For this initial loan, the student may receive no more than the dependent student's grade level 1 Stafford annual loan limit at School B ($5,500, of which no more than $3,500 may consist of subsidized Stafford loan funds), minus the Stafford loan amount the student received for the final academic year in School A's program ($2,000 in subsidized Stafford loan funds). School B may initially certify a combined subsidized and unsubsidized Stafford loan amount that does not exceed $3,500, of which no more than $1,500 may consist of subsidized Stafford loan funds. After the student successfully completes the credit or clock hours and completes the weeks of instructional time in the initial academic year for the program at School B, the student enters a new academic year for annual loan limit purposes. School B may then certify a subsequent loan(s) for the next full academic year or for the remainder of the program, if less than a full academic year.
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-87 and 3-89]

Transfer Between Programs At the Same School

A school may, but is not required to, consider a student who transfers from one program to a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are *not* SE9W to be in the same payment period and loan period if all of the following criteria are met:

- The student is continuously enrolled at the school.

- The coursework in the payment period from which the student is transferring is substantially similar to the coursework the student will take when he or she first transfers into the new program.

- The payment period in the program from which the student is transferring is substantially equal in weeks of instructional time and in credit or clock hours to the payment period into which the student will transfer. The payment periods are substantially equal in weeks of instructional time if neither payment period is more than two weeks of instructional time longer than the other payment period.

- There is little or no change in the institutional charges the school assesses to the student for the payment period.

- The credit or clock hours from the payment period from which the student is transferring are accepted toward the new program.

[§668.4(g)(3); 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-87]

A school may be required to adjust the original loan period end date or a second or subsequent disbursement date(s) if, as a result of the program transfer, the school expects the student to successfully complete the credit or clock hours and complete the weeks of instructional time in the payment period or academic year on a different date. See Subsections 6.1.B and 6.4.B.
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-88]

In all other cases, a school must place a student in a new payment period and a new loan period when, during an academic year, the student transfers from one program to a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W. The school may be required to establish a withdrawal date (see Section 9.4) and perform a return of Title IV funds calculation based on the student's withdrawal from the prior program during a payment period or, as applicable, period of enrollment. (See Subsection 9.4.B for more information about calculating a return of Title IV funds on a payment period or period of enrollment basis). The school must also cancel any undelivered disbursement(s) from the original loan for which the student is ineligible. The new loan period for the new program begins on the student's start date in the new program and ends on the date that the school expects the student to complete the credit or clock hours and weeks of instructional time in the program's academic year. The school may certify an initial Stafford loan for the new program that does not exceed the Stafford annual loan limit for the student's grade level in the new program minus the loan amount the student received during the prior program's final academic year.
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-88]

If a student transfers to a new program at the same school to complete a remaining portion of the program, the new loan period for the new program begins on the student's start date in the new program and ends on the date that the school expects the student to complete the credit or clock hours and weeks of instructional time in the program's remaining portion. If the student transfers to an undergraduate program to complete the remaining portion of the program, the student's Stafford annual loan limit must be prorated based on the number of hours that the school expects the student to complete during the final period of study in the new program (see Subsection 6.1.F). If an overlap exists with the prior program's academic year, the school may certify a Stafford loan amount that does not exceed the *lesser* of the following:

- The Stafford annual loan limit for the student's grade level in the new program, minus the Stafford loan amount the student received for the prior program's final academic year.

- The prorated Stafford annual loan limit for the student's grade level in the new program (see Subsection 6.11.F).

[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-88]

Completing A Program and Beginning Another Program At the Same School During An

<u>*Academic Year*</u>

<u>A school may certify a loan for the remainder of an academic year for a student who completes a program and begins a new program at the same school if the following criteria are met:</u>

- <u>The student's last loan to complete the prior program was for a period of less than an academic year.</u>

- <u>The student then begins a new program at the same school within the same academic year.</u>

<u>[§682.603(f)(1)(iii); 08-09 FSA Handbook, Volume 3, Chapter 55, p. 3-88]</u>

<u>The new loan for the new program begins on the date that the student starts the new program and ends on the date that the school expects the student to complete the number of credit or clock hours and weeks of instructional time in the prior program's academic year. For this initial loan in the new program, the school may certify a Stafford loan amount that does not exceed the Stafford annual loan limit for the student's grade level in the new program, minus the loan amount the student received during the prior program's final academic year.</u>

PROPOSED LANGUAGE - COMMON BULLETIN:

Transfer Students: Loan Periods, Grade Levels, and Annual Loan Limits

The *Common Manual* has been revised to incorporate regulatory guidance and information from Volume 3 of the 08-09 FSA Handbook concerning the treatment of students who transfer between schools, between programs at the same school, and students who complete one program and begin another program at the same school during an academic year. In addition, these changes clarify minimum Stafford loan periods and grade level increases for such students.

The Manual is also revised to establish a centralized source in Subsection 6.11.A, *Stafford Annual Loan Limits*, under a new subheading, *Transfer Students*, for details about and examples of determining remaining Stafford annual loan limits for a student who transfers during an academic year. Previous Manual text that addressed a mid-year transfer student's remaining Stafford loan eligibility was relocated from Subsection 6.1.B., Section 6.2, and from existing bullets under the subheading *Undergraduate Students* in Subsection 6.11.A.

Minimum Loan Periods for Certain Programs

In a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are *not* SE9W (i.e., the terms are not substantially equal, or each term is not at least nine weeks of instructional time in length), the minimum period for which a school may certify a loan is:

- The lesser of the length of the student's program at the school, the school's academic year, or the student's remaining period of enrollment for the program of study at the school.

- The lesser of the remaining portion of the program of study or the remaining portion of the prior school's final academic year if all of the following criteria are met:

  - A student transfers to a new school from a prior school (not a student who transfers between programs at the same school).

  - The new school accepts credit or clock hours from another school (the prior school or a different school) toward completion of the program at the new school.

  - The prior school certified a loan for an academic year that overlaps the academic year at the new school.

  In this case, the new school may certify a loan for no more than the remaining balance of the Stafford annual loan limit for the student's grade level in the new program. See below for more information about determining remaining Stafford loan eligibility for a student who transfers between schools during an academic year. See Figure 6-4 for more information about Stafford annual loan limits applicable to a student's grade level.

- The remainder of the current academic year for a student who completes one program and begins another program within an academic year at the same school. The school may certify an additional loan for an amount that does not exceed the remaining balance of the Stafford annual loan limit for the student's grade level in the new program (see Subsection 6.11.A) if each of the following criteria are met:

  – The student's last loan to complete that program was for a period of less than an academic year.

  – The student then begins a new program at the same school within the same academic year.

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 in the program at the prior school. This requires the new school to determine the student's academic year in the prior school's program using either of the following methods:

- Obtain documentation from the prior school about the academic year for the program in which the student was enrolled.

- Make assumptions about the program's academic year at the prior school based on information obtained from the National Student Loan Data System (NSLDS). Schools that use this method must determine that the academic year for the program at the prior school ended on the *later* of the following:

  – 30 weeks after the first day of the most recent loan period listed.

  – The end date of the loan period for all loans made in the academic year.

If the final academic year in the prior school's program does not overlap with the initial academic year in the new school's program, the new school may certify a Stafford loan for no more than the Stafford annual loan limit for the student's grade level in the new program. If the final academic year in the prior school's program *does* overlap with the initial academic year in the new school's program, the new school may certify a Stafford loan for no more than the Stafford annual loan limit for the student's grade level in the new program *minus* the loan amount the student received for the final academic year in the program at the prior school.

These same general principles apply to a student who transfers from one program of study to another program of study within the same school. See below for additional information about determining the Stafford annual loan limit and loan period for a student who transfers from one program to another at the same school, based on the type of program into which the student transfers.

Transfer Students and Grade Level Increases

In a credit-hour program with standard terms or nonstandard terms that are substantially equal in length and at least nine weeks of instructional time in length (SE9W), a student who experiences a grade level change within the academic year becomes eligible for the Stafford annual loan limits that are applicable to the new grade level, minus any loan funds already received for that academic year. In a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are *not* SE9W (i.e., the terms are not substantially equal, or each term is not at least nine weeks of instructional time in length), the school may not certify the higher loan limit associated with the next grade level until the student successfully completes (i.e., passes) the number of credit or clock hours and completes the weeks of instructional time in the program's defined academic year.

Transfer to a Credit-Hour Program with Standard Terms or Nonstandard Terms That Are SE9W

Transfer Between Schools

Example: A dependent undergraduate student received a subsidized Stafford loan in the amount of $2,000 as a grade level 3 student at School A for the loan period August 21, 2009, to December 20, 2009. The student then enrolls in School B, where he was classified as grade level 1 in a credit-hour program with standard terms or nonstandard terms that are SE9W. School B wishes to certify a loan from his start date, January 5, 2010.

School B opts to use the "assumption" method of determining the academic year for the program at School A. The most recent loan period at School A began August 21, 2009; the end date of the minimum 30-week academic year, based on that date, would be March 18, 2010. When compared to the end date of School A's loan period, the later of these two dates is March 18, 2010; therefore, the assumed end date of the final academic year in School A's program is March 18, 2010.

Because the academic year in School B's program begins prior to the assumed end date of the final academic year in School A's program, the maximum Stafford loan amount that the dependent student may receive is the grade level 1 Stafford annual loan limit at School B ($5,500, of which no more than $3,500 may consist of subsidized Stafford loan funds), minus the Stafford loan amount the student received for the final academic year of the program at School A ($2,000 in subsidized Stafford loan funds). School B may initially certify a combined, subsidized and unsubsidized Stafford loan amount that does not exceed $3,500, of which no more than $1,500 may consist of subsidized Stafford loan funds. The initial loan period at School B begins on the student's start date, January 5, 2010, and ends no later than the end date of the initial academic year at School B.

For a subsequent term(s) that begins after the end of the final academic year in School A's program, but within the initial academic year of School B's program, School B may certify a subsequent Stafford loan that does not exceed the dependent student's grade level 1 Stafford annual loan limit at School B ($5,500, of which no more than $3,500 may consist of subsidized Stafford loan funds), minus the amount the student already received at School B for the initial academic year. If the student advances to a subsequent grade level for the subsequent term(s) that begins after the end of the final academic year in School A's program but within the initial academic year of School B's program, School B may certify a combined, subsidized and unsubsidized Stafford loan amount that does not exceed the higher Stafford annual loan limit for the student's grade level at School B (e.g., $6,500 for a grade level 2, dependent student), minus the amount the student already received for the initial academic year at School B.

Transfer Between Programs At the Same School

The same principles illustrated in the example above apply to a student who transfers from one program to another program at the same school when the program into which the student transfers is a credit-hour program with standard terms or nonstandard terms that are SE9W.

Transfer to a Clock-Hour Program, a Non-Term-Based Credit-Hour Program, or a Credit-Hour Program With Nonstandard Terms That Are Not SE9W

Transfer Between Schools

Example: A dependent undergraduate student received a subsidized Stafford loan in the amount of $2,000 as a grade level 3 student at School A for the loan period August 21, 2009, to December 20, 2009. The student then enrolls in School B, where he is classified as a dependent, grade level 1 student in a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are *not* SE9W (i.e., the terms are not substantially equal in length, or each term is not least nine weeks of instructional time in length). School B wishes to certify a loan from his start date, January 5, 2010. School B opts to contact School A and determines that the final academic year in School A's program ends May 11, 2010. The student's initial Stafford loan eligibility at School B is dependent upon whether School B accepts credit or clock hours earned at a prior school toward completion of the program in which the student enrolls at School B.

School B Accepts Credit or Clock Hours

School B accepts credit or clock hours earned at another school (School A or a different school) toward completion of the program at School B in which the student enrolls. Because the initial academic year in School B's program begins prior to the end date of the final academic year in School A's program, *and* because School B accepts credit or clock hours in transfer toward requirements of School B's program, the initial loan period at School B is the *lesser* of the following:

- The remainder of the final academic year in School A's program.
- The remainder of School B's program.

If the remainder of the final academic year in School A's program is shorter than the remainder of School B's program, the initial loan period at School B begins on the student's start date at School B, January 5, 2010, and ends on the end date of the final academic year in School A's program, May 11, 2010. For this initial loan, the student may receive no more than the grade level 1 Stafford annual loan limit at School B ($5,500, of which no more than $3,500 may consist of subsidized Stafford loan funds), minus the Stafford loan amount the student received for the final academic year in School A's program ($2,000 in subsidized Stafford loan funds). School B may initially certify a combined subsidized and unsubsidized Stafford loan amount that does not exceed $3,500, of which no more than $1,500 may consist of subsidized Stafford loan funds. After the final academic year in School A's program ends on May 11, 2010, the student enters a new academic year for Stafford annual loan limit purposes, and School B may certify a Stafford loan(s) for the next full academic year or for the remainder of the program, if less than a full academic year.

If the remaining portion of School B's program is shorter than the remainder of the final academic year in School A's program, the initial loan period at School B begins on the student's start date at School B, January 5, 2010, and ends on the date School B expects the student to complete the number of credit or clock hours and weeks of instructional time in the remaining portion of School B's program. Because this student is enrolled in an undergraduate program, the student's Stafford annual loan limit at School B must be prorated based on the number of hours that School B expects the student to complete during the final period of study in School B's program at the time School B certifies the loan (see Subsection 6.1.F). School B may certify a Stafford loan amount that does not exceed the *lesser* of the following:

- The grade level 1 Stafford annual loan limit, minus the Stafford loan amount the student received for the final academic year in School A's program.

- The prorated grade level 1 Stafford annual loan limit.

School B Does Not Accept Credit or Clock Hours

School B does not accept credit or clock hours earned at another school (School A or a different school) toward completion of the program at School B in which the student enrolls. Because the initial academic year in School B's program begins prior to the end date of the final academic year in School A's program, *and* because School B does *not* accept credit or clock hours in transfer toward the requirements of School B's program, the initial loan period at School B is the academic year for the program in which the student enrolls at School B. The initial loan period at School B begins on the student's start date at School B, January 5, 2010, and ends on the date that School B expects the student to complete the credit or clock hours and weeks of instructional time in the academic year definition for the student's program. For this initial loan, the student may receive no more than the grade level 1 Stafford annual loan limit at School B ($5,500, of which no more than $3,500 may consist of subsidized Stafford loan funds), minus the Stafford loan amount the student received for the final academic year in School A's program ($2,000 in subsidized Stafford loan funds). School B may initially certify a combined, subsidized and unsubsidized Stafford loan amount that does not exceed $3,500, of which no more than $1,500 may consist of subsidized Stafford loan funds. After the student successfully completes the credit or clock hours and completes the weeks of instructional time in the initial academic year for the program at School B, the student enters a new academic year for annual loan limit purposes. School B may then certify a subsequent loan(s) for the next full academic year or for the remainder of the program, if less than a full academic year.

Transfer Between Programs At the Same School

A school may, but is not required to, consider a student who transfers from one program to a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are *not* SE9W to be in the same payment period and loan period if all of the following criteria are met:

- The student is continuously enrolled at the school.

- The coursework in the payment period from which the student is transferring is substantially similar to the coursework the student will take when he or she first transfers into the new program.

- The payment period in the program from which the student is transferring is substantially equal in weeks of instructional time and in credit or clock hours to the payment period into which the student will transfer. The payment periods are substantially equal in weeks of instructional time if neither payment period is more than two weeks of instructional time longer than the other payment period.

- There is little or no change in the institutional charges the school assesses to the student for the payment period.

- The credit or clock hours from the payment period from which the student is transferring are accepted toward the new program.

A school may be required to adjust the original loan period end date or a second or subsequent disbursement date(s) if, as a result of the program transfer, the school expects the student to successfully complete the credit or clock hours and complete the weeks of instructional time in the payment period or academic year on a different date. See Subsections 6.1.B and 6.4.B.

In all other cases, a school must place a student in a new payment period and a new loan period when, during an academic year, the student transfers from one program to a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W. The school may be required to establish a withdrawal date (see Section 9.4) and perform a return of Title IV funds calculation based on the student's withdrawal from the prior program during a payment period or, as applicable, period of enrollment. (See Subsection 9.4.B for more information about calculating a return of Title IV funds on a payment period or period of enrollment basis). The school must also cancel any undelivered disbursement(s) from the original loan for which the student is ineligible. The new loan period for the new program begins on the student's start date in the new program and ends on the date that the school expects the student to complete the credit or clock hours and weeks of instructional time in the program's academic year. The school may certify an initial Stafford loan for the new program that does not exceed the Stafford annual loan limit for the student's grade level in the new program minus the loan amount the student received during the prior program's final academic year.

If a student transfers to a new program at the same school to complete a remaining portion of the program, the new loan period for the new program begins on the student's start date in the new program and ends on the date that the school expects the student to complete the credit or clock hours and weeks of instructional time in the program's remaining portion. If the student transfers to an undergraduate program to complete the remaining portion of the program, the student's Stafford annual loan limit must be prorated based on the number of hours that the school expects the student to complete during the final period of study in the new program (see Subsection 6.1.F). If an overlap exists with the prior program's academic year, the school may certify a Stafford loan amount that does not exceed the *lesser* of the following:

- The Stafford annual loan limit for the student's grade level in the new program, minus the Stafford loan amount the student received for the prior program's final academic year.

- The prorated Stafford annual loan limit for the student's grade level in the new program (see Subsection 6.11.F).

Completing A Program and Beginning Another Program At the Same School During An Academic Year

A school may certify a loan for the remainder of an academic year for a student who completes a program and begins a new program at the same school if the following criteria are met:

- The student's last loan to complete the prior program was for a period of less than an academic year.

- The student then begins a new program at the same school within the same academic year.

The new loan for the new program begins on the date that the student starts the new program and ends on the date that the school expects the student to complete the number of credit or clock hours and weeks of instructional time in the prior program's academic year. For this initial loan in the new program, the school may certify a Stafford loan amount that does not exceed the Stafford annual loan limit for the student's grade level in the new program, minus the loan amount the student received during the prior program's final academic year.

GUARANTOR COMMENTS:
None.

IMPLICATIONS:
Borrower:
A borrower who transfers credits or clock hours to a clock-hour program, a non-term-based credit-hour

program, or a credit-hour program with nonstandard terms that are not SE9W will become eligible for new annual Stafford loan limits when the calendar time associated with his or her prior academic year has elapsed. However, a borrower who transfers to a clock-hour program, a non-term-based credit-hour program, or credit-hour program with nonstandard terms that are not SE9W, without the transfer of credits or clock hours, is limited to the balance of his or her annual loan limit for the initial academic year in the new program of study. Generally, a borrower who transfers during an academic year into a credit-hour program with nonstandard terms that are SE9W will have greater access to Stafford loan funds for the remainder of the academic year in the new program than his or her counterpart who transfers mid-year into a credit-hour program with nonstandard terms that are not SE9W.

School:
A school that receives transfer students into a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W must separate, for purposes of determining the applicable Stafford annual loan limit, students who transfer credits or clock hours into the new program of study and students for whom credits or clock hours are not transferred. A school may be required to revise its internal procedures to ensure that a student who transfers into a credit-hour program with nonstandard terms that are SE9W is treated the same as a student who transfers into a standard term-based program for the purpose of determining remaining Stafford loan eligibility. A school may also be required to ensure that its internal procedures reflect the impact of loan proration on determining remaining Stafford loan eligibility for an undergraduate student in such a program who transfers between schools or between programs during an academic year and enrolls for the remaining portion of a new program.

Lender/Servicer:
None.

Guarantor:
A guarantor may need to revise 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:
AES

DATE SUBMITTED TO CM POLICY COMMITTEE:
July 31, 2008

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:
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CM Guarantor Designee
Interested Industry Groups and Others

jcs/edited - aes

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: January 30, 2009

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

SUBJECT: **Dependency Overrides**

AFFECTED SECTIONS: **6.8 Determining the Student's Dependency Status**

POLICY INFORMATION: **1107/Batch 158**

EFFECTIVE DATE/TRIGGER EVENT: Dependency overrides made by the school on or after July 1, 2009.

BASIS:
HEA §480(d)(2); *Summary of Changes for the Application Processing System 2009-2010*, p. 6.

CURRENT POLICY:
Current policy does not allow a financial aid administrator (FAA) to make a dependency override for a student based on the documented dependency override for that same student made by another FAA at a prior school.

REVISED POLICY:
Revised policy allows an FAA to make a dependency override for a student based on the documented dependency override for that same student made by another FAA at a prior school. The documented dependency override of the prior FAA must be within the same award year. Also, if a school uses the documented dependency override of another school, it must retain the SAR/ISIR that was used as the basis for continuing the dependency override.

REASON FOR CHANGE:
This change is made to incorporate the statutory change made by the College Cost Reduction and Access Act (CCRAA) of 2007, P.L. 110-084.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Revise Section 6.8, page 20, column 1, paragraph 3, as follows:

Dependency Overrides

. . .

A determination of unusual circumstances must be made each award year. Further, a change to a student's dependency status by an FAA at one school is not binding on another school. ~~Each school is required to make an individual determination of the student's dependency status and each school must retain documentation to support its decision.~~ However, an FAA may, at his or her discretion, use the documented dependency override of another FAA at a prior school as documented on a SAR/ISIR for the same student during the same award year without gathering supporting documentation. The FAA who makes the initial dependency override must prepare a written statement regarding the dependency determination, including the identification of the specific unusual circumstances upon which the FAA is basing the determination. The school that makes the initial dependency override during any award year must maintain this ~~documentation~~ statement and the supporting documentation used to make the determination. A school that uses the documented dependency override of another school must retain the SAR/ISIR that was used as the basis for continuing the dependency override. See Section 4.5 for SAR/ISIR recordkeeping requirements.
[§480(d)(2)]

PROPOSED LANGUAGE - COMMON BULLETIN:

Dependency Overrides

The *Common Manual* is being revised to incorporate a statutory change made through the College Cost

Reduction and Access Act (CCRAA) of 2007 that allows a financial aid administrator (FAA) to make a dependency override for a student based on the documented dependency override for that same student made by another FAA at a prior school without gathering supporting documentation. The documented dependency override of the prior FAA must be within the same award year. As is currently the case when making a dependency override, the FAA who makes the dependency override must prepare a written statement regarding the dependency determination, including the identification of the specific unusual circumstances upon which the determination is based, and must maintain the statement and supporting documentation used. The school that uses the documented dependency override of another school must retain the SAR/ISIR that was used as the basis for continuing the dependency override.

GUARANTOR COMMENTS:
None.

IMPLICATIONS:
Borrower:
A borrower who was granted a dependency override by one FAA and who transfers to another school may be able to continue the override at the new school if the FAA at the new school is willing to recognize and use the initial documented override.

School:
A school may continue a dependency override documented by a prior school for the same student during the same award year.

Lender/Servicer:
None.

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

U.S. Department of Education:
The Department may need to review its program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:
October 12, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

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

nm/edited-rrl

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: January 30, 2009

X	DRAFT	Comments Due	Feb 20
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	APPROVED	with changes/no changes	

SUBJECT: **Required Disclosures by Lenders Before Disbursement**

AFFECTED SECTIONS: **7.6.A General Initial Disclosure Requirements**

POLICY INFORMATION: **1108/Batch 158**

EFFECTIVE DATE/TRIGGER EVENT: August 14, 2008.

BASIS:
HEA §433(a), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; *Dear Colleague Letter* GEN-08-12/FP-08-10.

CURRENT POLICY:
Current policy provides the initial lender disclosure requirements based on federal regulations and on statute prior to the enactment of the HEOA.

REVISED POLICY:
Revised policy adds the following required initial disclosures by lenders:

- For a borrower of an unsubsidized Stafford loan or Grad PLUS loan, an explanation that the student borrower has the option to pay interest that accrues while enrolled in school at least half-time and if the borrower does not pay the interest, an explanation of the frequency of interest capitalization.
- For a borrower of a parent PLUS loan, an explanation that the parent has the option to defer payment while the student is enrolled in school at least half-time and if the parent borrower does not pay the interest, an explanation of the frequency of capitalization.
- For a borrower of a parent PLUS loan, an explanation that the parent may be eligible for a deferment while enrolled in school at least half-time.
- A description of the types of repayment plans that are available for the loan.
- A statement summarizing the circumstances under which a borrower may obtain a forbearance.
- A description of the options available for and requirements of loan forgiveness.

Revised policy updates the text to clarify the following with regard to initial lender disclosures:

- The upfront fees, including the federal origination fee and federal default fee, require an explanation of whether the charges will be collected by the lender before or at the time of each disbursement, deducted from the loan proceeds, paid separately by the borrower, or paid by the lender.
- The statement on the cumulative outstanding balance requires inclusion of the loan "being disbursed" as opposed to the loan for which the borrower is applying.
- The explanation of costs to the borrower refers to charges during repayment, e.g. late fees, as opposed to charges during the "making" of the loan and to charges in the collection of the loan.

Revised policy deletes the statutory requirement for a lender to provide an explanation of how accepting the loan may affect the student's eligibility for other financial aid. The HEOA has moved this requirement to school responsibility in conjunction with entrance loan counseling.

REASON FOR CHANGE:
This change is necessary to comply with the provisions of the HEOA.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Revise Subsection 7.6.A, page 10, column 1, paragraph 2, as follows:

7.6.A
General Initial Disclosure Requirements

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

- The lender's name and the address to which correspondence with the lender and payments should be sent.
- A telephone number accessible at no cost from within the U.S., and, at the lender's option, an electronic address at which the borrower can obtain additional loan information.
- The principal balance.
- The amount of any charges, including the federal origination fee and federal default fee (formerly guarantee fee) and an explanation of whether those charges will be collected by the lender before or at the time of each disbursement of the loan, ~~if applicable, and an explanation of whether those charges are being~~ deducted from the loan proceeds, ~~or~~ paid separately by the borrower, or paid by the lender.
- The actual interest rate.
- A statement of the cumulative outstanding balance of loans the borrower owes to the lender, including the loan ~~applied for~~ being disbursed, and an estimate of—or information that will allow the borrower to estimate—the projected monthly payment amount based on the cumulative outstanding balance.
- A separate statement, written in plain English, that summarizes the borrower's rights and responsibilities with respect to the loan and the consequences of defaulting on the loan. The lender must provide the borrower with either the Borrower's Rights and Responsibilities statement or, in the case of each subsequent loan made using the multi-year feature of the Master Promissory Note, the Plain Language Disclosure, in order to meet the required disclosure of the following information:
  - The annual and aggregate maximum loan amounts that may be borrowed (loan limits).
  - A statement that information on the loan, including the date of disbursement and amount of the loan, will be reported to ~~a national credit bureau~~ all consumer reporting agencies.
  - For a borrower of an unsubsidized Stafford loan or Grad PLUS loan, an explanation that the borrower has the option to pay interest that accrues while enrolled in school at least half-time and if the borrower does not pay the interest, an explanation of the frequency of interest capitalization.
  - For a borrower of a parent PLUS loan, an explanation that the parent has the option to defer payment while the student is enrolled in school at least half-time and if the parent borrower does not pay the interest, an explanation of the frequency of capitalization.
  - For a borrower of a parent PLUS loan, an explanation that the parent may be eligible for a deferment while enrolled in school at least half-time.

- An explanation of when repayment of the loan is required and when the borrower is required to pay interest that accrues on the loan.

- A description of the types of repayment plans that are available for the loan (see Section 10.8 for repayment plans).

- The minimum and maximum number of years for repayment and the minimum annual payment amount.

- A statement that the lender may sell or transfer the loan to another party, in which case the address and identity of the party to which correspondence and payment should be sent may change.

- An explanation of any options the borrower may have for consolidating or refinancing the loan.

- A statement that the borrower has the right to prepay all or part of the loan at any time, without penalty.

- A statement ~~describing~~ summarizing the circumstances under which the borrower may defer repayment of the principal or accruing interest.

- A statement summarizing the circumstances under which a borrower may obtain a forbearance.

- A description of the options available for and requirements of loan forgiveness.

- A statement of the availability of the Department of Defense program for repayment of loan on the basis of military service.

- A statement on the consequences of default, including litigation, ~~national credit bureau~~ reporting to all consumer reporting agencies, liability for substantial collection costs, state offsets or federal Treasury offsets, wage garnishments, and ineligibility for additional federal student aid and assistance under most federal benefit programs.

- ~~An explanation of how accepting the loan may affect the student's eligibility for other financial aid.~~

- An explanation of any costs the borrower may incur ~~in the making~~ during repayment or ~~collecting~~ in the collection of the loan, including fees that the borrower may be charged, such as late payment fees and collection costs.

- A statement that the loan proceeds will be transmitted to the school for delivery to the borrower.

If the loan amount, interest rate, or fee amount changes, the lender must provide the corrected information to the borrower. A guarantor may assist the lender with making corrected disclosures by providing a corrected guarantee disclosure to the lender to forward to the borrower.

[HEA §433(a); §682.205(a) through (c) and (e) through (~~g~~h)]

PROPOSED LANGUAGE - COMMON BULLETIN:

Required Disclosures by Lenders Before Disbursement

The *Common Manual* has been revised by adding the following required initial disclosures by lenders:

- For a borrower of an unsubsidized Stafford loan or Grad PLUS loan, an explanation that the student borrower has the option to pay interest that accrues while enrolled in school at least half-time and if the borrower does not pay the interest, an explanation of the frequency of interest capitalization.

- For a borrower of a parent PLUS loan, an explanation that the parent has the option to defer payment while the student is enrolled in school at least half-time and if the parent borrower does not pay the interest, an explanation of the frequency of capitalization.

- For a borrower of a parent PLUS loan, an explanation that the parent may be eligible for a deferment while enrolled in school at least half-time.

- A description of the types of repayment plans that are available for the loan.

- A statement summarizing the circumstances under which a borrower may obtain a forbearance.

- A description of the options available for and requirements of loan forgiveness.

The text in the Manual has been updated to clarify the following with regard to initial lender disclosures:

- The upfront fees, including the federal origination fee and federal default fee, require an explanation of whether the charges will be collected by the lender before or at the time of each disbursement, deducted from the loan proceeds, paid separately by the borrower, or paid by the lender.

- The statement on the cumulative outstanding balance requires inclusion of the loan being disbursed as opposed to the loan for which the borrower is applying.

- The explanation of costs to the borrower refers to charges during repayment, e.g. late fees, as opposed to charges during the "making" of the loan and to charges in the collection of the loan.

The statutory requirement for a lender to provide an explanation of how accepting the loan may affect the student's eligibility for other financial aid was deleted from the required initial disclosures. The HEOA has moved this requirement to school responsibility in conjunction with entrance loan counseling.

GUARANTOR COMMENTS:
None.

IMPLICATIONS:
Borrower:
A borrower will be receiving additional information in the initial lender disclosure with regard to repayment plans, forbearance, and loan forgiveness. A unsubsidized loan borrower will be receiving additional information with regard to interest accrual and payment or capitalization. A parent PLUS loan borrower will receive information on in-school deferments.

School:
None.

Lender/Servicer:
A lender may need to revise its initial disclosures to comply with the HEOA provisions.

Guarantor:
A guarantor may be required to revise program review criteria.

U.S. Department of Education:
The Department may be required to revise program review criteria.

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

ce/edited-rl

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: January 30, 2009

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

SUBJECT: **Lender Disclosure - Before Repayment**

AFFECTED SECTIONS: **10.7 Disclosing Repayment Terms**

POLICY INFORMATION: **1109/Batch 158**

Effective Date/Trigger Event: Loans disbursed on or after August 14, 2008.

BASIS:

HEA §433(b), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; *Dear Colleague Letter* GEN-08-12/FP-08-10.

CURRENT POLICY:

Current policy provides the initial lender disclosure requirements based on federal regulations and on statute prior to the enactment of the HEOA.

REVISED POLICY:

Revised policy requires that each eligible lender provide additional information to be disclosed at or prior to the start of the student borrower's repayment period. The disclosure is now required to also include the following:

- The servicer's name and the address to which correspondence and payments should be sent, if applicable.
- The date the deferment period is scheduled to end, if applicable.
- The estimated balance, including the estimated amount of interest to be capitalized, as of the date the deferment period is to end, if applicable.
- Information on any special repayment benefits that the lender offers for the loan(s) including:
  - Eligibility for an interest rate reduction if the borrower repays the loan by automatic payroll or checking account deductions or if the borrower makes a specified number of on-time payments, and any other that could reduce the amount of repayment or the length of the repayment period.
  - Limitations on the special repayment benefit(s), such as explicit information on the reasons a borrower may lose eligibility for an interest rate reduction, examples of the impact on the length of the borrower's repayment period and the amount and time for repayment (if requested by the borrower), and whether and how the borrower can regain eligibility for the benefit if the borrower loses a benefit.
- A description of all repayment plans that are available to the borrower and a statement that the borrower may change from one plan to another during the period of repayment.
- The number, amount, and frequency of required payments based on a standard repayment plan or the plan selected by the borrower.
- The amount of interest already paid, if applicable.
- A description of options to avoid or be removed from default, including any fees associated with such options.
- Additional resources, of which the lender is aware, where borrowers may receive advice and assistance on loan repayment. Examples of such resources are nonprofit organizations, advocates,

and counselors (including the Department's Student Loan Ombudsman).

REASON FOR CHANGE:
This change is made to comply with provisions of the HEOA.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Note: Additional changes to the Time Frame for Disclosures were made in Proposal 1097 in Batch 157.

Revise Section 10.7, page 13, column 1, paragraph 3, as follows:

Repayment Disclosure Formats

Most guarantors provide repayment and disclosure statements for disclosing repayment terms to borrowers. A lender may use another written or electronic format suitable to its servicing systems and procedures (such as its own repayment disclosure form, coupon book, or billing statement) in lieu of a guarantor form. This format must include, at a minimum, the following elements:

- The lender's or servicer's name and the address to which correspondence and payments should be sent.

- A telephone number accessible at no cost to the borrower from within the U.S., and, at the lender's option, an electronic address from which the borrower can obtain additional loan information.

- The scheduled date the repayment period begins or the deferment period ends on a PLUS loan, if applicable.

- The estimated balance, including the estimated amount of interest to be capitalized, that is owed by the borrower as of the date the repayment period begins or the deferment period ends on a PLUS loan, if applicable. ~~date of the disclosure, whichever is later.~~

- The actual interest rate on the loan.

- Information on special loan repayment benefits offered for the loan(s), if applicable, including:

  - Eligibility for an interest rate reduction if the borrower repays the loan by automatic payroll or checking account deduction or if the borrower makes a specified number of on-time payments, and any other benefits that could reduce the total repayment amount or the length of the repayment period.

  - Limitations on the special repayment benefit(s), such as explicit information on the reasons the borrower may lose eligibility for an interest rate reduction, examples of the impact of that change on the length of the borrower's repayment period and the total repayment amount, the effect the change would have with respect to the borrower's payoff amount and length of repayment (if requested by the borrower), and whether and how the borrower can regain eligibility for the benefit if the borrower loses a benefit.

- A description of all the repayment plans that are available to the borrower and a statement that the borrower may change from one plan to another during the period of repayment. Details regarding repayment schedule options are outlined in Section 10.8.

- An explanation of any fees that may accrue or be charged to the borrower during the repayment period.

- The borrower's repayment schedule, including the due date of the first installment and the number, amount, and frequency of payments, based either on a standard repayment plan or the repayment plan selected by the borrower.

- ~~Except in the case of a Federal Consolidation loan,~~ A~~a~~n explanation of any special options the borrower may have for consolidating or refinancing the loan and the availability and terms of these other options.

- The estimated total amount of interest to be paid on the loan, assuming payments are made in accordance with the repayment schedule and the amount of interest already paid by the borrower, if applicable.

- A statement that the borrower has the right to prepay all or part of the loan at any time, without penalty.

- A description of the options by which the borrower may avoid or be removed from default, including any relevant fees associated with such options.

- Additional resources, including nonprofit organizations, advocates, and counselors of which the lender is aware, where borrowers may receive advice and assistance on loan repayment. These resources include the Department's Student Loan Ombudsman.

. . .

PROPOSED LANGUAGE - COMMON BULLETIN:

Lender Disclosure - Before Repayment

The *Common Manual* has been updated to include revisions to the information that the lender is required to disclose when providing FFELP repayment disclosures for Stafford and PLUS loans. In addition to existing repayment disclosure requirements, the lender is now required to disclose:

- The servicer's name and the address to which correspondence and payments should be sent, if applicable.

- The date the deferment period is to end, if applicable.

- The estimated balance, including the estimated amount of interest to be capitalized as of the date the deferment period is to end, if applicable.

- Information on any special repayment benefits that the lender offers for the loan(s) including:

  – Eligibility for an interest rate reduction if the borrower repays the loan by automatic payroll or checking account deductions or if the borrower makes a specified number of on-time payments, and any other benefits that could reduce the amount of repayment or the length of the repayment period.

  – Limitations on the special benefits, such as explicit information on the reasons the borrower may lose eligibility for an interest rate reduction, examples of the impact of that loss on the length of the borrower's repayment period, the total repayment amount and time for repayment (if requested by the borrower), and whether and how the borrower can regain eligibility if the borrower loses a benefit.

- A description of all repayment plans that are available to the borrower and a statement that the borrower may change from one plan to another during the period of repayment.

- The number, amount, and frequency of required payments based on a standard repayment plan or the plan selected by the borrower.

- The amount of interest already paid, if applicable.

- A description of options to avoid or be removed from default, including any fees associated with such options.

- Additional resources, of which the lender is aware, where borrowers may receive advice and assistance on loan repayment. Examples of such resources are nonprofit organizations, advocates, and counselors (including the Department's Student Loan Ombudsman).

GUARANTOR COMMENTS:
None.

IMPLICATIONS:
Borrower:
A borrower will receive more information about their student loan(s).

School:
None.

Lender/Servicer:
A lender must update disclosure information that is sent to the borrower at or prior to the start of the repayment period. A lender may need to change systems to accommodate the expanded requirements.

Guarantor:
A guarantor may need to modify program review parameters.

U.S. Department of Education:
The Department may need to modify program review parameters.

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:
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COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: January 30, 2009

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SUBJECT: **Required Lender Disclosures During Delinquency**

AFFECTED SECTIONS: **12.1 Collection Philosophies, Goals, and Minimum Standards**

POLICY INFORMATION: **1110/Batch 158**

EFFECTIVE DATE/TRIGGER EVENT: Loans that become delinquent on or after July 1, 2009.

BASIS:
HEA §433(e)(3), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; *Dear Colleague Letter* GEN-08-12/FP-08-10.

CURRENT POLICY:
Current policy does not include a lender disclosure requirement when a borrower is 60 days delinquent.

REVISED POLICY:
Revised policy requires a lender to disclose the following information when a borrower is 60 days delinquent:

- The date on which the loan will default if no payment is made.
- The minimum payment the borrower must make to avoid default.
- A description of borrower options to avoid default, including a description of, and the requirements for obtaining a deferment or a forbearance and an explanation of any relevant fees or costs associated with such options.
- Loan discharge options for which the borrower may be eligible.
- Additional resources of which the lender is aware, including nonprofit organizations, advocates, and counselors (including the Department's Student Loan Ombudsman) where the borrower may receive advice and assistance on loan repayment.

REASON FOR CHANGE:
This change is necessary to comply with the provisions of the HEOA.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Revise Section 12.1, page 1, column 2, paragraph 2, by adding a new subsection as follows:

12.1
Collection Philosophies, Goals, and Minimum Standards

The lender's collection practices must focus on preventing the default of its delinquent and ineligible borrower loans. The lender should develop a systematic and thorough approach to collecting on its loans, using, at a minimum, the due diligence standards prescribed in this chapter. In addition, the lender may use its own consumer loan collection practices. Lenders are strongly encouraged to develop standards that are in the best interest of both borrowers and the FFELP.

<u>**12.1.A**</u>
<u>**Lender Disclosure Requirements**</u>

When a borrower is 60 days delinquent, the lender must provide a notice with all of the following information in simple and understandable terms:

- The date on which the loan will default if no payment is made.

- The minimum payment the borrower must make to avoid default.

- A description of borrower options to avoid default, including a description of, and the requirements for obtaining a deferment or a forbearance and an explanation of any relevant fees or costs associated with such options.

- Loan discharge options for which the borrower may be eligible.

- Additional resources of which the lender is aware, including nonprofit organizations, advocates, and counselors (including the Student Loan Ombudsman of the U.S. Department of Education) where the borrower may receive advice and assistance on loan repayment.

[HEA §433(e)(3)]

12.2
Situations Requiring Collection Activities

PROPOSED LANGUAGE - COMMON BULLETIN:
Required Lender Disclosures During Delinquency
The *Common Manual* has been revised by adding the requirement that a lender must provide to a borrower who is 60 days delinquent a notice that is in simple and understandable terms and containing all of the following information:

- The date on which the loan will default if no payment is made.

- The minimum payment the borrower must make to avoid default.

- A description of borrower options to avoid default, including a description of, and the requirements for obtaining a deferment or a forbearance and an explanation of any relevant fees or costs associated with such options.

- Loan discharge options for which the borrower may be eligible.

- Additional resources of which the lender is aware, including nonprofit organizations, advocates, and counselors (including the Department's Student Loan Ombudsman) where the borrower may receive advice and assistance on loan repayment.

GUARANTOR COMMENTS:
None.

IMPLICATIONS:
Borrower:
A delinquent borrower may receive additional information with regard to default prevention.

School:
A school may have a reduction in defaults as a result of the required disclosures for a delinquent borrower.

Lender/Servicer:
A lender may need to revise its systems and procedures to comply with the requirement for delinquency disclosures.

Guarantor:
A guarantor may be required to revise program review criteria. If the guarantor provides default prevention or debt counseling materials or resources, the lender may include the guarantor in its list of available resources,

increasing the number of borrower contacts that the guarantor receives and to which the guarantor must respond.

U.S. Department of Education:
The Department may be required to revise program review criteria. As a result of these changes, the Department may have an increase in borrower contacts.

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:

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COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: January 30, 2009

X	DRAFT	Comments Due	Feb 20
	FINAL	Consider at GB Meeting	
	APPROVED	With Changes / No Changes	

SUBJECT: **Rehabilitation of Defaulted FFELP Loans**

AFFECTED SECTIONS: **13.7 Rehabilitation of Defaulted FFELP Loans**

POLICY INFORMATION: **1111/Batch 158**

EFFECTIVE DATE/TRIGGER EVENT: Loans rehabilitated on or after August 14, 2008.

BASIS:
HEA §428F(a)(5), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; *Dear Colleague Letter* GEN-08-12/FP-08-10.

CURRENT POLICY:
Current policy states that there are no federal restrictions that prohibit a loan from being rehabilitated more than once.

REVISED POLICY:
Revised policy states that a loan may only be rehabilitated once.

REASON FOR CHANGE:
This change is made to comply with the provisions of the HEOA.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Revise Section 13.7, page 14, 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 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.~~ A loan may only be rehabilitated once. A borrower may continue to rehabilitate other defaulted loans that have not previously been rehabilitated.
[HEA §428F(a)(5); §682.405(a)(1); DCL GEN-08-12/FP-08-10~~*Dear Guaranty Agency Director Letter* July 30, 1993~~]

PROPOSED LANGUAGE - COMMON BULLETIN:

Rehabilitation of Defaulted FFELP Loans

The *Common Manual* has been updated to reflect the changes to the rehabilitation program that were made in the Higher Education Opportunity Act (HEOA), P.L. 110-315. These changes specify that a loan may only be rehabilitated once. A borrower may continue to rehabilitate other defaulted loans that have not previously been rehabilitated.

GUARANTOR COMMENTS:
None.

IMPLICATIONS:

Borrower:
A borrower may not rehabilitate a defaulted loan more than one time.

School:
None.

Lender/Servicer:
None.

Guarantor:
A guarantor may need to update its procedures to track which loans have been rehabilitated to ensure that a loan is not rehabilitated more than once.

U.S. Department of Education:
The Department may need to update its program review parameters.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:
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Date: January 30, 2009

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SUBJECT: **Consumer Credit Reporting After FFELP Loan Rehabilitation**

AFFECTED SECTIONS: **13.7 Rehabilitation of Defaulted FFELP Loans**
Appendix G

POLICY INFORMATION: **1112/Batch 158**

EFFECTIVE DATE/TRIGGER EVENT: Loan rehabilitation sales to eligible lenders that take place on or after August 14, 2008.

BASIS:
HEA §428F(a)(1)(A), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; *Dear Colleague Letter* GEN-08-12/FP-08-10.

CURRENT POLICY:
Current policy states that upon successful rehabilitation of a loan, the guarantor will report to national credit bureaus that the default status is to be removed from the borrower's credit history.

REVISED POLICY:
Revised policy states that upon successful rehabilitation of a loan, the guarantor and any other holder that reported the loan as a default, must request that the consumer reporting agency to which the default was reported remove the default record from the borrower's credit history. Revised policy also includes in the Glossary, a definition of Consumer Reporting Agency.

REASON FOR CHANGE:
This change is made to comply with the provisions of the HEOA.

PROPOSED LANGUAGE - *COMMON MANUAL*:

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

13.7
Rehabilitation of Defaulted FFELP Loans

. . .

Upon purchase of a loan by an eligible lender, the guarantor, and any other holder of the loan that reported it as a previous default, ~~will~~ must report to national ~~credit bureaus~~ consumer reporting agencies that the previously reported default status is to be removed from the borrower's credit history, and the loan will be considered rehabilitated.
[HEA §428F(a)(1)(A); §682.405(a); §682.405(b)(3); DCL GEN-08-12/FP-08-10]

▲ Contact the guarantor for information about it's process for lender notification of a rehabilitated loan. See Section 1.5. for contact information.

Revise Appendix G, page 4, column 2, by adding a new 6th paragraph follows:

Confirmation (as it relates to the MPN): . . .

Consumer Reporting Agency: An agency that regularly engages in the practice of assembling or evaluating, and maintaining, for purposes of furnishing consumer reports to third parties bearing on a consumer's creditworthiness, credit standing, or credit capacity, each of the following regarding consumers residing nationwide: public record, and credit account information from persons who furnish that information regularly and in the ordinary course of business.

Consummated Loan: . . .

PROPOSED LANGUAGE - COMMON BULLETIN:

Consumer Credit Reporting after FFELP Loan Rehabilitation

The *Common Manual* has been updated to reflect the changes to the rehabilitation program that were made in the Higher Education Opportunity Act (HEOA), P.L. 110-315. These changes specify that upon successful rehabilitation of a loan, the guarantor and any other holder that reported the loan as a default, must request the consumer reporting agency to which the default was reported remove the record of the default from the borrower's credit history. The Manual's glossary has also been update to include the definition of Consumer Reporting Agency.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower will have his or her credit history updated by the guarantor who held the defaulted loan and any other holder of the loan that reported a previous default, after the loan is rehabilitated.

School:

None.

Lender/Servicer:

A lender that previously reported a defaulted loan may need to update its procedures to ensure that it updates a borrower's credit history when the rehabilitation is complete.

Guarantor:

A guarantor that reported a defaulted loan will need to update the borrower's credit history when the loan is rehabilitated and may need to update its procedures to notify any other lender that reported a previous default to update the borrower's credit history when the loan has been rehabilitated.

U.S. Department of Education:

The Department may need to update its program review parameters.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

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Date: January 30, 2009

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SUBJECT: **Teacher Loan Forgiveness**

AFFECTED SECTIONS: **13.9.B Teacher Loan Forgiveness Program**

POLICY INFORMATION: **1113/Batch 158**

EFFECTIVE DATE/TRIGGER EVENT: Teacher Loan Forgiveness and Teacher Loan Forgiveness Forbearance Applications received by the lender on or after August 14, 2008.

BASIS:

HEA §428J(c)(3) and (g)(2), and §481(f), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; *Dear Colleague Letter* GEN-08-12/FP-08-10.

CURRENT POLICY:

Current policy does not address that an otherwise eligible borrower may qualify for forgiveness if the borrower has provided qualifying teaching services at one or more locations that are operated by an educational service agency, but are not a school, and that have been determined by the Secretary, in consultation with the state, to be eligible locations for this purpose. Current policy does not provide the definition of an educational service agency. Also, current policy also does not address that the chief administrative officer of an educational service agency may certify a borrower's eligibility for teacher loan forgiveness for borrowers who perform their qualifying teaching service as employees of such an agency. Also, current policy does not address all the programs for which a borrower may not receive double benefit for the same teaching service.

REVISED POLICY:

Revised policy adds that an otherwise eligible borrower may qualify for forgiveness if the borrower has provided qualifying teaching services at one or more locations that are operated by an educational service agency, but are not a school, and that have been determined by the Secretary, in consultation with the state, to be eligible locations for this purpose. Revised policy adds the definition of an educational service agency. Revised policy also adds that the chief administrator of an educational service agency may certify a borrower's eligibility for teacher loan forgiveness for borrowers who perform their qualifying teaching service as employees of such an agency. Also, revised policy adds that a borrower who receives teacher loan forgiveness benefits under the FFELP or Direct Loan Programs may not receive, for the same teaching service, benefits under the Public Service Loan Forgiveness Program or the Loan Forgiveness for Service in Areas of National Need.

REASON FOR CHANGE:

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

PROPOSED LANGUAGE - *COMMON MANUAL*:

Revise Subsection 13.9.B, page 55, column 1, paragraph 2, as follows:

> Under this program, the Department repays a maximum of $5,000 or $17,500, as applicable, (combined total for loans obtained under both the FFELP and FDLP) of a qualified borrower's Stafford loan obligations, and Consolidation loan obligations to the extent that a Consolidation loan repaid a borrower's qualifying Stafford loan(s). No borrower may receive benefit for the same teaching service under both the Teacher Loan Forgiveness Program and the Public Service Loan Forgiveness Program, the Loan Forgiveness for Service in Areas of National Need, or subtitle D of Title I of the National and Community Service Act of 1990 (AmeriCorps). [§HEA 428J(g)(2); §682.215(a) and (c)(9); GEN-05-02/FP-05-02; GEN-08-12/FP-08-10]

Revise Subsection 13.9.B, page 55, column 2, paragraph 3, bullet 2, as follows:

Note: This subsection was previously updated by proposal 1065 in Batch 153.

Eligibility Criteria

To be eligible for loan forgiveness under this program, a borrower must meet all of the following criteria:

- The borrower must have had no outstanding balance on a FFELP or FDLP loan on October 1, 1998, or had no outstanding balance on a FFELP or FDLP loan on the date he or she obtained a loan after October 1, 1998.

- The borrower must have been employed as a full-time teacher for 5 consecutive, complete academic years at a qualifying school <u>or location operated by an educational service agency</u> (see definition of qualifying school <u>and information regarding educational service agency locations</u> below) or a combination of ~~qualifying schools~~ <u>these entities</u>, as certified by the chief administrative officer(s) at the school(s)<u> or educational service agency</u>.
  <u>[HEA §428J(c)(3); GEN-08-12/FP-08-10]</u>

  . . .

Revise Subsection 13.9.B, page 57, column 1, paragraph 1, by adding a new bullet 2, as follows:

Definitions Applicable to Teacher Loan Forgiveness

In the context of the teacher loan forgiveness provisions, the following definitions apply:

- A *qualifying school* is an elementary or secondary school operated by the Bureau of Indian Affairs (BIA) or operated on an Indian reservation by an Indian tribal group under contract wi the BIA, or a school that meets all of the following criteria:
  [§682.215(c)(1)(iii)]

  – Is in a school district that qualifies for funds under Title I of the Elementary and Secondary Education Act of 1965, as amended.
    [§682.215(c)(1)(i)]

  – Has been selected by the Department based on a determination that more than 30% of the school's total enrollment is made up of children who qualify for services provided under Title I.
    [§682.215(c)(1)(ii)]

  – Is listed in the Annual Directory of Designated Low-Income Schools for Teacher Cancellation Benefits. (If this directory is not available before May 1 of any year, the previous year's directory may be used.)
    [§682.215(c)(1)(iii)]

- <u>An otherwise eligible borrower may qualify for forgiveness if the borrower has provided qualifying teaching services at one or more locations operated by an educational service agency, but are not a school, and that have been determined by the Secretary, in consultation with the state, to be eligible locations for this purpose. An educational service agency is a regional public multi-service agency authorized by state statute to develop, manage, and provide services or programs to local educational agencies.</u>
  <u>[HEA §428J(c)(3) and §481(f); GEN-08-12/FP-08-10]</u>

- . . .

PROPOSED LANGUAGE - COMMON BULLETIN:

Teacher Loan Forgiveness

The *Common Manual* has been updated with provisions of the Higher Education Opportunity Act (HEOA), P.L. 110-315. The information for teacher loan forgiveness has been revised to add that an otherwise eligible borrower may qualify for forgiveness if the borrower has provided qualifying teaching services at one or more locations operated by an educational service agency, but are not a school, and that have been determined by the Secretary, in consultation with the state, to be eligible locations for this purpose. An educational service agency is a regional public multi-service agency authorized by state statute to develop, manage, and provide services or programs to local educational agencies. Also, the chief administrator of an educational service agency may certify a borrower's eligibility for teacher loan forgiveness for borrowers who perform their qualifying teaching service as employees of such an agency.

The Manual has also been updated to add that a borrower who receives teacher loan forgiveness benefits under the FFELP or Direct Loan Programs may not receive, for the same teaching service, benefits under the Public Service Loan Forgiveness Program or the Loan Forgiveness for Service in Areas of National Need.

Guarantor Comments:
None.

Implications:
Borrower:
An otherwise eligible borrower may qualify for forgiveness if the borrower has provided qualifying teaching services at one or more locations that are operated by an educational service agency, but are not a school, and that have been determined by the Secretary, in consultation with the state, to be eligible locations for this purpose. A borrower who receives teacher loan forgiveness benefits under the FFELP or Direct Loan Programs may not receive, for the same teaching service, benefits under the Public Service Loan Forgiveness Program or the Loan Forgiveness for Service in Areas of National Need.

School:
None.

Lender/Servicer:
A lender may need to update its counseling materials and teacher loan forgiveness processing procedures.

Guarantor:
A guarantor may need to update its counseling materials and teacher loan forgiveness processing procedures.

U.S. Department of Education:
The Department may need to update its counseling materials and teacher loan forgiveness processing procedures.

To be completed by the Policy Committee

Policy Change Proposed By:
CM Policy Committee

Date Submitted to CM Policy Committee:
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COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: January 30, 2009

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SUBJECT: **Lender Disclosure - Consolidation Loans**

AFFECTED SECTIONS: **15.3.A Providing Consolidation Loan Information**

POLICY INFORMATION: **1114/Batch 158**

Effective Date/Trigger Event: Consolidation loan applications provided to potential borrowers on or after August 14, 2008.

BASIS:
HEA §428C(b)(1)(F), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; *Dear Colleague Letter* GEN-08-12/FP-08-10.

CURRENT POLICY:
Current policy encourages a lender to provide information to a prospective Consolidation loan borrower to help the borrower make informed decisions about consolidation.

REVISED POLICY:
Revised policy requires that a lender disclose the following information to a prospective Consolidation loan borrower, in simple and understandable terms, at the time the lender provides an application:

- Whether consolidation would result in loss of benefits under the FFELP or the Federal Direct Loan Program (e.g., loan forgiveness, cancellation, deferment), or under the Federal Perkins Loan Program (e.g., interest-free periods, deferment, cancellation).
- Available repayment plans.
- Options to prepay (e.g., shorter repayment schedule, change repayment plans).
- That benefit programs may vary among lenders.
- The consequences of default.
- That applying for the Consolidation loan does not obligate the borrower to take the Consolidation loan.

REASON FOR CHANGE:
This change is made to comply with provisions of the HEOA.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Revise Section 15.3.A, page 6, column 1, paragraph 2, as follows:

15.3.A
Providing Consolidation Loan Information

The lender must ~~is encouraged to~~ disclose ~~provide information~~ to a prospective Consolidation loan borrower~~s~~ in simple and understandable terms, at the time the lender provides a Consolidation application, all of the following ~~to help them make informed decisions about consolidation. Lenders may wish to provide the following types of~~ information:

- Whether consolidation would result in a loss of loan benefits, including loan forgiveness, cancellation, and deferment, through the FFELP or the Direct Loan Program.

- For a borrower consolidating a Federal Perkins Loan(s), each of the following:

  – If a borrower includes a Federal Perkins Loan in the Consolidation loan, that the borrower will lose all interest-free periods that would have been available for the Federal Perkins Loan Program (e.g., the period during which no interest accrues on the loan while the borrower is enrolled in school at least half time, during the initial grace period, and the periods during which the borrower is eligible for deferment).

  – If a borrower includes a Federal Perkins Loan in the Consolidation loan, that the borrower will no longer be eligible for public service cancellation of all or a portion of the Federal Perkins Loan.

- The repayment plans that are available to the borrower.

- The options for the borrower to prepay the Consolidation loan, to pay the loan on a shorter schedule, and to change repayment plans.

- That borrower benefit programs for a Consolidation loan may vary among different lenders.

- The consequences of default on the Consolidation loan.

- That by applying for a Consolidation loan, the borrower is not obligated to take the Consolidation loan.

Lenders may also wish to provide the following types of information:

Checklist
Including a checklist can be helpful in guiding the borrower through the Consolidation loan application process.

Explanation of Consolidation Benefits and Costs
An explanation of consolidation benefits and costs may include:
- Benefits of consolidation to the borrower.
- Special benefits the lender offers on Federal Consolidation loans, and the criteria for obtaining those benefits.
- Borrower eligibility requirements.
- Types of loans that may be consolidated.
- Interest rate calculation.
- ~~Repayment options available.~~
- ~~Effects of repayment schedule on the repayment period.~~
- Deferment options.
- ~~The borrower's potential loss of benefits on underlying loans when consolidated into a Consolidation loan.~~
- The borrower's cost for consolidation.
- Explanation of t~~T~~he consolidation process.

Worksheet or Web Page
A Federal Consolidation loan worksheet or Web page can help the borrower:
- List all outstanding education loans.
- Select which loans are to be consolidated.
- Determine the maximum repayment period.
- Compute the interest rate.
- Calculate estimated monthly payments under standard, graduated, extended, ~~and~~ income-sensitive, and income-based repayment schedules.
- Compare the estimated payment with the total of payments for the same loans without consolidation.
- Calculate the total cost of repayment (including interest) over various repayment periods.

Instructions

The lender may include instructions for completing the Federal Consolidation Loan Application and Promissory Note, and, if the note is available electronically, a link to the appropriate Website.

PROPOSED LANGUAGE - COMMON BULLETIN:

The *Common Manual* has been revised to include required disclosures that a lender is required to make to a prospective Consolidation loan borrower, in simple and understandable terms, at the time the lender provides an loan application, including the following:

- Whether consolidation would result in loss of benefits under the FFELP or the Federal Direct Loan Program (e.g., loan forgiveness, cancellation, deferment), or under the Federal Perkins Loan Program (e.g., interest-free periods, deferment, cancellation).
- Available repayment plans.
- Options to prepay (e.g., shorter repayment schedule, change repayment plans).
- That benefit programs may vary among lenders.
- The consequences of default.
- That applying for the Consolidation does not obligate the borrower to take the Consolidation loan.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower will receive more information about the impact that loan consolidation may have on existing loan(s) and repayment.

School:

None.

Lender/Servicer:

A lender will need to update information it discloses to a prospective Consolidation loan borrower.

Guarantor:

A guarantor may need to modify program review parameters.

U.S. Department of Education:

The Department may need to modify program review parameters.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

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SUBJECT: **Cohort Default Rate - Extended Calculation Period**

AFFECTED SECTIONS:
16.1 Overview of Cohort Default Rates and Terminology
16.2 Calculation of School Cohort Default Rate
Figure 16-1 Cohort Default Rate Formulas
Figure 16-2 Summary: Challenges, Adjustments, and Appeals

POLICY INFORMATION: **1115/Batch 158**

EFFECTIVE DATE/TRIGGER EVENT: Cohort default rate calculations for fiscal years 2009 and thereafter.

BASIS:
HEA §435(m), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; *Dear Colleague Letter* GEN-08-12/FP-08-10.

CURRENT POLICY:
Current policy defines a cohort default rate (CDR) 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 subsequently default on those loans during the same or following fiscal year in which the borrowers entered repayment.

REVISED POLICY:
Revised policy adds a second definition for CDR to include student borrowers who enter repayment during a specific fiscal year on certain FFELP or FDLP loans and who subsequently default before the end of the *second* year following the fiscal year in which the borrowers entered repayment.

Revised policy also amends current text to align policy related to the numerator used in the CDR calculation, including revisions to Figure 16-1. Also, a new Figure 16-2, "Cohort Default Rate Formulas Beginning with Fiscal Year 2009," has been added to reflect the change in calculation in fiscal years 2009. The current Figure 16-2, "Summary: Challenges, Adjustments, and Appeals," has been re-numbered as Figure 16-3.

REASON FOR CHANGE:
This change is made to comply with the provisions of the HEOA.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Revise Section 16.1, page 1, column 2, paragraph 2, bullet 4, as follows:

Cohort Default Rate Terminology

Following are terms used throughout this chapter, defined solely as they pertain to cohort default rate:

- . . .
- . . .
- . . .
- *Default:* A FFELP borrower is considered "in default" if the borrower defaults on a loan for which the claim is paid by the guarantor before the end of the fiscal year following the fiscal year in which the borrower entered repayment on the loan. <u>For an FDLP borrower, default is defined under the parameters of that program.</u> If a borrower defaults on a Federal Consolidation loan within that time frame, the default is counted on the applicable underlying loans that entered repayment during that cohort year.

[§668.182(d); §668.183(c)]

Beginning with the fiscal year 2009 cohort default rate calculations, a FFELP borrower is considered “in default” if the borrower defaults on a loan for which the claim is paid by the guarantor before the end of the second year following the fiscal year in which those borrowers entered repayment. For an FDLP borrower, default is defined under the parameters of that program. If a borrower defaults on a Federal Consolidation loan within that time frame, the default is counted on the applicable underlying loans that entered repayment during that cohort year.
[HEA §435(m); DCL GEN-08-12/FP-08-10]

Revise Section 16.2, page 3, column 1, paragraph 1, as follows:

Calculation of School Cohort Default Rate

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~~ before the end of the same or following fiscal year ~~(see Section 16.1)~~. ~~This includes borrower who borrower any of the following types of loans:~~

Beginning with fiscal year 2009, a cohort default rate calculation 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 before the end of the second year following the fiscal year in which the borrower entered repayment (see Section 16.1). This includes borrowers who borrow any of the following types of loans:

- . . .
- . . .

. . .

An official cohort default rate is calculated for a school according to the formulas that follow in Figure 16-1 until fiscal year 2009. Formula A is used for schools that had ~~30~~ thirty or more student borrowers who entered repayment during the fiscal year for which the rate is being calculated. Formula B is used for schools that had fewer than ~~30~~ thirty student borrowers who entered repayment during the fiscal year for which the rate is being calculated. A draft cohort default rate is calculated for a school based on one year of data (using Formula A), even if the official cohort default rate for the school will be calculated based on several years of data (using Formula B).
[*Cohort Default Rate Guide*]

Beginning with fiscal year 2009, an official cohort default rate will be calculated for a school according to the formulas that follow in Figure 16-2. Formula A will be used for schools that had thirty or more student borrowers who entered repayment during the fiscal year for which the rate is being calculated. Formula B will be used for schools that had fewer than thirty borrowers who entered repayment during the fiscal year for which the cohort rate is being calculated.
[HEA §435(m); DCL GEN-08-12/FP-08-10]

Revise Figure 16-1, page 4, as follows:

See attached chart.

Add a new Figure 16-2 immediately following Figure 16-1, as follows:

See attached chart.

Revise Section 16.2, page 5, column 2, paragraph 2, as follows:

Determining the Numerator

The numerator equals the number of student borrowers in the denominator who defaulted on any Federal Stafford, Federal SLS, or Federal Consolidation loan during the same fiscal year in which the loan or underlying loan entered repayment or during the following fiscal year. If a school had fewer than thirty borrowers who entered repayment during the fiscal year for which the cohort rate is being calculated, the Department identifies the school's student borrowers who entered repayment during the specified fiscal year and the two most recent prior fiscal years and who defaulted ~~by~~ before the end of the fiscal year immediately following the fiscal year in which those borrowers entered repayment for inclusion in the numerator of the calculation for the specified year.
[668.183(c)]

Beginning with fiscal year 2009, the numerator will equal the number of student borrowers in the denominator who defaulted on any Federal Stafford, Federal SLS, or Federal Consolidation loan before the end of the second year following the fiscal year in which the loan or underlying loan entered repayment. If a school had fewer than thirty borrowers who entered repayment during the fiscal year for which the cohort default rate is being calculated, the Department identifies the school's student borrowers who entered repayment during the specified fiscal year and the two most recent prior fiscal years and who defaulted before the end of the second year following the fiscal year in which the loan or underlying loan entered repayment for inclusion in the numerator of the calculation for the specified year.
[HEA §435(m); DCL GEN-08-12/FP-08-10]

Revise current Figure 16-2, page 11, as follows:

Summary: Challenges, Adjustments, and Appeals **Figure 16-~~2~~3**

PROPOSED LANGUAGE - COMMON BULLETIN:

Cohort Default Rate - Extended Calculation Period

The *Common Manual* has been updated to incorporate the provision from the Higher Education Opportunity Act (HEOA), P.L. 110-315 related to the extended period for calculating a school's cohort default rate. The information for cohort default rate calculations has been revised to add that beginning with fiscal year 2009, cohort default rate calculations will be defined as the percentage of a school's student borrowers who enter repayment during a specific fiscal year on certain FFELP and FDLP loans and who default on those loans before the end of the *second* year following the fiscal year in which the borrower entered repayment. A new Figure 16-2, "Cohort Default Rate Formulas Beginning with Fiscal Year 2009," has also been added to reflect the change in the cohort default rate calculation. The current Figure 16-2, "Summary: Challenges, Adjustments, and Appeals," has been re-numbered as Figure 16-3.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:
None.

School:
A school will need to be aware of the future cohort default rate calculation, as defined, when reviewing the data provided with its 2009 draft and official cohort default rates to determine if the rates provided are correct.

Lender/Servicer:
None.

Guarantor:
A guarantor will need to be aware of the future cohort default rate calculation, as defined, when addressing any cohort default rate appeals it may receive, and also may need to be aware for purposes of providing default prevention items to schools.

U.S. Department of Education:
The Department will need to update its process for calculating cohort default rates.

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

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Cohort Default Rate Formulas

Figure 16-1

FORMULA A: Schools with Thirty or More Student Borrowers Who Entered Repayment

$$\frac{\text{Number of student borrowers who entered repayment during the specified fiscal year and defaulted } \cancel{\text{within}} \text{ \underline{before the end of} that fiscal year or the subsequent year}}{\text{Number of student borrowers who entered repayment during the specified fiscal year}} \times 100$$

[§668.183(d)(1)]

Example

Student borrowers who entered repayment from October 1, 1998, through September 30, 1999, (inclusive), will be included in the denominator of the cohort default rate calculation for federal fiscal year 1999. If any of those student borrowers' loans defaulted by the end of the next fiscal year (September 30, 2000), those student borrowers will be included in the numerator. Student borrowers who entered repayment during fiscal year 1999, but who defaulted after September 30, 2000, will only be included in the denominator of the formula for the fiscal year 1999 default rate calculation.

FORMULA B: Schools with Fewer Than Thirty Student Borrowers Who Entered Repayment

$$\frac{\text{Number of student borrowers who entered repayment during the specified fiscal year and the previous two fiscal years and who defaulted } \cancel{\text{by}} \text{ \underline{before} the end of the fiscal year following the fiscal year in which the borrower entered repayment}}{\text{Number of student borrowers who entered repayment during the specified fiscal year and the previous two fiscal years}} \times 100$$

[§668.183(d)(2)]

Example

For calculating the federal fiscal year 2005 cohort default rate, the following periods are applicable:

Borrower Entered Repayment	*Borrower Defaulted on or Before*
10/1/05 – 9/30/06	9/30/07
10/1/06 – 9/30/07	9/30/08
10/1/07 – 9/30/08	9/30/09

Student borrowers who entered repayment during these periods are included in the denominator of the formula. Student borrowers who subsequently defaulted in the periods specified above are included in the numerator.

Cohort Default Rate Formulas Beginning with Fiscal Year 2009 — Figure 16-2

FORMULA A: Schools with Thirty or More Student Borrowers Who Entered Repayment

$$\frac{\text{Number of student borrowers who entered repayment during the specified fiscal year and defaulted before the end of the second year following the fiscal year in which the borrower entered repayment}}{\text{Number of student borrowers who entered repayment during the specified fiscal year}} \times 100$$

Example
Student borrowers who entered repayment from October 1, 2008, through September 30, 2009, (inclusive), will be included in the denominator of the cohort default rate calculation for federal fiscal year 2009. If any of those student borrowers' loans defaulted between October 1, 2008 and September 30, 2011, those student borrowers will be included in the numerator. Student borrowers who entered repayment during fiscal year 2009, but who defaulted after September 30, 2011, will only be included in the denominator of the formula for the fiscal year 2009 default rate calculation.

FORMULA B: Schools with Fewer Than Thirty Student Borrowers Who Entered Repayment

$$\frac{\text{Number of student borrowers who entered repayment during the specified fiscal year and the previous two fiscal years and who defaulted before the end of the second year following the fiscal year in which the borrower entered repayment}}{\text{Number of student borrowers who entered repayment during the specified fiscal year and the previous two fiscal years}} \times 100$$

Example
For calculating the federal fiscal year 2009 cohort default rate, the following periods are applicable:

Borrower Entered Repayment	*Borrower Defaulted on or Before*
10/1/06 – 9/30/07	9/30/09
10/1/07 – 9/30/08	9/30/10
10/1/08 – 9/30/09	9/30/11

Student borrowers who entered repayment during these periods are included in the denominator of the formula. Student borrowers who subsequently defaulted in the periods specified above are included in the numerator.

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: January 30, 2009

X	DRAFT	Comments Due	Feb 20
	FINAL	Consider at GB Meeting	
	APPROVED	With Changes / No Changes	

SUBJECT: **School Cohort Default Rate Appeals**

AFFECTED SECTIONS: **16.3 Challenging Draft Cohort Default Rates**

POLICY INFORMATION: **1116/Batch 158**

EFFECTIVE DATE/TRIGGER EVENT: Cohort default rate appeals submitted by the school on or after the publication date of the August 2006 *Cohort Default Rate Guide*.

BASIS:
Cohort Default Rate Guide p. 4.1-1, dated August 2006.

CURRENT POLICY:
Current policy states that any cohort default rate (CDR) challenge must be submitted no later than 45 days after the school receives its draft cohort default rate notification.

REVISED POLICY:
Revised policy specifies that any cohort default rate (CDR) challenge must be submitted by the school within 45 days of the time frame begin date. The time frame begin date for domestic schools is the sixth business day after the Department officially releases the draft cohort default rates. For foreign schools, the time frame begin date is the day after the official cohort default rate notification is received.

REASON FOR CHANGE:
The Manual is being revised to align it with the policy contained in the *Cohort Default Rate Guide*.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Revise Subsection 16.3, page 7, column 1, paragraph 2, as follows:

Challenging Draft Cohort Default Rates

A school ~~can~~ may challenge its draft cohort default rate based on two general criteria: incorrect data and the school's participation rate index (PRI). Any challenge must be submitted ~~no later than~~ within 45 days ~~after the school receives its draft cohort default rate notification~~ of the time frame begin date. For domestic schools, the time frame begin date is defined as the sixth business day after the Department officially releases the draft cohort default rates. For foreign schools, the time frame begin date is the day after the school's official cohort default rate notification is received. A detailed explanation of the structure and content of a valid challenge is included in the Department's *Cohort Default Rate Guide*. Schools should carefully note the time frames and criteria prescribed.

PROPOSED LANGUAGE - COMMON BULLETIN:

School Cohort Default Rate Appeals

The *Common Manual* has been revised to clarify the time frame that a school must follow when challenging its draft cohort default rate. Any challenge must be submitted within 45 days of the time frame begin date. For domestic schools, the time frame begin date is defined as the sixth business day after the Department officially releases the draft cohort default rates. For foreign schools, the time frame begin date is the day after the school's official cohort default rate notification is received.

GUARANTOR COMMENTS:
None.

IMPLICATIONS:

Borrower:
None.

School:
A school will better understand the time frame in which its cohort default rate may be challenged.

Lender/Servicer:
None.

Guarantor:
A guarantor will receive more timely cohort default rate appeals to which a response is required.

U.S. Department of Education:
None.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
CM Policy Committee

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November 13, 2008

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CM Guarantor Designee
Interested Industry Groups and Others

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COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: January 30, 2009

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

SUBJECT: **Teach-Out Plan for Schools Placed Under Limitation, Suspension, Termination, or Emergency Action**

AFFECTED SECTIONS: **18.1 Actions to Limit, Suspend, or Terminate Participation**

POLICY INFORMATION: **1117/Batch 158**

EFFECTIVE DATE/TRIGGER EVENT: Limitation, suspension, termination, or emergency actions placed on a school 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 §487(f), as amended by the Higher Education Opportunity Act (HEOA), P.L. 110-315; *Dear Colleague Letter* GEN-08-12/FP-08-10.

CURRENT POLICY:

Current policy does not address a school's teach-out plans when the school is placed on limitation, suspension, termination, or emergency action.

REVISED POLICY:

Revised policy requires a school that is placed on limitation, suspension, termination, or emergency action to prepare a teach-out plan and provide it to its accrediting agency or association. A "teach-out plan" is a written plan that provides for equitable treatment of students if an institution ceases to operate before all students have completed their program of study. The teach-out plan must be prepared in accordance with HEA §496(c)(3) (see Title I—General Provisions, Accreditation, Operating Procedures) and any applicable Title IV regulations or accrediting agency standards.

REASON FOR CHANGE:

This change is necessary to incorporate provisions of the HEOA.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Revise Subsection 18.1, page 1, column 2, by adding an new paragraph 3, as follows:

When an LS&T Action May Be Warranted

. . .

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

An LS&T action does not limit an entity's responsibility to comply with all requirements applicable to FFELP participation–nor does an LS&T action limit the entity's right, if any, to benefits or payments based on previous participation in the guarantors programs.

If the Department restricts an entity's FFELP eligibility through an LS&T action or emergency action, federal law requires that guarantors impose the same restriction on the entity.

When the Department initiates an LS&T or emergency action on a school, the school must prepare a teach-out plan and provide it to the school's accrediting agency or association. A "teach-out plan" is a written plan that provides for equitable treatment of students if a school ceases to operate before all students have completed their program of study and may include, if required by the schools accrediting agency, an agreement between schools for a teach-out plan. The teach-out plan must be prepared in accordance with HEA §496(c)(3) (see Title I—General Provisions, Accreditation, Operating Procedures) and any applicable Title IV regulations or accrediting agency standards.
[HEA §487(f); DCL GEN-08-12/FP-08-10]

PROPOSED LANGUAGE - COMMON BULLETIN:

Teach-Out Plans After Limitation, Suspension, Termination, or Emergency Action Initiated

The *Common Manual* has been updated to include statutory changes resulting from the Higher Education Opportunity Act (HEOA), P.L. 110-315. A school that is placed on a limitation, suspension, termination, or emergency action must prepare a teach-out plan and provide it to the school's accrediting agency or association. A "teach-out plan" is a written plan that provides for equitable treatment of students if a school ceases to operate before all students have completed their program of study, and may include, if required by the schools accrediting agency, an agreement between schools for a teach-out plan. The teach-out plan must be prepared in accordance with HEA §496(c)(3) (see Title I—General Provisions, Accreditation, Operating Procedures) and any applicable Title IV regulations or accrediting agency standards.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower who is attending a school that is placed on limitation, suspension, termination, or emergency action will benefit from the school's teach-out plan by receiving equitable treatment if the institution ceases to operate before all students have completed their program of study.

School:

A school that is placed on a limitation, suspension, termination, or emergency action must prepare a teach-out plan and provide it to the school's accrediting agency or association.

Lender/Servicer:

None.

Guarantor:

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

U.S. Department of Education:

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

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

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