

| #    | Subject   | Summary of Change to <i>Common Manual</i>  | Type of Update | Effective Date  |
|------|---|--|----------------|---|
| 1148 | U.S. Passport Card for United States Citizenship and Immigration Services (USCIS) Documentation | <p><b><u>3.5.F</u></b>      <b><u>Reporting Social Security Number, Date of Birth, and First Name Changes or Corrections</u></b></p> <p><b><u>5.2.A</u></b>      <b><u>Citizenship Data Match</u></b></p> <p><b><u>9.1</u></b>        <b><u>Reporting Social Security Number, Date of Birth, and First Name Changes or Corrections</u></b></p> <p>Permits a U.S. passport card as an acceptable document to confirm a student's or borrower's citizenship, or to correct a date of birth or first name.</p>  | Federal        | June 1, 2009.   |
| 1149 | Borrower Eligibility for a New Loan When a Prior Loan is in a Conditional Discharge Period      | <p><b><u>5.4.A</u></b>      <b><u>Conditional Discharge of a Prior Loan Due to Total and Permanent Disability</u></b></p> <p><b><u>Figure 5-1</u></b>      <b><u>Effect of Title IV Loan Status on Student Aid Eligibility</u></b></p> <p><b><u>6.15</u></b>        <b><u>School Certification of the Loan</u></b></p> <p>States that in addition to current requirements, a borrower whose prior Title IV loan(s) is in a conditional discharge status due to an initial determination that the borrower is totally and permanently disabled must do the following before a school may certify a new Stafford or PLUS loan for the borrower: Submit a request to the Department's Conditional Discharge Disability Unit indicating that the loan(s) that is currently in a conditional discharge status be returned to repayment status and advise the school that the process of returning the conditionally discharged debt to repayment status has been initiated.</p> <p>Revised policy also states that before a school may certify a new loan for a borrower whose prior Title IV loan(s) is in a conditional discharge status due to total and permanent disability, the school must confirm that the borrower has initiated the process to return the conditionally discharged debt to repayment status. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower.</p> | Federal        | New loan requests received by a school on or after August 28, 2009. |

|      |   |  |            |  |
|------|---|--|------------|--|
|      |   | Revised policy also states that a school must not deliver any new loan funds until it confirms that the conditionally discharged loan(s) has been returned to repayment status.  |            |  |
| 1150 | Additional Unsubsidized Stafford Loan Eligibility   | <p><b><u>6.15.D Additional Unsubsidized Stafford Loan Certification for a Dependent Student</u></b></p> <p>Clarifies that if either parent is approved for a PLUS loan, the student is not eligible for the additional unsubsidized Stafford loan funds available to an independent student.</p>   | Federal    | Publication date of Volume 3 of the 06-07 FSA Handbook, unless implemented earlier by the guarantor.             |
| 1151 | In-School and Post-Enrollment Deferments for PLUS Loans   | <p><b><u>Figure 11-1 Deferment Eligibility Chart</u></b></p> <p>Incorporates into the Deferment Eligibility Chart, Figure 11-1, the new in-school and post-enrollment deferment options for parent PLUS and Grad PLUS borrowers whose loans were first disbursed on or after July 1, 2008.</p>   | Federal    | PLUS loans first disbursed on or after July 1, 2008.   |
| 1152 | Stafford Annual Loan Limits for a Student Enrolled in Teacher Certification Coursework or Preparatory Coursework For a Graduate or Professional Program | <p><b><u>Figure 6-4 Stafford Annual and Aggregate Loan Limits for Undergraduate Students</u></b></p> <p>Corrects Figure 6-4 to indicate that proration is “not applicable” to the base Stafford annual loan limit for a student enrolled in a period of teacher certification coursework or graduate preparatory coursework that is less than an academic year in length.</p>  | Correction | Publication date of Volume 8 of the 02-03 FSA Handbook.  |
| 1153 | Regaining Eligibility for New Stafford Loan Funds After An Inadvertent Overaward  | <p><b><u>6.11.E Exceeding Loan Limits</u></b></p> <p>Clarifies that even after a school documents that a Stafford borrower who inadvertently exceeded an annual or aggregate loan limit has taken one of the necessary actions to regain Title IV eligibility, the borrower may not be eligible to receive additional Stafford loan funds, depending on the circumstances, and provides examples.</p>  | Correction | Retroactive to the implementation of the <i>Common Manual</i> .  |
| 1154 | Borrower Right to Cancel All or a Portion of a Stafford or PLUS Loan Disbursed by EFT or Master Check   | <p><b><u>8.2.C School Notice of Credit to Student Account</u></b></p> <p><b><u>8.2.D Borrower Notice to Cancel Loan</u></b></p> <p>Clarifies that a school must honor a borrower’s cancellation request when that request is received within certain time frames after the school sends a notice advising the borrower of the right to cancel the loan. Notice of the right to cancel the loan is part of the notice of credit to the student’s account.</p> | Correction | Loans disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007. |

|      |   |  |                |                |
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| 1155 | Prorated Stafford<br>Annual Loan Limits | <b><u>6.11.F</u></b><br><b><u>Prorated Stafford<br/>Annual Loan Limits</u></b><br><p>Provides an illustrative chart outlining the process for when and how a school must calculate prorated undergraduate Stafford annual loan limits.</p> | Organizational | Not Applicable |
|------|---|--|----------------|----------------|

Batch 162-trans

# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: September 11, 2009

|   |          |                         |       |
|---|----------|-------------------------|-------|
| X | DRAFT    | Comments Due            | Oct 2 |
|   | FINAL    | Consider at GB meeting  |       |
|   | APPROVED | with changes/no changes |       |

**SUBJECT:** U. S. Passport Card for United States Citizenship and Immigration Services (USCIS) Documentation

**AFFECTED SECTIONS:** 3.5.F Reporting Social Security Number, Date of Birth, and First Name Changes or Corrections  
5.2.A Citizenship Data Match  
9.1 Reporting Social Security Number, Date of Birth, and First Name Changes or Corrections

**POLICY INFORMATION:** 1148/Batch 162

**EFFECTIVE DATE/TRIGGER EVENT:** June 1, 2009.

## **BASIS:**

Private guidance from Jamie Malone of the Department dated June 1, 2009; 09-10 FSA Handbook, Volume 1, Chapter 2, p. 1-23.

## **CURRENT POLICY:**

Current policy does not address a U.S. passport card as a means to confirm a student's or borrower's citizenship, or to correct a date of birth or first name.

## **REVISED POLICY:**

Revised policy permits a U.S. passport card as a means to confirm a student's or borrower's citizenship, or to correct a date of birth or first name.

## **REASON FOR CHANGE:**

This change is needed to incorporate the U.S. passport card as acceptable documentation when verifying U.S. citizenship, or when correcting a date of birth or first name of a student or borrower as originally provided in private guidance from the Department.

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

Revise Subsection 3.5.F, page 17, column 2, paragraph 2, as follows:

### **3.5.F Reporting Social Security Number, Date of Birth, and First Name Changes or Corrections**

...

#### **Acceptable Source Documents for Reporting the Correction of a Date of Birth**

A guarantor considers any of the following documents a valid source for reporting the correction of a date of birth:

- ...
- ...
- ...
- Passport or passport card.
- ...

Revise Subsection 3.5.F, page 17, column 2, paragraph 3, as follows:

**Acceptable Source Documents for Reporting the Correction of a First Name**

A guarantor considers any of the following documents a valid source for reporting the correction of a first name:

- ...
- ...
- ...
- ...
- ...
- ...
- ...
- ...
- Passport or passport card.
- ...

Revise Subsection 5.2.A, page 4, column 2, bullet 3, as follows:

**5.2.A  
Citizenship Data Match**

**U.S. Citizens and Nationals**

If the status of a student or parent borrower as a U.S. citizen or a U.S. national must be documented, the following are permissible forms of certification:

- ...
- A U.S. passport or passport card (current or expired).

Revise Subsection 9.1, page 1, column 2, paragraph 2, bullet 4, as follows:

**Acceptable Source Documents for Reporting the Correction of a Date of Birth**

A guarantor considers any of the following documents a valid source for reporting the correction of a date of birth:

- ...
- ...
- ...
- Passport or passport card.
- ...

Revise Subsection 9.1, page 2, column 1, paragraph 1, bullet 9, as follows:

## Acceptable Source Documents for Reporting the Correction of a First Name

A guarantor considers any of the following documents a valid source for reporting the correction of a first name:

- ...
- ...
- ...
- ...
- ...
- ...
- ...
- ...
- Passport or passport card.
- ...

### PROPOSED LANGUAGE - COMMON BULLETIN:

#### **U. S. Passport Card for United States Citizenship and United States Citizenship and Immigration Services (USCIS) Documentation**

The *Common Manual* has been updated to incorporate private guidance from the Department that allows a U.S. passport card to be used to confirm a borrower's or student's citizenship and to substantiate the correction of a date of birth or first name.

#### **GUARANTOR COMMENTS:**

None.

#### **IMPLICATIONS:**

##### *Borrower:*

A borrower may benefit from the additional resource of a U.S. passport card to verify citizenship or to substantiate the correction of a date of birth or first name.

##### *School:*

A school may use a U.S. passport card to verify citizenship or to substantiate the correction of a date of birth, or first name of a borrower.

##### *Lender/Service:*

A lender is now permitted to use a U.S. passport card to verify citizenship, or to substantiate the correction of a date of birth or first name of a borrower.

##### *Guarantor:*

A guarantor may find it necessary to update its program review materials to acknowledge that a U.S. passport card is acceptable to verify citizenship or to substantiate the correction of a date of birth or first name of a borrower.

##### *U.S. Department of Education:*

The Department may be required to modify its program review materials to reflect that schools, lenders (and guarantors) are authorized to use a U.S. passport card to verify citizenship or to substantiate the correction of a date of birth or first name of a borrower.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**  
CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**  
June 1, 2009

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

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

om/edited -as

# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: September 11, 2009

|   |          |                         |       |
|---|----------|-------------------------|-------|
| X | DRAFT    | Comments Due            | Oct 2 |
|   | FINAL    | Consider at GB meeting  |       |
|   | APPROVED | with changes/no changes |       |

**SUBJECT:** Borrower Eligibility for a New Loan When a Prior Loan is in a Conditional Discharge Period

**AFFECTED SECTIONS:** 5.4.A Conditional Discharge of a Prior Loan Due to Total and Permanent Disability  
Figure 5-1 Effect of Title IV Loan Status on Student Aid Eligibility  
6.15 School Certification of the Loan

**POLICY INFORMATION:** 1149/Batch 162

**EFFECTIVE DATE/TRIGGER EVENT:** New loan requests received by a school on or after August 28, 2009.

## **BASIS:**

§682.201(a)(5); private guidance from Pam Moran of the Department, dated August 28, 2009; the Department's Total and Permanent Disability Website (<http://disabilitydischarge.ed.gov>).

## **CURRENT POLICY:**

Current policy states that for a borrower to receive a new loan when a borrower has a prior loan(s) in a conditional discharge status, the borrower must do *all* of the following:

- Obtain a physician's statement certifying that the borrower may now engage in substantial gainful activity.
- Sign a statement acknowledging that any loan that has been conditionally discharged may not be discharged due to the same or any disability existing at the time the borrower applied for a total and permanent disability discharge or when the new loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met.
- Sign a statement acknowledging that collection activity will resume on any loans in a conditional discharge period.

## **REVISED POLICY:**

Revised policy states that in addition to current requirements, a borrower whose prior Title IV loan(s) is in a conditional discharge status due to an initial determination that the borrower is totally and permanently disabled must do the following before a school may certify a new Stafford or PLUS loan for the borrower:

- Submit a request to the Department's Conditional Discharge Disability Unit indicating that the loan(s) that is currently in a conditional discharge status be returned to repayment status.
- Advise the school that the process of returning the conditionally discharged debt to repayment status has been initiated.

Revised policy also states that before a school may certify a new loan for a borrower whose prior Title IV loan(s) is in a conditional discharge status due to total and permanent disability, the school must confirm that the borrower has initiated the process to return the conditionally discharged debt to repayment status. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower.

Further, revised policy states that a school must not deliver any new loan funds until it confirms that the conditionally discharged loan(s) has been returned to repayment status.

## **REASON FOR CHANGE:**

These changes are being made to align the Manual with new Departmental guidance.

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



Revise Subsection 5.4.A, page 9, column 2, paragraph 2, by adding a new bullet 4, as follows:

#### **5.4.A**

##### **Conditional Discharge of a Prior Loan Due to Total and Permanent Disability**

A borrower whose prior Title IV loan(s) ~~has received~~ is in a conditional discharge status of a prior loan due to an initial determination that the borrower is totally and permanently disabled must do ~~all of~~ the following before a school may certify to be eligible to receive a new Stafford or PLUS loan for the borrower before the end of the conditional discharge period:

- Submit a request to the Department's Conditional Discharge Disability Unit indicating that the loan(s) that is currently in a conditional discharge status be returned to repayment status.
- Advise the school that the process of returning the conditionally discharged debt to repayment status has been initiated.

Before a school may certify a new loan for a borrower whose prior Title IV loan(s) is in a conditional discharge status due to total and permanent disability, the school must confirm that the borrower has initiated the process to return the conditionally discharged debt to repayment status. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower. If the loan(s) was in a default status prior to its assignment to the Department based on the borrower's disability status, the school may be required to document that the borrower has either made satisfactory repayment arrangements with the loan holder to reinstate Title IV eligibility or rehabilitated the defaulted loan(s) (see Subsection 5.2.D).

A borrower must do the following before he or she is eligible to receive a new Stafford or PLUS loan:

- Obtain a physician's statement certifying that the borrower may now engage in "substantial gainful activity." For these purposes, "substantial gainful activity" is defined as the ability to work and earn money.  
[§682.201(a)(6)(i)]
- Sign a statement acknowledging that any loan that has been conditionally discharged may not be discharged due to the same or any disability existing at the time the borrower applied for a total and permanent disability discharge or when the new loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met.  
[§682.201(a)(6)(ii); §682.201(a)(7)(ii)(A)]
- Sign a statement acknowledging that collection activity will resume on any loans in a conditional discharge period.  
[§682.201(a)(7)(ii)(B)]

The school must not deliver any new loan funds until it confirms that the conditionally discharged loan(s) has been returned to a repayment status.  
[§682.201(a)(5)]

...

▲ Schools and lenders are strongly encouraged to contact the guarantor if assistance is needed to determine or establish a borrower's eligibility after a total and permanent disability discharge.

Revise Figure 5-1, page 11, footnote 3, as follows:

<sup>3</sup> To be eligible, the applicant must (a) obtain a physician's statement certifying that the borrower may now engage in substantial gainful activity, and (b) sign a statement acknowledging that any loan that has been conditionally discharged may not be discharged due to the same or any disability existing at the time the borrower applied for a total and

permanent disability discharge or when the new loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met, ~~and~~ (c) sign a statement acknowledging that collection activity will resume on any loans in a conditional discharge period, and (d) submit a request to the Department's Conditional Discharge Disability Unit indicating that the loans in a conditional discharge status be returned to repayment status and advise the school that the process of returning the conditionally discharged debt to repayment status has been initiated.  
[§682.201(a)(5); §682.201(a)(6)(i); §682.201(a)(7)(ii)(A) and (B)]

Revise Section 6.15, page 42, column 1, by inserting a new paragraph 5, as follows:

#### **6.15 School Certification of the Loan**

In certifying a Stafford or PLUS loan, a school is required to make several determinations regarding the eligibility of the student—or the student and the parent in the case of a parent PLUS loan—and the maximum amount that may be borrowed (see Section 6.11). The school must ensure it does not certify an amount that would result in the borrower receiving more than the borrower's actual eligibility.  
[§682.603(e)]

A school must certify the borrower's loan eligibility by the end of the loan period or the date, on which the student ceases to be enrolled at least half time, whichever is earlier. If the school does not certify the loan by the earlier of these two dates, the loan cannot be disbursed. See Subsection 7.7.G for complete information regarding late disbursement.  
[§682.164(g)(2)(ii)(A); §682.207(f)]

Before a school may certify a new loan for a borrower whose prior Title IV loan(s) is in a conditional discharge status due to total and permanent disability, the school must confirm that the borrower has initiated the process to return the conditionally discharged debt to repayment status. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower. If the loan(s) was in a default status prior to its assignment to the Department based on the borrower's disability status, the school may be required to document that the borrower has either made satisfactory repayment arrangements with the loan holder to reinstate Title IV eligibility or rehabilitated the defaulted loan(s) (see Subsection 5.2.D). See Subsection 5.4.A for more information regarding borrower eligibility for a new loan when the borrower has prior loan(s) in a conditional discharge status.  
[§682.201(a)(5)]

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

##### **Borrower Eligibility for a New Loan When a Prior Loan is in a Conditional Discharge Period**

Current policy states that for a borrower to receive a new loan when that borrower has received a conditional discharge of a prior loan due to an initial determination that the borrower is totally and permanently disabled, the borrower must do *all* of the following:

- Obtain a physician's statement certifying that the borrower may now engage in substantial gainful activity.
- Sign a statement acknowledging that any loan that has been conditionally discharged may not be discharged due to the same or any disability existing at the time the borrower applied for a total and permanent disability discharge or when the new loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met.
- Sign a statement acknowledging that collection activity will resume on any loans in a conditional discharge period.

The *Common Manual* has been revised to state that, in addition to current requirements, a borrower whose prior Title IV loan(s) is in a conditional discharge status due to an initial determination that the borrower is totally and permanently disabled must do the following before a school may certify a new Stafford or PLUS loan for the borrower:

- Submit a request to the Department's Conditional Discharge Disability Unit indicating that the loan(s) that is currently in a conditional discharge status be returned to repayment status.

- Advise the school that the process of returning the conditionally discharged debt to repayment status has been initiated.

Revised policy also states that before a school may certify a new loan for a borrower whose prior Title IV loan(s) is in a conditional discharge status due to total and permanent disability, the school must confirm that the borrower has initiated the process to return the conditionally discharged debt to repayment status. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower. If the loan(s) was in a default status prior to its assignment to the Department based on the borrower's disability status, the school may be required to document that the borrower has either made satisfactory repayment arrangements with the loan holder to reinstate Title IV eligibility or rehabilitated the defaulted loan(s).

Further, revised policy states that a school must not deliver any new loan funds until it confirms that the conditionally discharged loan(s) has been returned to repayment status.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

A borrower may not receive school certification of a new loan when that borrower has a prior Title IV loan(s) in a conditional discharge status until the borrower submits a request to the Department's Conditional Discharge Disability Unit (CDDU) indicating that the loan(s) in a conditional discharge status be returned to repayment status and advise the school that the process of returning the conditionally discharged debt to repayment status has been initiated. A borrower whose loan(s) is in a conditional discharge status may experience delays in the certification and delivery of the new loan funds based on the new steps that he or she must take to regain eligibility and processing times at the CDDU.

*School:*

A school must amend processing and certification requirements for a borrower whose prior Title IV loan(s) are in a conditional discharge status. A school may need to monitor more aspects of the student's eligibility until the CDDU processes the borrower's request to return the loan(s) to repayment and then the school confirms that a prior default, etc. does not make the borrower ineligible. Delays in the ability of the school to certify the loan may create commensurate delays in the school's receipt of the loan disbursements for the student, and thus, payments from the student for the student's school expenses. The school must ensure that, along with current requirements, it confirms that the process of returning the conditionally discharged debt to repayment status has been initiated and that it has processes in place to determine whether the status of the loan(s) (default or non-default) will trigger additional requirements before it certifies the borrower for a new loan. The school must establish processes to ensure that it does not deliver new loan funds until it confirms that the conditionally discharged loan(s) is in a repayment status.

*Lender/Service:*

None.

*Guarantor:*

A guarantor may need to update program review procedures.

*U.S. Department of Education:*

The Department may need to update program review procedures.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

September 1, 2009

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

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

ma/edited-chh

# COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: September 11, 2009

|   |          |                         |       |
|---|----------|-------------------------|-------|
| X | DRAFT    | Comments Due            | Oct 2 |
|   | FINAL    | Consider at GB meeting  |       |
|   | APPROVED | with changes/no changes |       |

**SUBJECT:** Additional Unsubsidized Stafford Loan Eligibility

**AFFECTED SECTIONS:** 6.15.D Additional Unsubsidized Stafford Loan Certification for a Dependent Student

**POLICY INFORMATION:** 1150/Batch 162

**EFFECTIVE DATE/TRIGGER EVENT:** Publication date of Volume 3 of the 06-07 FSA Handbook, unless implemented earlier by the guarantor.

**BASIS:**

06-07 FSA Handbook, Volume 3, Chapter 4, p. 3-73.

**CURRENT POLICY:**

Current policy states that only one parent needs to be unable to obtain a PLUS loan in order for the dependent student to be eligible for the additional unsubsidized Stafford loan funds, but it does not address the situation of one parent being approved a PLUS loan and another being unable to obtain a PLUS loan.

**REVISED POLICY:**

Revised policy clarifies that if either parent is approved for a PLUS loan, the student is not eligible for the additional unsubsidized Stafford loan funds available to an independent student.

**REASON FOR CHANGE:**

These changes are necessary to enhance the clarity of Manual text.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Subsection 6.15.D, page 45, column 1, paragraph 1, as follows:

If a dependent student's parent is unable to obtain a PLUS loan at a school that participates in the Federal PLUS Loan Program due to exceptional circumstances documented by the financial aid administrator (FAA), and the student's family is otherwise unable to provide the expected family contribution (EFC), the dependent student is eligible for additional unsubsidized Stafford loan funds ~~not to exceed the student's additional unsubsidized Stafford annual loan limit, assuming the student meets the other criteria in Section 5.1. See Figure 6-4. in an amount that is the lesser of:~~

- The additional unsubsidized Stafford annual loan limit available to an independent student. See Figure 6-4.
- The student's cost of attendance (COA) for the loan period, minus the student's estimated financial assistance (EFA).

Exceptional circumstances may include, but are not limited to:

- The dependent student's parent has an adverse credit history.  
[§682.201(a)(3)]
- The dependent student's parent is incarcerated.  
[§682.201(a)(3)]
- The whereabouts of the dependent student's parent are unknown.  
[§682.201(a)(3)]
- The dependent student's family income is limited to public assistance or disability benefits.  
[§682.201(a)(3)]

- The dependent student's parent is prohibited from borrowing a PLUS loan because he or she is not a U.S. citizen or eligible noncitizen. See Subsection 5.2.A for citizenship and eligible noncitizenship criteria.  
[DCL GEN-05-16, Q&A 5]
- The dependent student's parent files a bankruptcy petition and provides the school with an official letter from the bankruptcy court confirming that the parent has filed for bankruptcy and is prohibited from incurring additional debt.  
[DCL GEN-05-16, Q&A 6]
- The dependent student's parent is prohibited from borrowing a PLUS loan because he or she is in default on a Title IV loan.  
[§682.201(c)(1)(iv)]
- The dependent student's school has evidence that the student's parent has been denied a PLUS loan by a lender due to the parent's existing debt burden, income-to-debt ratio, likely inability to repay, or other credit standards or factors the lender has adopted.  
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-95]

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

[§682.603(f)(3)]

A parent's unwillingness or refusal to take out a PLUS loan is not considered an exceptional circumstance, nor may a school certify additional unsubsidized Stafford loan funds for a dependent student based on the school's decision not to participate in the Federal PLUS Loan Program. ~~The certification of additional unsubsidized Stafford loan funds, when combined with the student's estimated financial assistance (EFA), must not exceed the student's cost of attendance (COA) for the loan period.~~ Only one parent needs to be unable to obtain a PLUS loan in order for the dependent student to be eligible for the additional unsubsidized Stafford loan funds; however, if either parent is approved for a PLUS loan, the student is not eligible for the additional unsubsidized Stafford loan funds. ~~A school may not certify additional unsubsidized Stafford loan funds for a dependent student based on the school's decision not to participate in the Federal PLUS Loan Program.~~

[§682.201(a)(3); §682.204(k); 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-95]

If after the school certifies the student for additional unsubsidized Stafford loan funds based on one parent's inability to obtain a PLUS loan and either parent is subsequently determined to be eligible for a PLUS loan ~~after the school certifies the student for additional unsubsidized Stafford loan funds~~, the school must return to the lender any additional unsubsidized Stafford loan funds received by the school but not yet delivered to the student for that loan period. The school must request the cancellation of any future disbursements of the additional unsubsidized Stafford loan funds. The school is not responsible for recovering and returning Stafford loan funds for which the student was previously determined eligible and which have been released to the student. However, those Stafford funds must be included in the EFA used in determining eligibility for the PLUS loan.

[DCL 96-L-186/96-G-287, Q&A #3]

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

##### **Additional Unsubsidized Stafford Loan Eligibility**

The *Common Manual* has been updated to clarify that if either parent is approved for a PLUS loan, the student is not eligible for the additional unsubsidized Stafford loan funds available to an independent student.

#### **GUARANTOR COMMENTS:**

None.

#### **IMPLICATIONS:**

##### *Borrower:*

A borrower will better understand how approval of a parent PLUS loan effects a student's eligibility for additional unsubsidized Stafford funds.

*School:*

A school may need to update its processes for certifying additional unsubsidized Stafford loan funds, and its counseling and informational resources for students and parent borrowers relating to additional unsubsidized loan eligibility.

*Lender/Servicer:*

A lender may need to update its informational resources for students and parent borrowers relating to additional unsubsidized loan eligibility.

*Guarantor:*

A guarantor may need to update its informational resources for students and parent borrowers, schools, and lenders relating to additional unsubsidized loan eligibility. A guarantor may also need to update its program review parameters.

*U.S. Department of Education:*

The Department may be required to update its informational resources for students and parent borrowers relating to additional unsubsidized loan eligibility, and its informational resources, training, and program review materials for schools relating to additional unsubsidized loan eligibility.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

Oklahoma Guaranteed Student Loan Program

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

August 11, 2009

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

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

bmf/edited-rrl

# COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: September 11, 2009

|   |          |                         |       |
|---|----------|-------------------------|-------|
| x | DRAFT    | Comments Due            | Oct 2 |
|   | FINAL    | Consider at GB meeting  |       |
|   | APPROVED | with changes/no changes |       |

**SUBJECT:** In-School and Post-Enrollment Deferments for PLUS Loans

**AFFECTED SECTIONS:** Figure 11-1 Deferment Eligibility Chart

**POLICY INFORMATION:** 1151/Batch 162

**EFFECTIVE DATE/TRIGGER EVENT:** PLUS loans first disbursed on or after July 1, 2008.

**BASIS:**

HEA §428B(d)(1) as amended by the Higher Education Opportunity Act (HEOA), P. L. 110-315; DCL GEN-12-08/FP-08-10.

**CURRENT POLICY:**

The current Deferment Eligibility Chart, Figure 11-1, does not include information regarding the additional in-school deferment and post-enrollment deferment available to parent PLUS and Grad PLUS borrowers.

**REVISED POLICY:**

Revised policy incorporates into the Deferment Eligibility Chart, Figure 11-1, the new in-school and post-enrollment deferment options for parent PLUS and Grad PLUS borrowers whose loans were first disbursed on or after July 1, 2008.

**REASON FOR CHANGE:**

These changes are being made to comply with the provisions of the HEOA and to align with current Manual policy outlined in Section 11.6.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Figure 11-1, page 7, as follows:

**See attached chart.**

*Note: For ease of review, the footnotes have been reformatted in a larger font and placed on a separate page.*

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**In-School and Post-Enrollment Deferments for PLUS Loans**

The Deferment Eligibility Chart, Figure 11-1, has been revised to incorporate the in-school deferment for parent PLUS borrowers. A parent PLUS borrower whose loan(s) was first disbursed on or after July 1, 2008, may request an in-school deferment if the dependent student for whom the parent borrower obtained the PLUS loan meets the conditions for an in-school deferment. In addition, the chart has been revised to reference the six-month post-enrollment deferment that is available for parent PLUS borrowers beginning on the day after the parent or the student for whom the PLUS loan is borrowed ceases to be enrolled at least half-time as reported by the school.

Additionally, the chart has been revised to reflect that a Grad PLUS borrower, whose loan(s) was first disbursed on or after July 1, 2008, is eligible to receive a six-month post-enrollment deferment beginning on the day after his or her at-least-half-time enrollment as reported by the school. A lender must grant the post-enrollment deferment if it receives information that supports the Grad PLUS borrower's eligibility. A Grad PLUS borrower may, however, choose to not accept the post-enrollment deferment.

**GUARANTOR COMMENTS:**

None.



**IMPLICATIONS:**

*Borrower:*

None.

*School:*

A school has an additional tool that could be incorporated into counseling materials.

*Lender/Service:*

A lender/servicer has an additional tool that could be used for default prevention.

*Guarantor:*

None.

*U.S. Department of Education:*

None.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

November 25, 2008

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

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

nm/edited-rrl

### Figure 11-1

See Section H.4 for information about a statutory or regulatory waiver authorized by the HEROES Act that may impact these requirements.

[illegible]

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<sup>1</sup> “New Borrower” 7/1/87 to 6/30/93: A borrower whose first FFELP loan was made on or after July 1, 1987, and before July 1, 1993, or who had an outstanding balance on a loan obtained on or after July 1, 1987, and before July 1, 1993, when he or she obtained a loan on or after July 1, 1993, or who had no outstanding balance on a Federal Consolidation loan made before July 1, 1993, that repaid a loan first disbursed before July 1, 1987.

<sup>2</sup> “New borrower” 7/1/93: A borrower whose outstanding FFELP loans were all made on or after July 1, 1993, and when he or her first FFELP loan was made on or after July 1, 1993, had no outstanding FFELP loans that were made before July 1, 1993.

<sup>3</sup> Deferment for parent borrower who received loan(s) between July 1, 1987 and June 30, 1993, during which the student for whom the parent obtained a PLUS loan meets the deferment eligibility requirements. Upon request, a parent borrower may defer repayment on a parent PLUS loan(s) that was first disbursed on or after July 1, 2008, during the period in which the student for whom the parent obtained a PLUS loan meets the deferment eligibility requirements.

<sup>43</sup> A deferment may be granted during periods when the borrower is temporarily totally disabled or during which the borrower is unable to secure employment because the borrower is caring for a dependent (including the borrower’s spouse) who is temporarily totally disabled.

<sup>54</sup> Borrowers are eligible for a combined maximum of three years of deferment for service in NOAA, PHS, and Armed Forces.

<sup>65</sup> A parental leave deferment may be granted to a borrower in periods of no more than 6 months each time the borrower qualifies.

<sup>6</sup> ~~Deferment for parent borrower during which the dependent student for whom the parent obtained a PLUS loan meets the deferment eligibility requirements.~~

<sup>7</sup> A Grad PLUS borrower whose loan(s) was first disbursed on or after July 1, 2008, may receive a 6-month post-enrollment deferment beginning on the day after he/she no longer meets the in-school deferment eligibility requirements. Upon request, a parent PLUS borrower may defer repayment on a parent PLUS loan(s) that was first disbursed on or after July 1, 2008, for a 6-month period that begins on the day after the parent or the student for whom the parent obtained the PLUS loan(s) no longer meets the in-school deferment eligibility requirements.

<sup>87</sup> A borrower who received a Federal Consolidation loan before July 1, 1993, that repaid a loan made before July 1, 1987, or who had an outstanding balance on a FFELP loan obtained prior to July 1, 1987, when the Federal Consolidation loan was obtained, is eligible for in-school deferment only if the borrower attends schools full-time.

<sup>98</sup> A borrower with a Federal Consolidation loan made before July 1, 1993, or a borrower who receives a Consolidation loan on or after July 1, 1993, who has any outstanding FFELP loan(s) at the time of consolidation that was first disbursed before July 1, 1993.

<sup>109</sup> A borrower who receives a Federal Consolidation loan made on or after July 1, 1993, who has no outstanding FFELP loans at the time of consolidation that were made on or before July 1, 1993.

<sup>1140</sup> A deferment may be granted to a borrower who is serving on active duty during a war or other military operation or national emergency (including qualifying National Guard duty). The borrower’s military service must begin on or after October 1, 2007, or include that date.

<sup>1244</sup> A deferment may be granted to a borrower called to active National or State duty who is a member of the National Guard or Reserves (including retired members) and who was enrolled at least half time at an eligible school at the time of, or within 6 months prior to, being activated. The borrower’s military service must begin on or after October 1, 2007, or include that date.

<sup>1342</sup> A post-active duty student deferment may be granted to a borrower for a period of no more than 13 months each time the borrower qualifies. There is no limit to how many deferments of this type a borrower may receive. If a borrower is also eligible for a military service deferment, the 13-month period must run concurrently with the 180-day post-military mobilization period.

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# COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: September 11, 2009

|   |          |                         |       |
|---|----------|-------------------------|-------|
| X | DRAFT    | Comments Due            | Oct 2 |
|   | FINAL    | Consider at GB meeting  |       |
|   | APPROVED | with changes/no changes |       |

**SUBJECT:** **Stafford Annual Loan Limits for a Student Enrolled in Teacher Certification Coursework or Preparatory Coursework For a Graduate or Professional Program**

**AFFECTED SECTIONS:** **Figure 6-4      Stafford Annual and Aggregate Loan Limits for Undergraduate Students**

**POLICY INFORMATION:** **1152/Batch 162**

**EFFECTIVE DATE/TRIGGER EVENT:** Publication date of Volume 8 of the 02-03 FSA Handbook.

**BASIS:**  
02-03 FSA Handbook, Volume 8, pp. 8-9 and 8-10.

**CURRENT POLICY:**  
Current policy in Figure 6-4 indicates that the base Stafford annual loan limit is prorated for a student enrolled in a period of teacher certification coursework or graduate preparatory coursework that is less than an academic year in length.

**REVISED POLICY:**  
Revised policy corrects Figure 6-4 to indicate that proration is “not applicable” to the base Stafford annual loan limit for a student enrolled in a period of teacher certification coursework or graduate preparatory coursework that is less than an academic year in length.

**REASON FOR CHANGE:**  
This change is necessary to correct an error in Figure 6-4, aligning it with existing Manual text in Subsection 6.11.F.

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

Revise Figure 6-4, page 32, as follows:

...

### **Teacher Certification Coursework or Preparatory Coursework for Graduate or Professional Program**

|  |         |  |
|--|---------|--|
| Base Stafford eligibility<br>(subsidized and unsubsidized)   | \$5,500 | Proportional Proration<br>Calculation #1—N/A |
| Additional unsubsidized Stafford eligibility<br>(dependent student, excluding a student<br>whose parent is unable to obtain a PLUS loan)   | N/A     | N/A  |
| Additional unsubsidized Stafford eligibility<br>(independent student or dependent student<br>whose parent is unable to obtain a PLUS loan) | \$7,000 | N/A  |

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

### **Stafford Annual Loan Limits for a Student Enrolled in Teacher Certification Coursework or Preparatory Coursework For a Graduate or Professional Program**

The *Common Manual* has been corrected in Figure 6-4 to state that proration is “not applicable” to the base Stafford annual loan limit for a student enrolled in teacher certification coursework or preparatory coursework for a graduate or professional program. Figure 6-4 already correctly states that 1) proration is not applicable to the additional unsubsidized Stafford annual loan limit for a student enrolled in teacher certification coursework or preparatory coursework for a graduate or professional program, and 2) proration is not applicable to the Stafford annual loan limits for a student enrolled in preparatory coursework for an undergraduate program.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

None.

*School:*

None.

*Lender/Service:*

None.

*Guarantor:*

None.

*U.S. Department of Education:*

None.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

OGSLP

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

September 9, 2009

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

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

jcs/edited-aes

# COMMON MANUAL – CORRECTION POLICY PROPOSAL

Date: September 11, 2009

|   |          |                         |       |
|---|----------|-------------------------|-------|
| X | DRAFT    | Comments Due            | Oct 2 |
|   | FINAL    | Consider at GB meeting  |       |
|   | APPROVED | with changes/no changes |       |

**SUBJECT:** Regaining Eligibility for New Stafford Loan Funds After An Inadvertent Overaward

**AFFECTED SECTIONS:** 6.11.E Exceeding Loan Limits

**POLICY INFORMATION:** 1153/Batch 162

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

**BASIS:**  
08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-107.

## CURRENT POLICY:

Current policy states that a Stafford loan amount must never exceed the maximum amount the borrower is eligible to receive or the amount the borrower requested, whichever is less. If a borrower inadvertently exceeds an annual or aggregate loan limit, the borrower is ineligible for additional Title IV funds until the borrower authorizes the school to adjust the excess loan amount or reallocate between subsidized and unsubsidized funds, the borrower repays the excess in full, or the borrower makes arrangements satisfactory to the holder of the loan to repay the excess loan amount.

## REVISED POLICY:

Revised policy clarifies that even after a school documents that a Stafford borrower who inadvertently exceeded an annual or aggregate loan limit has taken one of the necessary actions to regain Title IV eligibility, the borrower may not be eligible to receive additional Stafford loan funds, depending on the circumstances, and provides examples.

## REASON FOR CHANGE:

This change is necessary to reinforce that a school must not certify Stafford loan amounts in excess of Stafford annual or aggregate loan limits for a borrower who inadvertently exceeds those limits and takes action to regain Title IV eligibility.

## PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 6.11.E, page 37, column 2, by adding a new paragraph 3, as follows:

### 6.11.E Exceeding Loan Limits

A Stafford or PLUS loan amount must never exceed the maximum amount the borrower is eligible to receive or the amount the borrower requested, whichever is less. A loan disbursed in excess of the lesser of these two amounts may lose its guarantee and eligibility for interest benefits and/or special allowance payments. A PLUS loan may not exceed the cost of attendance (COA) minus estimated financial assistance (EFA), but otherwise is not limited. See Subsections 6.11.A and 6.11.B for more information regarding Stafford loan limits. [§682.204(h); §682.401(b); §682.603(e)]

A Stafford borrower is subject to the annual and aggregate loan limits that exist in the Higher Education Act of 1965, as amended, at the time the borrower received ~~the~~an inadvertent overaward. If a Stafford borrower inadvertently exceeds ~~an~~the Stafford annual or aggregate loan limit ~~under a Title IV program~~, the borrower will be ineligible for additional Title IV funds until one of the following occurs:

- The borrower authorizes the school to adjust the excess loan amount or reallocate funds between a subsidized Stafford loan and an unsubsidized Stafford loan for which the borrower is eligible. For more information on adjusting or reallocating loan amounts, see Section 6.20.

- The borrower repays in full the excess Stafford loan amount. [§668.35(d)(1)]
- The borrower makes arrangements satisfactory to the holder of the loan to repay the excess Stafford loan amount. These arrangements may include having the borrower sign an agreement acknowledging the debt and affirming his or her intention to repay the excess amount as part of the normal repayment process. Consolidation of the loan(s) that exceeded the annual or aggregate loan limit (provided that the loan(s) is otherwise eligible for consolidation) is also considered to be a satisfactory repayment arrangement. [§668.35(d)(2); 09-10 FSA Handbook, Volume 5, Chapter 1, pp. 5-15 and 5-16; 07-08-08-09 FSA Handbook, Volume 43, Chapter 35, pp. 4-44-3-107 and 3-108]

A school must document that an inadvertent overaward of the Stafford annual or aggregate loan limit has been resolved in one of the ways described above before the school may award Title IV aid to the borrower. However, the borrower may not regain eligibility to receive additional Stafford loan funds depending upon the circumstances. A school must not certify additional Stafford loan funds during the academic year in which a borrower exceeds the annual loan limit unless the borrower reduces his or her outstanding Stafford loan debt to an amount that is less than the applicable annual loan limit. A school must not certify additional Stafford loan funds for a borrower who does not reduce his or her outstanding Stafford loan debt to an amount that is less than the applicable aggregate loan limit.

Example: A school must not certify subsidized Stafford loan funds for a dependent undergraduate student who inadvertently exceeded the \$23,000 subsidized Stafford aggregate loan limit if the borrower does not reduce his or her outstanding subsidized Stafford loan debt to an amount that is less than the \$23,000 limit. However, if the borrower has not exceeded the combined, Stafford aggregate loan limit of \$31,000, the school may certify unsubsidized Stafford loan funds for the dependent student, up to the \$31,000 limit. For an independent undergraduate student who inadvertently exceeded the \$23,000 subsidized Stafford aggregate loan limit, but who did not exceed the combined Stafford aggregate loan limit of \$57,500, the school may certify unsubsidized Stafford loan funds for the independent student, up to the \$57,500 limit.

[09-10 FSA Handbook, Volume 5, Chapter 1, p. 5-16; 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-107]

If a Stafford borrower exceeds an annual or aggregate loan limit as a result of providing false or misleading information, the borrower can only regain eligibility for Title IV aid by paying excess funds in full.

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

##### **Regaining Eligibility for New Stafford Loan Funds After An Inadvertent Overaward**

The *Common Manual* has been updated to clarify a Stafford loan borrower's eligibility for additional Stafford loan funds after an inadvertent overaward has been resolved.

If a Stafford borrower inadvertently exceeds the Stafford annual or aggregate loan limit, the borrower is ineligible for additional Title IV funds until the overaward is resolved. A school must document that an inadvertent overaward of the Stafford annual or aggregate loan limit has been resolved before the school may award Title IV aid to the borrower. However, a borrower may not regain eligibility to receive additional Stafford loan funds depending upon the circumstances. A school must not certify additional Stafford loan funds during the academic year in which a borrower exceeds the annual loan limit unless the borrower reduces his or her outstanding Stafford loan debt to an amount that is less than the applicable annual loan limit. A school must not certify additional Stafford loan funds for a borrower who does not reduce his or her outstanding Stafford loan debt to an amount that is less than the applicable aggregate loan limit. For example, a school must not certify subsidized Stafford loan funds for a dependent undergraduate student who inadvertently exceeded the \$23,000 subsidized Stafford aggregate loan limit if the borrower does not reduce his or her outstanding subsidized Stafford loan debt to an amount that is less than the \$23,000 limit. However, if the borrower has not exceeded the combined, Stafford aggregate loan limit of \$31,000, the school may certify unsubsidized Stafford loan funds for the dependent student, up to the \$31,000 limit. For an independent undergraduate student who inadvertently exceeded the \$23,000 subsidized Stafford aggregate loan limit, but who did not exceed the combined Stafford aggregate loan limit of \$57,500, the school may certify unsubsidized Stafford

loan funds for the independent student, up to the \$57,500 limit.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

None.

*School:*

None.

*Lender/Service:*

None.

*Guarantor:*

None.

*U.S. Department of Education:*

None.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

June 2, 2009

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

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

jcs-bmf/edited-rrl



# COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: September 11, 2009

|   |          |                         |       |
|---|----------|-------------------------|-------|
| X | DRAFT    | Comments Due            | Oct 2 |
|   | FINAL    | Consider at GB meeting  |       |
|   | APPROVED | with changes/no changes |       |

**SUBJECT:** Borrower Right to Cancel All or a Portion of a Stafford or PLUS Loan Disbursed By EFT or Master Check

**AFFECTED SECTIONS:** 8.2.C School Notice of Credit to Student Account  
8.2.D Borrower Notice to Cancel Loan

**POLICY INFORMATION:** 1154/Batch 162

**EFFECTIVE DATE/TRIGGER EVENT:** Loans disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.

**BASIS:**  
§668.165(a)(2)(ii).

## CURRENT POLICY:

Subsection 8.2.C currently states that a school's notice that a student's school account has been credited must include, for proceeds disbursed by EFT or master check, a statement explaining the student or parent borrower's right to cancel all or a portion of the loan or loan disbursement. Subsection 8.2.D explains a school's responsibilities when a student or parent borrower responds to the notice referenced in Subsection 8.2.C. Subsection 8.2.D requires a school to return loan funds to the lender when it receives a borrower's request to cancel a loan within certain time frames after it sends a notice of credit to the student's account, but it provides no cross-reference to Subsection 8.2.C to enable the reader to determine when such a notice must be sent. In addition, Subsection 8.2.D does not explain that the school's notice of credit to the student's account must include the notice of a borrower's right to cancel all or a portion of the loan for funds that a lender disburses to the school by EFT or master check.

## REVISED POLICY:

Revised policy provides a cross-reference from Subsection 8.2.C, "School Notice of Credit to Student Account," to Subsection 8.2.D, which has been renamed "Borrower Notice to Cancel Loan Disbursed By EFT or Master Check." Subsection 8.2.D clarifies that a school must honor a borrower's cancellation request when that request is received within certain time frames after the school sends a notice advising the borrower of the right to cancel the loan. Finally, Subsection 8.2.D states that, for funds disbursed to the school by EFT or Master Check, the school must advise the borrower of the right to cancel the loan as part of the notice of credit to student's account, and cross-references Subsection 8.2.C for more information about the content of that notice and when the school must send the notice.

## REASON FOR CHANGE:

These changes are necessary to enhance the clarity of Manual text.

## PROPOSED LANGUAGE - COMMON MANUAL:

Revise Subsection 8.2.C, page 2, column 2, paragraph 3, bullet 3, as follows:

### 8.2.C School Notice of Credit to Student's Account

Except in the case of a post-withdrawal disbursement made as a result of the return of Title IV funds calculation (see Subsection 9.5.A), the school must notify the student or parent borrower if the school credits Stafford, Grad PLUS, or parent PLUS loan proceeds to the student's school account. If the school obtained affirmative confirmation of the borrower's acceptance of the loan amount offered (see Subsection 8.2.B), the notice must be issued no earlier than 30 days before and no later than 30 days after the school credits the student's account. If the school did not obtain affirmative confirmation of the borrower's acceptance of the loan amount offered, the notice must be issued no earlier than 30 days before and no later than 7 days after the school credits the student's account. The notice may be written or electronically transmitted and must include:

[§668.165(a)(2) and (3)]

- The date and amount of the disbursement.  
[§668.165(a)(2)(i)]
- For proceeds disbursed by EFT or master check, a statement explaining the student or parent borrower's right to cancel all or a portion of the loan or loan disbursement and have the proceeds returned to the lender.  
[§668.165(a)(2)(ii)]
- The method and date by which the student or parent borrower must notify the school that he or she wishes to cancel all or a portion of the loan or loan disbursement.  
[§668.165(a)(2)(iii)]

See Subsection 8.2.D for more information about actions a school must take when a student or parent borrower notifies the school that he or she wishes to cancel all or a portion of the loan or loan disbursement.

Revise Subsection 8.2.D, page 3, column 1, as follows:

#### **8.2.D**

##### **Borrower Notice to Cancel Loan Disbursed by EFT or Master Check**

A student or parent borrower must inform the school if she or she wishes to cancel all or a portion of a loan or loan disbursement that a lender disburses to the school by EFT or master check. The school's notice of a student or parent borrower's right to cancel all or a portion of the loan is found in the school's notice of credit to the student's account. For more information about the content and timing of this notification, see Subsection 8.2.C.

The school must return the loan proceeds, cancel all or a portion of the loan or loan disbursement as applicable, or do both if the school receives a borrower's cancellation request in either of the following time frames:

[§668.165(a)(4)]

- If the school obtained affirmative confirmation of the borrower's acceptance of the loan amount offered (see Subsection 8.2.B), by the later of the first day of the payment period for which the funds are intended or 14 days after the date the school sends the notification advising the student or parent borrower the school has credited the student's account at the school of his or her right to cancel all or a portion of the loan.  
[§668.165(a)(4)(ii)(A)]
- If the school did not obtain affirmative confirmation of the borrower's acceptance of the loan amount offered, within 30 days after the date the school sends the notification advising the student or parent borrower the school has credited the student's account at the school of his or her right to cancel all or a portion of the loan.  
[§668.165(a)(4)(ii)(B)]

See Section H.4 for information about a statutory or regulatory waiver authorized by the HEROES Act that may impact these requirements.

##### **Late Requests**

If a student or parent borrower requests cancellation of the loan after the 30-day period, the 14-day period, or the first day of the payment period, as applicable, the school may, but is not required to, return the loan proceeds, cancel all or a portion of the loan or loan disbursement, or do both.

[§668.165(a)(4)(iii)]

...

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Borrower Right to Cancel All or a Portion of Stafford or PLUS Loan Funds Disbursed By EFT or Master Check**

The *Common Manual* has been updated to clarify the interaction between Subsections 8.2.C and 8.2.D. A cross-reference is provided from Subsection 8.2.C, "School Notice of Credit to Student Account," to Subsection 8.2.D, which has been renamed "Borrower Notice to Cancel Loan Disbursed By EFT or Master Check." Subsection 8.2.D clarifies that a school must return the loan proceeds, cancel all or a portion of the loan or loan disbursement, as applicable, or do both if the school receives a borrower's cancellation request within certain time frames after the school sends the borrower a notice advising the borrower of the right to cancel the loan. Finally, Subsection 8.2.D states that the school must advise the borrower of the right to cancel a loan disbursed by EFT or Master Check as part of the school's notice of credit to the student's account, and cross-references Subsection 8.2.C for more information about the content of that notice and when it must be sent.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

None.

*School:*

None.

*Lender/Service:*

None.

*Guarantor:*

None.

*U.S. Department of Education:*

None.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

CM Policy Committee

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

July 28, 2009

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

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

jcs/edited-rrl

# COMMON MANUAL - ORGANIZATIONAL POLICY PROPOSAL

Date: September 11, 2009

|   |          |                         |       |
|---|----------|-------------------------|-------|
| X | DRAFT    | Comments Due            | Oct 2 |
|   | FINAL    | Consider at GB meeting  |       |
|   | APPROVED | with changes/no changes |       |

**SUBJECT:** Prorated Stafford Annual Loan Limits

**AFFECTED SECTIONS:** 6.11.F Prorated Stafford Annual Loan Limits

**POLICY INFORMATION:** 1155/Batch 162

**EFFECTIVE DATE/TRIGGER EVENT:** Not Applicable.

**BASIS:**

§682.204(a) and (d); §682.603(h)(4); 08-09 FSA Handbook, Volume 3, Chapter 5, pp. 3-100, 3-101 and 3-103.

**CURRENT POLICY:**

Current policy does not provide an illustrative chart outlining the process for when a school must calculate prorated undergraduate Stafford annual loan limits.

**REVISED POLICY:**

Revised policy provides an illustrative chart outlining the process for when and how a school must calculate prorated undergraduate Stafford annual loan limits.

**REASON FOR CHANGE:**

This change was requested by a commenter to include a figure to illustrate text of 6.11.F relative to prorating Stafford annual loan limits as the result of policy proposal 1093 in Batch 157.

**PROPOSED LANGUAGE - COMMON MANUAL:**

Revise Subsection 6.11.F to include new Figure 6-5 that outlines the process for when and how a school must calculate prorated undergraduate Stafford annual loan limits.

See attached chart. For ease of review, the chart is provided in two versions. One version shows the proposed text with underlines. The second version is a "clean" version, i.e. without underlines.

**PROPOSED LANGUAGE - COMMON BULLETIN:**

**Prorated Stafford Annual Loan Limits**

The *Common Manual* has been updated to include a new Figure 6-5 (attached) in Subsection 6.11.F that outlines when and how a school must calculate prorated (i.e., reduced) undergraduate Stafford annual loan limits.

**GUARANTOR COMMENTS:**

None.

**IMPLICATIONS:**

*Borrower:*

None.

*School:*

None.

*Lender/Service:*

None.

*Guarantor:*

None.

*U.S. Department of Education:*

None.

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**To be completed by the Policy Committee**

**POLICY CHANGE PROPOSED BY:**

American Student Assistance

**DATE SUBMITTED TO CM POLICY COMMITTEE:**

January 30, 2009

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

**PROPOSAL DISTRIBUTED TO:**

CM Policy Committee

CM Guarantor Designees

Interested Industry Groups and Others

rbl/edited-as

## Prorated Stafford Annual Loan Limits

Figure 6-5

A school must prorate the Stafford annual loan limit when it has advance knowledge that an undergraduate Stafford loan borrower will be enrolled in a program that meets either of the following conditions:

- The program is shorter than a full academic year in length (for more information about the minimum statutory requirements for an academic year, see Section 6.1).
- The program is one academic year or more in length, but the student is enrolled in a final period of study that is shorter than a full academic year.

The Stafford annual loan limit is not prorated for a student enrolled in a graduate or professional program, or for an undergraduate student enrolled in preparatory coursework or coursework necessary for teacher certification.

| Programs Shorter Than an Academic Year   | Final Periods of Study Shorter than an Academic Year <sup>1</sup>   |  |
|--|---|--|
|  | Standard term or credit-hour programs with nonstandard terms that are substantially equal and at least nine weeks of instructional time in length (SE9W)  | Clock-hour, non-term, or nonstandard-term programs terms that are <i>not</i> SE9W  |
| <p>Multiply the applicable Stafford annual loan limit(s) by the lesser of the following fractions<sup>2</sup>:</p> $\frac{\text{Semester, trimester, quarter, or clock hours enrolled in the program}}{\text{Semester, trimester, quarter, or clock hours in the academic year}}$ <p>or</p> $\frac{\text{Instructional weeks enrolled in the program}}{\text{Instructional weeks in the academic year}}^3$ | <p>A final period of study is considered shorter than an academic year if the final period contains fewer terms than the number of terms covered by a program's academic year. (For a program that uses a Scheduled Academic Year (SAY), the number of terms in the program's academic year does not include a summer term designated as a header or trailer.)</p> <p>Multiply the applicable Stafford annual loan limit(s) by the following fraction<sup>2</sup>:</p> $\frac{\text{Semester, trimester, quarter, or clock hours enrolled in the final period of the program}}{\text{Semester, trimester, quarter, or clock hours in the academic year}}$ | <p>A remaining period of study is considered less than an academic year if the remaining period consists of fewer clock or credit hours than the program's defined academic year.</p> <p>Multiply the applicable Stafford annual loan limit(s) by the following fraction<sup>2</sup>:</p> $\frac{\text{Semester, trimester, quarter, or clock hours enrolled in the final period of the program}}{\text{Semester, trimester, quarter, or clock hours in the academic year}}$ |

<sup>1</sup> A school may establish an academic year for a program that is greater than the statutory minimum in clock hours or weeks of instructional time. For such a program, the school must use its academic year definition for the program – not the statutory minimum for an academic year – to determine whether the program or a final period of study is shorter than an academic year.

<sup>2</sup> A school may use either a fraction or convert the fraction to a decimal and multiply the annual loan limit by the fraction or decimal, respectively. A school must consistently use the method it chooses (i.e., either a fraction or a decimal) for calculating a prorated Stafford annual loan limit.

<sup>3</sup> At least 30 weeks of instructional time or for a clock-hour program, at least 26 weeks of instructional time.

See Subsection 6.11.F for additional information.  
[§682.204(a) and (d)]

## Prorated Stafford Annual Loan Limits

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A school must prorate the Stafford annual loan limit when it has advance knowledge that an undergraduate Stafford loan borrower will be enrolled in a program that meets either of the following conditions:

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