#	Subject	Summary of Change to *Common Manual*	Type of Update	Effective Date
1156	Forwarding Documentation of Other Claim Types	**13.6.A Default Claims** States that a lender must forward to the guarantor within 30 days of receipt any acceptable documentation that demonstrates that the borrower may be eligible for loan discharge due to an unpaid refund, false certification as a result of the crime of identity theft, or a spouse or parent of a victim of the September 11, 2001, terrorist attacks to ensure that such a claim is not inadvertently purchased as a default claim.	Guarantor	Requests for unpaid refund loan discharge received by the lender on or after July 1, 2000. Requests for false certification as a result of the crime of identity theft loan discharge received by the lender on or after July 1, 2006. Requests for spouses and parents of a victim of the September 11, 2001, terrorist attacks loan discharge received by the lender on or after October 29, 2007.
1157	Credit-Hour Programs Offered in Modules	**6.2 Determining the Loan Period** **6.3 Credit-Hour Programs with Standard Terms or with Nonstandard Terms That Are Substantially Equal in Length** **6.3.B Standard Term-Based Credit-Hour Programs Offered in Modules** **6.3.C Credit-Hour Programs with Nonstandard Terms That Are Not Substantially Equal in Length** **6.3.D Clock-Hour Programs or Non-Term-Based Credit-Hour Programs** **6.4.B When Disbursements May Be Scheduled** **Figure 6-3** **8.7.C Early Delivery** **8.7.E Late Delivery** **8.7.F Delivery to Borrowers in Special Circumstances** **Figure 8-4** **9.4 Withdrawal Dates** **9.5.A Return Amounts for Title IV Grant and Loan Programs** **Appendix G** For a credit-hour program offered in modules, the proposal: • Describes a school's options for defining the structure of the program	Federal	Effective for the second delivery of a Stafford or PLUS loan made for a single term in a standard term-based program or a program with nonstandard terms that are SE9W on or after September 29, 2009, unless implemented earlier by the school. Effective with the publication of the October 2005 Blue Book for the definition of "module." Effective with the publication of the 04-05 FSA Handbook for: • Defining the structure of a credit-hour program offered in modules. • Disbursement scheduling and delivery, with the exception of the second delivery of a loan made for a single term in a standard term-based program or a program with nonstandard terms that are SE9W. • Progressing to the next payment period in a non-term credit-hour program offered in modules. • The prohibition against making a late first delivery of Stafford or PLUS loan funds to a student enrolled in a term-based credit-hour program offered in modules who withdraws or drops to less than half-time enrollment without ever

		and the effect of the school's choices. • Clarifies the definition of a payment period and the minimum period for which a loan may be certified in a standard term-based program and certain nonstandard term-based programs. • Explains the effect of a student's failure to pass a course in a non-term-based program. • Provides instruction on disbursement schedules and delivery time frames. • Clarifies the payment period used to calculate the percentage of the payment period completed for a student who withdraws from a standard term-based program without completing at least one module in the term. • Provides a glossary definition of "module."		beginning half-time attendance in the term. Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999, for the payment period used to calculate the percentage of the period completed for a student who withdraws from a standard term-based program offered in modules.
1158	Economic Hardship Deferment Eligibility	**<u>11.4.A</u>** **<u>Eligibility Criteria—Economic Hardship</u>** **<u>Appendix G</u>** Removes the ability of a borrower who is unemployed, incarcerated, disabled, on a temporary unpaid leave of absence or otherwise without income to qualify for an economic hardship deferment if the condition begins on or after July 1, 2009. Revised policy also amends the definition of economic hardship contained in the Glossary to remove reference to the debt-to-income ratio eligibility criteria and to refer the reader to Subsection 11.4.A for a complete list of the eligibility criteria.	Federal	Economic hardship deferments granted on or after July 1, 2009, that begin on or after July 1, 2009.

COMMON MANUAL - GUARANTOR POLICY PROPOSAL

Date: October 2, 2009

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

SUBJECT: **Forwarding Documentation of Other Claim Types**

AFFECTED SECTIONS: **13.6.A Default Claims**

POLICY INFORMATION: **1156/Batch 163**

EFFECTIVE DATE/TRIGGER EVENT: Requests for unpaid refund loan discharge received by the lender on or after July 1, 2000.

Requests for false certification as a result of the crime of identity theft loan discharge received by the lender on or after July 1, 2006.

Requests for spouses and parents of a victim of the September 11, 2001, terrorist attacks loan discharge received by the lender on or after October 29, 2007.

BASIS:
None.

CURRENT POLICY:
Current policy does not state that a lender must forward to the guarantor within 30 days of receipt any acceptable documentation that demonstrates that the borrower may be eligible for loan discharge due to an unpaid refund, a false certification as a result of the crime of identity theft, or a spouse or parent of a victim of the September 11, 2001, terrorist attacks to ensure that such a claim is not inadvertently purchased as a default claim.

REVISED POLICY:
Revised policy states that a lender must forward to the guarantor within 30 days of receipt any acceptable documentation that demonstrates that the borrower may be eligible for loan discharge due to an unpaid refund, false certification as a result of the crime of identity theft, or a spouse or parent of a victim of the September 11, 2001, terrorist attacks to ensure that such a claim is not inadvertently purchased as a default claim.

REASON FOR CHANGE:
This change is being made to ensure that another claim type is not inadvertently purchased as a default claim.

PROPOSED LANGUAGE - *COMMON MANUAL*:
Revise Subsection 13.6.A, page 14, column 2, paragraph 2, as follows:

Forwarding Documentation of Other Claim Types

To ensure that ~~another~~ a non-default claim ~~type~~ is not inadvertently purchased as a default claim, the lender must forward to the guarantor—within 30 days of receipt—any acceptable notification (including all supporting documentation) that demonstrates that ~~any~~ one of the following situations ~~have~~ has occurred:

- The borrower has died or the student for whom a parent PLUS loan was obtained has died.
- The borrower has ~~became~~ become totally and permanently disabled.
- The borrower has filed any type of bankruptcy.
- The borrower ~~should have been declared~~ has been determined to be ineligible for the loan.

- The borrower ~~was~~ is entitled to loan discharge due to: ~~the school closing or false certification.~~

    - School closure.
    - An unpaid refund.
    - False certification by the school.
    - False certification as a result of the crime of identity theft.
    - The borrower qualifying as an eligible spouse or parent of a victim of the September 11, 2001, terrorist attacks.

The guarantor may alter the original claim type to reflect the new status, if applicable.

If a lender receives information indicating that a borrower has filed a bankruptcy petition on the loan, the lender should follow the additional instructions outlined in Subsection 13.8.A.

PROPOSED LANGUAGE - COMMON BULLETIN:

Forwarding Documentation of Other Claim Types

The *Common Manual* has been updated to state that a lender must forward to the guarantor within 30 days of receipt any acceptable documentation that demonstrates that the borrower may be eligible for loan discharge due to an unpaid refund, false certification as a result of the crime of identity theft, or a spouse or parent of a victim of the September 11, 2001, terrorist attacks to ensure that such a claim is not inadvertently purchased as a default claim.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower may benefit from having the lender provide acceptable documentation to demonstrate that the borrower is eligible for a non-default loan discharge, to ensure that his or her loan is not inadvertently purchased as a default claim.

School:

None.

Lender/Servicer:

A lender may need to amend its claim filing and post claim filing procedures to include providing the guarantor with supporting documentation for non-default claims.

Guarantor:

A guarantor may be required to amend its claim review and program review procedures.

U.S. Department of Education:

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

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

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

sa/edited-kk

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: October 2, 2009

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

SUBJECT: **Credit-Hour Programs Offered in Modules**

AFFECTED SECTIONS:

6.2 Determining the Loan Period
6.3.A Credit-Hour Programs With Standard Terms or with Nonstandard Terms That Are Substantially Equal in Length
6.3.B Standard Term-Based Credit-Hour Programs Offered in Modules
6.3.C Credit-Hour Programs with Nonstandard Terms That Are Not Substantially Equal in Length
6.3.D Clock-Hour Programs or Non-Term-Based Credit-Hour Programs
6.4.B When Disbursements May Be Scheduled
Figure 6-3
8.7.C Early Delivery
8.7.E Late Delivery
8.7.F Delivery to Borrowers in Special Circumstances
Figure 8-4
9.4 Withdrawal Dates
9.5.A Return Amounts for Title IV Grant and Loan Programs
Appendix G

POLICY INFORMATION: **1157/Batch163**

EFFECTIVE DATE/TRIGGER EVENT:

Effective for the second delivery of a Stafford or PLUS loan made for a single term in a standard term-based program or a program with nonstandard terms that are SE9W on or after September 29, 2009, unless implemented earlier by the school.

Effective with the publication of the October 2005 Blue Book for the definition of "module."

Effective with the publication of the 04-05 FSA Handbook for:

- Defining the structure of a credit-hour program offered in modules.
- Disbursement scheduling and delivery, with the exception of the second delivery of a loan made for a single term in a standard term-based program or a program with nonstandard terms that are SE9W.
- Progressing to the next payment period in a non-term credit-hour program offered in modules.
- The prohibition against making a late first delivery of Stafford or PLUS loan funds to a student enrolled in a term-based credit-hour program offered in modules who withdraws or drops to less than half-time enrollment without ever beginning half-time attendance in the term.

Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999, for the payment period used to calculate the percentage of the period completed for a student who withdraws from a standard term-based program offered in modules.

BASIS:

§668.4(a); §682.603(f)(1)(i)(A); DCL GEN-00-24; 04-05 FSA Handbook, Volume 3, Chapter 1, pp. 3-3 through

3-5; 04-05 FSA Handbook, Volume 4, pp. 4-23, 4-25, and 4-27; 04-05 FSA Handbook, Volume 5, Chapter 2, pp. 5-60 and 5-61; The Blue Book dated October 2005, Appendix A, p. A-54; private guidance from Pam Moran, U.S. Department of Education, dated September 29, 2009.

CURRENT POLICY:
Current policy:

- Does not acknowledge a school's options for defining the structure of a credit-hour program offered in modules.
- Provides instruction on disbursement scheduling and delivery rules only for standard term-based programs offered in modules.
- Erroneously states that the payment period in a standard term-based program offered in modules includes all of the modules the student was scheduled to attend instead of attributing this "payment period" definition to the calculation of the percentage of the period completed for a student who withdraws from such a program.
- Does not provide instruction concerning late delivery for students who withdraw from term-based credit-hour programs offered in modules before beginning attendance on at least a half-time basis.
- Does not explain the impact on payment period completion for a student who is enrolled in a non-term-based credit-hour program and who fails a course in a module within the payment period.
- Interchangeably uses the term "modules" and "mini-sessions."
- Does not provide a glossary definition of "module."

REVISED POLICY:
Revised policy:

- Describes a school's options for defining the structure of a modular program and the effect of the school's choices.
- Clarifies that, in a credit-hour program comprised of standard terms or nonstandard terms that are substantially equal in length, including such a program that is offered in modules, the payment period is the term, not one or more modules in which the student is enrolled within the term.
- Clarifies that, in a credit-hour program comprised of standard terms or nonstandard terms that are substantially equal in length and at least nine weeks of instructional time in length (SE9W), including such a program that is offered in modules, the minimum period for which a loan may be certified is the term, not one or more modules in which the student is enrolled within the term.
- Explains that if a student fails a course in a non-term-based credit-hour program offered in modules, the student may experience a delay in payment period completion, and provides an example.
- Provides instruction on disbursement scheduling in any modular program.
- Provides instruction on early delivery and late delivery in a modular program.
- Provides instruction on delivery of the second disbursement of a loan certified for a single payment period in a modular program.
- States that if a student withdraws from a standard term-based program offered in modules without completing at least one course in one module, the "payment period" used to calculate the percentage of the payment period completed includes the number of calendar days in all of the modules the student was scheduled to attend in the semester, trimester or quarter, and provides an example.
- Provides a glossary definition of module that acknowledges the synonymous use of the terms "mini-term," "mini-session" and "compressed coursework" to describe a module.

Revised policy places text describing a school's options for defining the structure of a credit-hour program that is offered in modules in Section 6.3, *Determining Payment Periods*, in a new Subsection 6.3.A. Subsection 6.3.B has been deleted, and current Subsection 6.3.A has been redesignated as Subsection 6.3.B.

Revised policy consolidates all delivery rules for credit-hour programs that are offered in modules into a new Subsection 8.7.F. Subsections 8.7.F, 8.7.G, and 8.7.H have been redesignated as 8.7.G, 8.7.H, and 8.7.I, respectively.

REASON FOR CHANGE:
This change is necessary to align the Manual with Departmental guidance concerning modular programs.

PROPOSED LANGUAGE - *COMMON MANUAL*:
Revise Section 6.2, page 8, column 2, paragraph 1, as follows:

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.~~ i.e., a semester, trimester, quarter, or nonstandard term that is SE9W). In such a program that is offered in modules, the minimum period for which a school may certify a loan is a single academic term, not one or more modules in which the student is enrolled during the term.
[§682.603(f)(1)(i)(A); 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-77]

Revise Section 6.3, page 10, column 1, by inserting a new Subsection 6.3.A, as follows:

6.3
Determining Payment Periods

. . .

. . .

6.3.A
Credit-Hour Programs Offered in Modules

In a credit-hour program that is offered in modules, a school has several options for defining the program's structure (i.e., standard-term-based, nonstandard terms that are substantially equal in length *and* at least nine weeks of instructional time in length (SE9W), nonstandard terms that are *not* SE9W, or non-term-based). A school may choose to group modules together and treat the entire period of combined modules as a single term. For example, a school may choose to group three consecutive modules of five weeks of instructional time each to create a standard semester of 15 weeks of instructional time, or group four consecutive modules of four weeks of instructional time each to create a standard semester of 16 weeks of instructional time.

A school may treat a program that is offered in modules as a program that consists of nonstandard terms. For example, in a program that offers courses in consecutive modules of five weeks of instructional time, the school could choose to treat each module as a five-week nonstandard term. In addition, a school may choose to treat a program that consists of consecutive modules as a non-term program.

For a program that is offered in standard terms, a school may choose to combine a short nonstandard term with an adjacent standard term. The combination of the short, nonstandard term and the standard term may be treated as a single, standard term comprised of two modules. For example, an interim period of four weeks of instructional time that begins and ends in between a program's standard semesters, each of which consist of 15 weeks of instructional time, may be treated as part of one of the two standard semesters. The result is a single term of 19 instructional weeks, i.e., one module of four and one module of 15 weeks of instructional time, that the school may treat as a standard semester. A school that chooses this option must provide the same treatment for all Title IV aid to students enrolled in the program. A school must include all hours in which a student enrolls during the shorter module as part of the student's total enrollment for the standard term and include costs of attendance that the student incurs during the shorter module, as appropriate.
[08-09 FSA Handbook, Volume 3, p. 3-4 and 3-5]

The structure that a school chooses for a credit-hour program offered in modules affects all of the following:

- The definition of an academic year that determines the frequency of Stafford annual loan limits (see Subsection 6.1.B).

- The definition of a payment period (see Subsections 6.3.B through 6.3.F).

- A student's eligibility for a grade level increase within an academic year (see subsection 6.11.A),

- The minimum period for which a loan may be certified (see Section 6.2).

- The disbursement schedule for a Stafford or PLUS loan (see Section 6.4).

- The delivery time frames for a Stafford or PLUS loan (see Section 8.7).

For example, if a school chooses to treat a program consisting of consecutive modules of five weeks of instructional time as a program offered in standard semesters of 15 weeks of instructional time comprised of three consecutive, five-week modules, the school must apply the rules for determining the frequency of Stafford annual loan limits and the minimum period for which a loan may be certified as it would in a standard-term-based program. However, if the school chooses to treat such a program as one that is offered in nonstandard terms of five instructional weeks each, the school must apply the rules for determining the frequency of Stafford annual loan limits and the minimum period for which a loan may be certified as it would in a nonstandard term program with terms that are *not* SE9W (i.e., all of the terms in the program are not substantially equal in length, or the terms are not all at least nine weeks of instructional time in length).

Revise Subsection 6.3.A, page 10, column 1, by redesignating it, as follows:

6.3.~~A~~ B
Credit-Hour Programs With Standard Terms or with Nonstandard Terms That Are Substantially Equal in Length

For an eligible program that measures progress in credit hours and has standard academic terms, or has nonstandard terms that are substantially equal in length, the payment period is the academic term (semester, trimester, quarter, or nonstandard term). In such a program that is offered in modules, the payment period is an academic term, not one or more modules in which the student is enrolled during the term.
[§668.4(a)]

Revise Subsection 6.3.B, page 10, column 2, by striking it, as follows:

~~6.3.B Standard Term-Based Credit-Hour Programs Offered in Modules~~

~~For an eligible program that combines a series of modules into a semester, trimester, or quarter and measures progress in credit hours, the payment period includes all of the modules the student was scheduled to attend in the semester, trimester or quarter beginning with the module that included the student's first day of attendance. The following criteria apply to programs offered in modules:~~

- ~~Some or all of the courses in the program are offered in modules that are scheduled sequentially rather than concurrently. (The modules may overlap.)~~

- ~~Two or more modules make up a standard term at the institution (e.g., a 12-week term is offered in three 4-week modules).~~

- ~~A student may begin his or her program of study at the beginning of any module in the term.~~

- ~~A student may skip one or more modules in the term.~~

- ~~A student must enroll up front in all modules he or she plans to attend within the term, although he or she may subsequently add or drop a course.~~
  ~~[DCL GEN-00-24~~

~~A school may use a scheduled academic year (SAY) or a borrower-based academic year (BBAY) for a standard term-based program comprised of modules that is offered in a traditional~~

~~academic year calendar. See Subsection 6.1.B for more information about the use of a SAY and a BBAY in a standard term-based, credit-hour program that is offered in a traditional academic year calendar.~~

Revise Subsection 6.3.D, page 11, column 2, by adding a new paragraph 5, as follows:

6.3.D
Clock Hour Programs or Non-Term-Based Credit-Hour Programs

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. . .

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- . . .

. . .

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- . . .

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- . . .
- . . .

A school must ensure that the student successfully completes a payment period before the school may deliver a subsequent disbursement of Stafford or PLUS loan funds to the student. A student does not progress to a subsequent payment period until the student successfully completes the number of credit or clock hours and the number of weeks of instructional time in the current payment period. In a non-term-based credit-hour program that is offered in modules, a student's failure to successfully complete one or more courses within a module may delay the student's successful completion of the payment period.

> **Example**: A student enrolls in a non-term-based credit-hour program that is one academic year in length. The school defines the academic year for this program as 24 semester credit hours and 30 instructional weeks, consisting of two payment periods of 12 semester credit hours and 15 weeks of instructional time. The program is offered in a series of six modules of 5 weeks of instructional time. In each module, the student enrolls in a single course for which the student will earn 4 semester credit hours. The student fails the course offered in the first 4-hour module in the first payment period of the program. The student cannot progress to the subsequent payment period until he or she has successfully completed 12 semester credit hours in 3 *subsequent* modules.

[08-09 FSA Handbook, Volume 4, Chapter 2, p. 4-53]

. . .

Revise Subsection 6.4.B, page 14, column 2, by adding a new subheading after paragraph 2, as follows:

. . .

. . .

Earliest Disbursement Scheduling Rules for Credit-Hour Programs Offered in Modules

When a student is enrolled in a credit-hour program comprised of modules but the student will not attend the first module in a payment period, the date the school uses to determine when

Stafford or PLUS loan funds may be disbursed is the starting date of the first module in the payment period that the school expects the student to attend.
[08-09 FSA Handbook, Volume 4, p. 4-50]

For a Stafford loan disbursed by EFT or master check, the earliest date for which a first disbursement may be scheduled for a student enrolled in a credit-hour program offered in modules is:

- The 28th day of the first module that the student will actually attend if the student is a first-year undergraduate, first-time borrower and the school is subject to delayed delivery provisions for such students.
- 13 days before the first day of the first module that the student will actually attend for all other borrowers, including a first-year undergraduate, first-time borrower at a school that is not subject to delayed delivery (see Subsection 8.7.D).

For a Stafford loan disbursed by individual check, the earliest date for which a first disbursement may be scheduled for a student enrolled in a credit-hour program offered in modules is:

- The first day of the first module that the student will actually attend if the student is a first-year undergraduate, first-time borrower and the school is subject to delayed delivery provisions for such students.
- 30 days before the first day of the first module that the student will actually attend for all other borrowers, including a first-year undergraduate, first-time borrower at a school that is not subject to delayed delivery (see Subsection 8.7.D).

For a PLUS loan, the earliest date for which a first disbursement may be scheduled for a student enrolled in a credit-hour program offered in modules is:

- 13 days before the first day of the first module that the student will actually attend for a loan disbursed by EFT or master check.
- 30 days before the first day of the first module that the student will actually attend for a loan disbursed by individual check.

If the loan period for a Stafford or PLUS loan consists of one payment period, the school must schedule the second disbursement so that it is delivered no earlier than the ***later of*** the calendar midpoint between the first and last scheduled days of class of the loan period, or the first day of the first subsequent module that the student will actually attend, in the following types of programs:

- A standard term-based, credit-hour program.
- A nonstandard term-based, credit-hour program in which all of the terms are substantially equal *and* at least nine weeks of instructional time in length (SE9W).

If the loan period for a Stafford or PLUS loan consists of more than one payment period, the earliest date for which a second or subsequent disbursement from the lender may be scheduled is:

- 13 days before the first day of the first module that the student will actually attend in any subsequent payment period for a loan disbursed by EFT or master check.
- 30 days before the first day of the first module that the student will actually attend in any subsequent payment period for a loan disbursed by individual check.

Revise Figure 6-3, page 15, as follows:

First Disbursement Timeline **Figure 6-3**

Note: the earliest disbursement dates below may not apply to a student enrolled in a credit-hour program offered in modules. See Subsection 6.4.B for more information.

Standard Disbursement	Delayed Disbursement
. . .	. . .

Revise Subsection 8.7.B, page 10, paragraph 1, as follows:

8.7.B
Delivering Second and Subsequent Disbursements

Generally, t~~T~~ime frames for issuing second or subsequent disbursements are dictated by the loan period and the school's methods for measuring the student's academic progress. [§682.604(c)(6) and (7)]

The earliest delivery dates below for a second and subsequent disbursement may not apply to a student enrolled in a credit-hour program offered in modules. See Subsection 8.7.F for more information.

Revise Subsection 8.7.C, page 11, paragraph 4, as follows:

8.7.C Early Delivery

. . .

See Figure 8-4 for information on the earliest dates that loan funds may be disbursed and delivered. Refer to Subsection 8.7.B for additional provisions related to second or subsequent disbursements. See Subsection 8.7.F for more information about special delivery rules that apply to a student who is enrolled in a credit-hour program offered in modules.

Revise Subsection 8.7.E, page 13, column 1, paragraph 2, as follows:

8.7.E
Late Delivery

. . .

See Subsection 8.7.F for information about conditions for late delivery to a student enrolled in a credit-hour program offered in modules. For information on late disbursement requirements for lenders, see Subsection 7.7.G. For information on preventing overawards, see Subsection 6.15.A.

Revise Section 8.7 by inserting a new Subsection 8.7.F, as follows:

8.7.F
Delivery in Credit-Hour Programs Offered in Modules

When a student is enrolled in a credit-hour program comprised of modules (see Subsection 6.3.A) but the student will not attend the first module in a payment period, the date the school uses to determine when Stafford or PLUS loan funds may be delivered is the starting date of the first module in the payment period that the school expects the student to attend. For example, the earliest that a school may deliver loan funds to a student who begins enrollment in the second of three five-week modules that comprise a payment period is 10 days prior to the first day of the second module (or the 31st day of the second module for a Stafford loan that the school certifies for a borrower who is subject to delayed delivery).
[08-09 FSA Handbook, Volume 4, Chapter 2, p. 4-50]

A borrower subject to delayed delivery (see Subsection 8.7.D) who is enrolled in a module that is less than 30 days in length is not eligible to receive Stafford loan funds until the student completes the first 30 days of his or her program of study. This may result in the school delivering the funds during a subsequent module or, in the case of a term-based program comprised of modules, during the next full term.

If the loan period for a Stafford or PLUS loan consists of one payment period and the school is not exempt from multiple disbursement requirements (see Subsection 6.4.A), the school must deliver the second disbursement no earlier than the ***later of*** the calendar midpoint between the first and last scheduled days of class of the loan period, or the first day of the first subsequent module that the student will actually attend, in the following types of programs:

- A standard term-based, credit-hour program.
- A nonstandard term-based, credit-hour program in which all of the terms are at least nine weeks and substantially equal in length.

A school must ensure that it does not deliver the proceeds of a Stafford loan, a parent PLUS loan, or a Grad PLUS loan to a student who has lost his or her eligibility to receive the loan. If a student enrolled in a term-based credit-hour program offered in modules has not received the first disbursement of a Stafford or PLUS loan and the student drops to less than half-time enrollment or withdraws before beginning attendance on at least a half-time basis, the school must not make a late delivery, or as applicable, a post-withdrawal disbursement of loan funds to the student.
[09-10 FSA Handbook, Volume 5, Chapter 2, p. 5-79]

Revise Subsection 8.7.F, page 13, column 1, paragraph 3, as follows:

8.7.~~F~~G
Delivery to Borrowers in Special Circumstances

A school may be restricted from delivering funds to a student under certain circumstances or until such circumstances are resolved. This subsection details the actions a school must take in each of those situations.

~~**Payment Rules for Modular Programs and Mini-Sessions**~~

~~A student who is enrolled in a modular program (see Subsection 6.3.B) is not eligible to receive FFELP loan funds until the first module that he or she will actually attend. For example, the earliest that a school may deliver loan funds to a student who begins enrollment in the second of three five-week modules that comprise a payment period is 10 days prior to the first day of the second module (or 30 days after the date the second module begins if the borrower is subject to delayed delivery).~~
~~[08-09 FSA Handbook, Volume 4, Chapter 2, p. 4-50]~~

~~A borrower subject to delayed delivery (see Subsection 8.7.D) who is enrolled in a summer or winter mini-session that is less than 30 days in length is not eligible to receive Stafford loan funds until the student completes the first 30 days of his or her program of study. This may result in the school delivering the funds during a subsequent mini-session during the next full term.~~

Leaves of Absence

. . .

Revise Subsection 8.7.G, page 14, by redesignating it, as follows:

8.7.~~G~~H
Delivery to Transfer Students

. . .

Revise subsection 8.7.H, page 14, by redesignating it, as follows:

8.7.~~H~~I
Delivery Methods

. . .

Revise Figure 8-4, page 23, as follows:

Earliest Disbursement and Delivery Dates — Figure 8-4

Note: the earliest disbursement and delivery dates below may not apply to a student enrolled in a credit-hour program offered in modules. See Subsections 6.4.B and 8.7.F for more information.

Not Subject to Delayed Delivery **Subject to Delayed Delivery**

. . .

Revise Subsection 9.4, page 9, column 1, paragraph 4, as follows:

Withdrawals From Standard Term-Based Programs Offered in Modules

When a student withdraws from a standard term-based program comprised of a series of modules, the school must determine if a return of Title IV funds calculation is necessary based on the following criteria. (See ~~Section 6.4~~ Subsection 9.5.A for information ~~regarding~~ about the principles that apply to withdrawals from a standard term-based programs offered in modules.)

- If the student withdraws after the completion of at least one course in one of the modules within the term, the student is not considered to have withdrawn for return of Title IV funds purposes and a return calculation is not required. However, ~~other regulatory provisions concerning eligibility for awards and recalculation may apply~~ if the student failed to begin attendance in the number of credit hours for which a Federal Pell Grant was awarded, the school must recalculate the student's eligibility for a Federal Pell grant and campus-based aid based on a revised cost of attendance and enrollment status before performing the return calculation (see the 09-10 FSA Handbook, Volume 5, Chapter 2, for additional information). A school is not required to calculate a return of Title IV funds or return a Stafford or PLUS loan disbursement that the school had previously delivered to a student who dropped to less than half-time enrollment resulting from the student's failure to begin attendance in all subsequent modules in a term. In such a case, the student was scheduled to attend on at least a half-time basis during the term at the time the school delivered Stafford or PLUS loan funds. However, if a student withdraws before beginning attendance on at least a half-time basis, the school must not include an undelivered Stafford or PLUS loan disbursement in aid that could have been disbursed for the purpose of the return of Title IV funds calculation. The student is not eligible to receive a post-withdrawal disbursement of Stafford or PLUS loan funds.
  [09-10 FSA Handbook, Volume 5, Chapter 2, p. 5-79]

- ~~If the student withdraws prior to the completion of at least one course in one module, the student is considered to have withdrawn for return of Title IV funds purposes and a return calculation is required unless the student provides confirmation to the school—subsequent to his or her withdrawal from the course—that he or she plans to attend a module later in that term. The school may not rely on registration information obtained from the student prior to his or her withdrawal.~~

- ~~If the student withdraws prior to the completion of at least one course in one module and provides confirmation that he or she plans to attend a subsequent module within the term but then fails to do so, the student is considered to have withdrawn as of the date that would have applied if the student had not indicated his or her intent to return in a subsequent module within the term.~~

- If the student withdraws prior to the completion of at least one course in one module, the

~~payment period used to calculate the return of Title IV funds may include all of the calendar days in all of the modules in the term~~ student is considered to have withdrawn and the return of Title IV funds requirements apply, unless the student provides confirmation to the school—subsequent to his or her withdrawal from the course—that he or she plans to attend a module later in that term. The school may not rely on registration information obtained from the student prior to his or her withdrawal. If the student withdraws prior to the completion of at least one course in one module and provides confirmation that he or she plans to attend a subsequent module within the term but then fails to do so, the student is considered to have withdrawn as of the date that would have applied if the student had not indicated his or her intent to return in a subsequent module within the term. ~~The payment period begins on the student's first day of attendance and ends on the last day of classes of the last module that the student was scheduled to attend. For example, if the school's term consists of 3 modules of 5 weeks each or 35 calendar days, and the student only enrolled in 2 modules, the denominator in the calculation of the percentage of the payment period completed would be 70 days, not 105 days.~~ See Subsection 9.5.A for additional information about the values used to calculate the percentage of the payment period completed when a student withdraws from a standard term-based program using modules.
[DCL GEN-000-24; 09-10 FSA Handbook, Volume 5, Chapter 2, p. 5-78 to 5-80]

. . .

Revise Subsection 9.5.A, page 11, column 2, paragraph 2, as follows:

. . .

Determining the Percentage of Payment Period/Period of Enrollment Completed

Standard Term-Based Credit-Hour Programs with Semesters, Trimesters, or Quarters

Calculations for the return of Title IV funds must be based upon the payment period. [§668.22(e)(5)(i)]

Standard Term-Based Credit-Hour Programs Offered in Modules
Special principles apply when determining the appropriate values used in the calculation of the percentage of the payment period completed when courses and modules in a standard term-based program have the following characteristics:

- Some or all of the courses in the program are offered in modules that are scheduled sequentially rather than concurrently. (The modules may overlap.)
- Two or more modules make up a standard term at the institution (e.g., a 12-week term is offered in three 4-week modules).
- A student may begin his or her program of study at the beginning of any module in the term.
- A student may skip one or more modules in the term.
- A student must enroll up front in all modules he or she plans to attend within the term, although he or she may subsequently add or drop a course.
[DCL GEN-00-24; 09-10 FSA Handbook, Volume 5, Chapter 2, pp. 5-78 and 5-79]

If a student withdraws from such a program without completing at least one course in one module, the payment period used in the denominator to calculate the percentage of the payment period completed includes the number of calendar days in all of the modules the student was scheduled to attend in the semester, trimester or quarter. The payment period begins on the first day of the first module that the student was scheduled to attend and ends on the last day of classes of the last module that the student was scheduled to attend. For example, if the school's term consists of 3 modules of 5 weeks or 35 calendar days each, and the student only enrolled in 2 modules, the denominator in the calculation of the percentage of

the payment period completed would be 70 days, not 105 days. The number of calendar days used in the numerator begins on the first day of the first module that the student actually attended in the term, ends on the last day the student was in attendance, and includes only the number of calendar days during which the student was in attendance.
[DCL GEN-00-24; 09-10 FSA Handbook, Volume 5, Chapter 52, p. 5-79]

Non-Term-Based Programs and Nonstandard Term-Based Credit-Hour *Programs*

. . .

Revise Appendix G, page 15, column 2, by inserting a new paragraph 4, as follows:

. . .

. . .

Master Promissory Note (MPN): . . .

Module: A course or group of courses offered for a period of time that is different (usually shorter) than the program's quarter, trimester, semester, other academic term, or period of enrollment. Mini-term, mini-session, and compressed coursework are other terms that are used to describe a module.
[The Blue Book, October 2005, Appendix A, p. A-54]

MPN: See Master Promissory Note (MPN)

PROPOSED LANGUAGE - COMMON BULLETIN:

Credit-Hour Programs Offered in Modules

The *Common Manual* has been updated to provide more information about the treatment of Stafford and PLUS loan funds to a student attending a credit-hour program offered in modules. A "module" is defined in the Manual's glossary as a course or group of courses offered for a period of time that is different (usually shorter) than the program's quarter, trimester, semester, other academic term, or period of enrollment. Mini-term, mini-session, and compressed coursework are other terms that are used to describe a module.

In a credit-hour program that is offered in modules, a school has several options for defining the program's structure (i.e., standard-term-based, nonstandard terms that are substantially equal in length *and* at least nine weeks of instructional time in length (SE9W), nonstandard terms that are *not* SE9W, or non-term-based). A school may choose to group modules together and treat the entire period of combined modules as a single term. For example, a school may choose to group three consecutive modules of five weeks of instructional time each to create a standard semester of 15 weeks of instructional time, or group four consecutive modules of four weeks of instructional time each to create a standard semester of 16 weeks of instructional time.

A school may treat a program that is offered in modules as a program that consists of nonstandard terms. For example, in a program that offers courses in consecutive modules of five weeks of instructional time, the school could choose to treat each module as a five-week nonstandard term. In addition, a school may choose to treat a program that consists of consecutive modules as a non-term program.

For a program that is offered in standard terms, a school may choose to combine a short nonstandard term with an adjacent standard term. The combination of the short, nonstandard term and the standard term may be treated as a single, standard term comprised of two modules. For example, an interim period of four weeks of instructional time that begins and ends in between a program's standard semesters, each of which consist of 15 weeks of instructional time, may be treated as part of one of the two standard semesters. The result is a single term of 19 instructional weeks, i.e., one module of four and one module of 15 weeks of instructional time, that the school may treat as a standard semester. A school that chooses this option must provide the same treatment for all Title IV aid to students enrolled in the program. A school must include all hours in which a student enrolls during the shorter module as part of the student's total enrollment for the standard term and include costs of attendance that the student incurs during the shorter module, as appropriate.

The structure that a school chooses for a credit-hour program offered in modules affects all of the following:

- The definition of an academic year that determines the frequency of Stafford annual loan limits.

- The definition of a payment period.
- A student's eligibility for a grade level increase within an academic year.
- The minimum period for which a loan may be certified.
- The disbursement schedule for a Stafford or PLUS loan.
- The delivery time frames for a Stafford or PLUS loan.

For example, if a school chooses to treat a program consisting of consecutive modules of five weeks of instructional time as a program offered in standard semesters of 15 weeks of instructional time comprised of three consecutive, five-week modules, the school must apply the rules for determining the frequency of Stafford annual loan limits and the minimum period for which a loan may be certified as it would in a standard-term-based program. However, if the school chooses to treat such a program as one that is offered in nonstandard terms of five instructional weeks each, the school must apply the rules for determining the frequency of Stafford annual loan limits and the minimum period for which a loan may be certified as it would in a nonstandard term program with terms that are *not* SE9W (i.e., all of the terms in the program are not substantially equal in length, or the terms are not all at least nine weeks of instructional time in length).

Manual text describing a school's options for defining the structure of a credit-hour program that is offered in modules is located in Section 6.3, *Determining Payment Periods*, in a new Subsection 6.3.A. Subsection 6.3.B has been deleted, and current Subsection 6.3.A has been redesignated as Subsection 6.3.B.

For an eligible program that measures progress in credit hours and has standard academic terms, or has nonstandard terms that are substantially equal in length, the payment period is the academic term (semester, trimester, quarter, or nonstandard term). In such a program that is offered in modules, the payment period is an academic term, not one or more modules in which the student is enrolled during the term.

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 SE9W, the minimum period for which a school may certify a loan is a single academic term (i.e., a semester, trimester, quarter, or nonstandard term that is SE9W). In such a program that is offered in modules, the minimum period for which a school may certify a loan is a single academic term, not one or more modules in which the student is enrolled during the term.

In a non-term-based credit-hour program, a school must ensure that the student has successfully completed a payment period before the school may deliver a subsequent disbursement of Stafford or PLUS loan funds to the student. A student does not progress to the subsequent payment period until the student has successfully completed the number of credit hours and the number of weeks of instructional time in the current payment period. In a non-term-based credit-hour program that is offered in modules, a student's failure to successfully complete one or more courses within a module may delay the student's successful completion of the payment period.

> **Example**: A student enrolls in a non-term-based credit-hour program that is one academic year in length. The school defines the academic year for this program as 24 semester credit hours and 30 instructional weeks, consisting of two payment periods of 12 semester credit hours and 15 weeks of instructional time. The program is offered in a series of six modules of 5 weeks of instructional time. In each module, the student enrolls in a single course for which the student will earn 4 semester credit hours. The student fails the course offered in the first 4-hour module in the first payment period of the program. The student cannot progress to the subsequent payment period until he or she has successfully completed 12 semester credit hours in 3 *subsequent* modules.

Disbursement Scheduling
When a student is enrolled in a credit-hour program comprised of modules but the student will not attend the first module in a payment period, the date the school uses to determine when Stafford or PLUS loan funds may be disbursed is the starting date of the first module in the payment period that the school expects the student to attend.

For a Stafford loan disbursed by EFT or master check, the earliest date for which a first disbursement may be scheduled for a student enrolled in a credit-hour program offered in modules is:

- The 28th day of the first module that the student will actually attend if the student is a first-year undergraduate, first-time borrower and the school is subject to delayed delivery provisions for such students.

- 13 days before the first day of the first module that the student will actually attend for all other borrowers, including a first-year undergraduate, first-time borrower at a school that is not subject to delayed delivery.

For a Stafford loan disbursed by individual check, the earliest date for which a first disbursement may be scheduled for a student enrolled in a credit-hour program offered in modules is:

- The first day of the first module that the student will actually attend if the student is a first-year undergraduate, first-time borrower and the school is subject to delayed delivery provisions for such students.

- 30 days before the first day of the first module that the student will actually attend for all other borrowers, including a first-year undergraduate, first-time borrower at a school that is not subject to delayed delivery,

For a PLUS loan, the earliest date for which a first disbursement may be scheduled for a student enrolled in a credit-hour program offered in modules is:

- 13 days before the first day of the first module that the student will actually attend for a loan disbursed by EFT or master check.

- 30 days before the first day of the first module that the student will actually attend for a loan disbursed by individual check.

If the loan period for a Stafford or PLUS loan consists of one payment period, the school must schedule the second disbursement so that the disbursement is delivered no earlier than the ***later of*** the calendar midpoint between the first and last scheduled days of class of the loan period, or the first day of class in the first subsequent module that the student will actually attend in the following types of programs:

- A standard term-based, credit-hour program.

- A nonstandard term-based, credit-hour program in which all of the terms are at least nine weeks and substantially equal in length.

Delivery Issues
When a student is enrolled in a credit-hour program comprised of modules but the student will not attend the first module in a payment period, the date the school uses to determine when Stafford or PLUS loan funds may be delivered is the starting date of the first module in the payment period that the school expects the student to attend.

If the loan period for a Stafford or PLUS loan consists of one payment period and the school is not exempt from multiple disbursement requirements, the school must deliver the second disbursement no earlier than the ***later of*** the calendar midpoint between the first and last scheduled days of class of the loan period, or the first day of class in the first, subsequent module that the student will actually attend in the following types of programs:

- A standard term-based, credit-hour program.

- A nonstandard term-based, credit-hour program in which all of the terms are at least nine weeks and substantially equal in length.

A school must ensure that it does not deliver the proceeds of a Stafford, parent PLUS or Grad PLUS loan to a student who has lost his or her eligibility to receive the loan. If a student enrolled in a term-based credit-hour program offered in modules has not received the first disbursement of a Stafford or PLUS loan and the student drops to less than half-time enrollment or withdraws before beginning attendance on at least a half-time basis, the school must not make a late delivery, or as applicable, a post-withdrawal disbursement of loan funds to the student.

All delivery rules for credit-hour programs that are offered in modules are consolidated into a new Subsection 8.7.F. Subsections 8.7.F, 8.7.G, and 8.7.H have been redesignated as 8.7.G, 8.7.H, and 8.7.I, respectively.

Withdrawals From Standard Term-Based Programs Offered in Modules
In a standard term-based credit-hour program offered in modules, if a student withdraws after the completion of

at least one course in one of the modules within the term, the student is not considered to have withdrawn for return of Title IV funds purposes and a return calculation is not required. However, if the student failed to begin attendance in the number of credit hours for which a Federal Pell Grant was awarded, the school must recalculate the student's eligibility for a Federal Pell grant and campus-based aid based on a revised cost of attendance and enrollment status before performing the return calculation. A school is not required to calculate a return of Title IV funds, or return a Stafford or PLUS loan that the school had previously delivered to a student who dropped to less than half-time enrollment resulting from the student's failure to begin attendance in all subsequent modules in a term. In such a case, the student was scheduled to attend on at least a half-time basis during the term at the time the school delivered Stafford or PLUS loan funds. However, if a student withdraws before beginning attendance on at least a half-time basis, the school must not include an undelivered Stafford or PLUS loan disbursement in aid that could have been disbursed for the purpose of the return of Title IV funds calculation. The student is not eligible to receive a post-withdrawal disbursement of Stafford or PLUS loan funds.

If a student withdraws from such a program without completing at least one course in one module, the payment period used in the denominator to calculate the percentage of the payment period completed includes the number of calendar days in all of the modules the student was scheduled to attend in the semester, trimester or quarter. The payment period begins on the first day of the first module that the student was scheduled to attend and ends on the last day of classes of the last module that the student was scheduled to attend. For example, if the school's term consists of 3 modules of 5 weeks or 35 calendar days each, and the student only enrolled in 2 modules, the denominator in the calculation of the percentage of the payment period completed would be 70 days, not 105 days. The number of calendar days used in the numerator begins on the first day of the first module that the student actually attended in the term, ends on the last day the student was in attendance, and includes only the number of calendar days during which the student was in attendance.

GUARANTOR COMMENTS:
None.

IMPLICATIONS:
Borrower:
A borrower who enrolls in a credit-hour program offered in modules will experience more consistent application of disbursement scheduling, delivery, and late delivery rules.

School:
A school that has a credit-hour program offered in modules may be required to review its procedures to ensure that it includes all applicable rules for disbursement scheduling, delivery, late delivery, and return of Title IV funds calculations for such programs.

Lender/Servicer:
None.

Guarantor:
A guarantor may be required to provide technical assistance and training to schools concerning programs offered in modules, and update its program review materials.

U.S. Department of Education:
The Department may be required to provide technical assistance to schools concerning programs offered in modules.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:
September 18, 2007

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

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

jcs/edited-aes

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: October 2, 2009

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

SUBJECT: **Economic Hardship Deferment Eligibility**

AFFECTED SECTIONS: **11.4.A Eligibility Criteria—Economic Hardship**
Appendix G

POLICY INFORMATION: **1158/Batch 163**

EFFECTIVE DATE/TRIGGER EVENT: Economic hardship deferments granted on or after July 1, 2009, that begin on or after July 1, 2009.

BASIS:
§682.210(s)(6).

CURRENT POLICY:
Current policy states that a borrower who is unemployed, incarcerated, disabled, or on a temporary unpaid leave of absence may qualify for an economic hardship deferment if he or she provides the lender with documentation of his or her income. Current policy also states that any borrower who does not have income when applying for an economic hardship deferment must provide a self-certifying statement, either on the deferment form or in a separate statement, indicating that he or she has no income.

In addition, the current Glossary entry for economic hardship includes reference to the debt-to-income ratio eligibility criteria.

REVISED POLICY:
Revised policy removes the ability of a borrower who is unemployed, incarcerated, disabled, or on a temporary unpaid leave of absence to qualify for an economic hardship deferment if the condition begins on or after July 1, 2009. In addition, revised policy no longer allows a borrower who does not have an income from qualifying for an economic hardship deferment if the condition begins on or after July 1, 2009.

Revised policy also amends the definition of economic hardship contained in the Glossary to remove reference to the debt-to-income ratio eligibility criteria and to refer the reader to Subsection 11.4.A for a complete list of the eligibility criteria.

REASON FOR CHANGE:
The policy is being revised to align with the federal regulations in §682.210(s)(6), which were amended through the Final Rules published in the *Federal Register* on October 23, 2008.

PROPOSED LANGUAGE - *COMMON MANUAL*:
Revise Subsection 11.4.A, page 10, column 1, as follows:

11.4.A Eligibility Criteria—Economic Hardship

This deferment is available only if the borrower had no outstanding balance on a FFELP loan as of the date he or she obtained a loan on or after July 1, 1993.

To qualify for this deferment, a borrower must request it and provide the lender with documentation that he or she meets at least one of the following criteria:

1. The borrower had been granted an economic hardship deferment under either the FDLP or Federal Perkins Loan Program for the period of time for which the borrower has requested an economic hardship deferment for his or her FFELP loan.

2. The borrower is receiving payment or benefit under a federal or state public assistance program, such as Aid to Families with Dependent Children, Supplemental Security Income, Food Stamps, or state general public assistance.

[*Federal Register* dated June 29, 1994]

3. The borrower is working full time and has a monthly income that does not exceed the greater of *(a)* the minimum wage rate described in section 6 of the Fair Labor Standards Act of 1938 or *(b)* an amount equal to 150% of the poverty guideline applicable to the borrower's family size, as published annually by the Department of Health and Human Services pursuant to 42 U.S.C. §9902.2 *(see Note ~~1~~ below)*.

For the purpose of this deferment, *family size* is defined as the number that is determined by counting the borrower, the borrower's spouse, and the borrower's children (including unborn children who will be born during the period covered by the deferment) if the children receive more than half of their support from the borrower. A borrower's family size also includes other individuals if, at the time the borrower requests the economic hardship deferment, the other individuals meet both of the following criteria:

-- Live with the borrower.

-- Receive more than half of their support from the borrower and will continue to receive this support from the borrower for the year the borrower certifies family size.

Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, and payment of college costs.
[§682.210(s)(6)(ix)]

4. The borrower is or will be serving as a Peace Corps volunteer.

A borrower who is or will be serving as a Peace Corps volunteer may be eligible for either a Peace Corps deferment or an economic hardship deferment. A Peace Corps deferment is available to a borrower who had an outstanding balance on a FFELP loan that was made before July 1, 1993, or who had an outstanding balance on a loan made before July 1, 1993, when he or she obtained a loan disbursed on or after July 1, 1993. An economic hardship deferment is available to a "new borrower" who had no outstanding balance on a FFELP loan as of the date he or she obtained a loan on or after July 1, 1993. Lenders are encouraged to offer forbearance to any borrower who has exceeded the deferment limit in completing his or her Peace Corps service.
[DCL GEN-98-16]

Note ~~1~~: A borrower is considered to be working full time if he or she is expected to be employed for at least three consecutive months at 30 or more hours per week. For a period of deferment granted under item 3 above, the lender must require the borrower to submit evidence showing the amount of the borrower's monthly income. A borrower's monthly income is the gross amount the borrower received from employment, if applicable, and from other taxable sources, or one-twelfth of the borrower's adjusted gross income (AGI), as recorded on the borrower's most recently filed federal income tax return. Non-taxable income such as child support, life insurance proceeds, and gifts and bequests that are not included in the computation of the AGI should not be treated as income for purposes of determining eligibility for an economic hardship deferment. ~~A borrower who is unemployed, incarcerated, disabled, or on a temporary unpaid leave of absence from work may qualify for an economic hardship deferment if he or she provides the lender with documentation of his or her income. Any borrower who does not have income when applying for an economic hardship deferment must provide a self-certifying statement, either on the deferment form or in a separate statement, indicating that he or she has no income.~~ If the borrower resides in a foreign country and submits proof of income in foreign currency, the amounts must be converted to U.S. dollars before the lender determines deferment eligibility. Deferment eligibility for borrowers with foreign income will be based on poverty guidelines for the last state in which the borrower resided.
[§682.210(s)(6)]

Revise Appendix G, page 7, as follows:

Economic Hardship:

A period during which the borrower is ~~working full time but is earning an amount that does not exceed the greater of the minimum wage or 150% of the poverty line for the borrower's family size. Economic hardship also exists if a borrower's monthly payments on federal education loans are equal~~

~~to or greater than 20% of the borrower's monthly income as defined~~ <u>experiencing financial difficulty in making his or her student loan payment due to a qualifying condition that is recognized</u> in FFELP regulations. <u>See Subsection 11.4.A for a list of the eligibility criteria for the economic hardship deferment.</u>

PROPOSED LANGUAGE - COMMON BULLETIN:

Economic Hardship Deferment Eligibility

The *Common Manual* has been updated to remove the ability of a borrower who is unemployed, incarcerated, disabled, or on a temporary unpaid leave of absence from work to qualify for an economic hardship deferment if the condition begins on or after July 1, 2009. The Manual is also revised to no longer allow a borrower who does not have an income to qualify for an economic hardship deferment if the condition begins on or after July 1, 2009. The economic deferment eligibility criteria was revised as a result of the regulatory changes that became effective on July 1, 2009, and these specific conditions no longer qualify a borrower for the economic hardship deferment.

In addition, the definition of economic hardship contained in Appendix G has been revised to remove the debt-to-income ratio eligibility criteria and to refer the reader to Subsection 11.4.A for a complete list of the eligibility criteria.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower who is unemployed, incarcerated, disabled, or on a temporary unpaid leave of absence is no longer eligible for an economic hardship deferment, as is a borrower with no income, if the conditions begins on or after July 1, 2009. A borrower in any of these situations should be encouraged to apply for the income-based repayment plan option to manage his or her student loan debt, or other program benefits that may be available.

School:

A school may need to revise counseling materials provided to borrowers that outline the eligibility for the economic hardship deferment.

Lender/Servicer:

A lender may need to revise procedures to ensure that economic hardship deferments based on a condition that begins on or after July 1, 2009, are based on the eligibility criteria outlined above and not on the basis that the borrower being unemployed, incarcerated, disabled, on a temporary unpaid leave of absence, or has no income. A lender may wish to provide borrowers in these situations with information about the income-based repayment plan or other program benefits designed to help manage student loan debt.

Guarantor:

A guarantor may need to revise program review procedures to ensure borrowers granted an economic hardship deferment based on a condition that begins on or after July 1, 2009, receive the deferment on the eligibility criteria outlined above and not on the basis that the borrower is unemployed, incarcerated, disabled, on a temporary unpaid leave of absence, or has no income.

U.S. Department of Education:

The Department may need to revise program review procedures to ensure borrowers granted an economic hardship deferment based on a condition that begins on or after July 1, 2009, receive the deferment on the eligibility criteria outlined above and not on the basis that the borrower is unemployed, incarcerated, disabled, on a temporary leave of absence, or has no income.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

August 28, 2009

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