#	Subject	Summary of Change to *Common Manual*	Type of Update	Effective Date
1163	Transfer of Ownership Notification	**3.4.B Loan Assignment, Sale, or Transfer** Incorporates new terminology from the *Federal Register*, which refers to assignments and transfers of an ownership interest in loans in the context of requiring notifications to the borrower.	Federal	Loan transfers of ownership and assignments on or after July 1, 2010, except that the new data elements required in the change notice to the borrower were effective with the implementation of the Higher Education Opportunity Act on August 14, 2008.
1164	Student Consumer Information	**4.4.B Student Consumer Information** Expands student consumer information disclosures by requiring a school to describe the terms and conditions of Title IV loans that are available to a student who enrolls at the school.	Federal	Student consumer information disclosures provided by a school on or after July 1, 2010.
1165	Proration of Increased Unsubsidized Stafford Loan Limits for Health Profession Students	**6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students** Clarifies that for an academic year that meets the FFELP academic year requirements but that is shorter than 9 months in length, the school is not required to prorate a loan certified for a health profession student, but may certify the full 9-month limit if the student is otherwise eligible. Provides a formula to prorate the loan for an academic year that is 10 or 11 months in length.	Federal	Loans certified by the school for certain health profession students on or after July 1, 1996.
1166	Paying Credit Balances	**8.8.A Delivering Credit Balances** **8.8.B Paying Credit Balances** Incorporates information from Subsection 8.7.H, into a new Subsection, 8.8.A on the paying of credit balances. This new subsection details the methods for school to use when paying credit balances to borrowers.	Correction	Effective for schools opening bank accounts or issuing stored-value cards to pay credit balances to a student or parent borrower on or after July 1, 2008, unless implemented earlier on or after November 1, 2007.
1167	Delivery Methods	**8.7.H Delivery Methods** Moves existing language to address crediting the student's account so that it is consolidated at the beginning of the subsection. Reorganizes text to separate the concepts of releasing or mailing a loan check to the borrower, issuing a school check to the borrower, initiating an EFT transaction to a bank account designated by the borrower, issuing a stored-value card, and dispensing cash to the borrower under direct delivery to a borrower.	Organizational	Upon approval by the *Common Manual* Governing Board.

COMMON MANUAL – FEDERAL POLICY PROPOSAL

Date: November 20, 2009

X	DRAFT	Comments Due	Dec 11
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: **Transfer of Ownership Notification**

AFFECTED SECTIONS: **3.4.B Loan Assignment, Sale, or Transfer**

POLICY INFORMATION: **1163/Batch165**

EFFECTIVE DATE/TRIGGER EVENT: Loan transfers of ownership and assignments on or after July 1, 2010, except that the new data elements required in the change notice to the borrower were effective with the implementation of the Higher Education Opportunity Act on August 14, 2008.

BASIS:
§682.208(e).

CURRENT POLICY:
Current policy refers to the transactions of moving loans from one holder to another as assignments, transfers, or sales.

REVISED POLICY:
Revised policy incorporates new terminology from the *Federal Register*, which refers to assignments and transfers of an ownership interest in loans in the context of requiring notifications to the borrower.

REASON FOR CHANGE:
This change is made to comply with the new provisions from *Federal Register* dated October 29, 2009, page 55994.

PROPOSED LANGUAGE - *COMMON MANUAL*:
Revise Subsection 3.4.B, page 9, column 1, paragraph 1, as follows:

Both the buying and selling holders must notify the borrower −either jointly or separately− of a loan's assignment~~, sale,~~ or the transfer of an ownership interest in the loan. This notification must include the following information:
[§682.208(e)(1)(i)]

- The identity of the buying lender and/or the new servicer.
[§682.208(e)(1)(ii)]

- The address to which the borrower's subsequent payments and communications should be sent.
[§682.208(e)(1)(iii)]

- The telephone numbers of both the buying and selling lenders −or, if either lender utilizes a servicer, the telephone number of each servicer.
[§682.208(e)(1)(iv)]

- The effective date of the loan's assignment~~, sale,~~ or the transfer of the ownership interest in the loan.
[HEA §428(b)(2)(F)(i)(V); §682.208(e)(1)(v)]

- The date on which the current holder or servicer will stop accepting payments and the date on which the new holder or servicer will begin accepting payments.
[HEA §428(b)(2)(F)(i)(VI) and (VII); §682.208(e)(1)(v) and (vi)]

Both holders must send the preceding information to the borrower within 45 days after the assignment or transfer of ownership interest ~~sale~~ is legally completed. If each holder provides a separate notification to ~~a~~ the borrower, each must include in its notice a statement that the other

holder will be sending a similar notice under separate cover.
[§682.208(e)(1) and (2)]

PROPOSED LANGUAGE - COMMON BULLETIN:

Transfer of Ownership Notification or Assignment

The *Common Manual* was previously updated with the new data that both the selling and purchasing lender are required to include in its notification to the borrower of a loan sale, assignment, or transfer. New regulatory language amends terminology to use the term "transfer of an ownership interest" with respect to loans that are transferred or sold and for which the lender is required to send notice to effected borrowers. The Manual's language is amended in this single context to use the term "transfer of an ownership interest."

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower will receive the notification only when a loan is assigned or there is genuine transfer of the loan's ownership, eliminating potentially confusing notifications of transactions that did not result in an actual change of ownership in the loan.

School:

None.

Lender/Servicer:

A lender may be required to send fewer notices to the borrower if in the past the lender was providing borrower notifications for transactions that did not result in an actual change of ownership interest on the loan.

Guarantor:

The guarantor may be required to amend its 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:

October 30, 2009

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

PROPOSAL DISTRIBUTED TO:

CM Policy Committee
CM Guarantor Designees
Interested Industry Groups and Others

bg/edited-tmh

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: November 20, 2009

X	DRAFT	Comments Due	Dec 11
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: **Student Consumer Information**

AFFECTED SECTIONS: **4.4.B Student Consumer Information**

POLICY INFORMATION: **1164/Batch 165**

EFFECTIVE DATE/TRIGGER EVENT: Student consumer information disclosures provided by a school on or after July 1, 2010.

BASIS:
§668.42(a)(1) and (4); *Federal Register*, Vol. 74, No. 207, dated October 28, 2009; *Federal Register*, Vol. 74, No. 143, dated July 28, 2009, p. 37446.

CURRENT POLICY:
Current policy requires a school to disclose the terms and conditions of a FFELP, FDLP, or Perkins loan that the student receives as part of a financial aid package and sample loan repayment schedule.

REVISED POLICY:
Revised policy expands student consumer information disclosures by requiring a school to describe the terms and conditions of Title IV loans (i.e., a FFELP, FDLP, or Federal Perkins Loan) that are available to a student who enrolls at the school.

Regulations explicitly state that a school must describe in its student consumer information the student's rights and responsibilities for any Title IV loan that a student receives as part of a financial aid package; therefore, revised policy removes a guarantor recommendation that the school do so.

REASON FOR CHANGE:
This change is necessary to update the Manual with final rule changes published in the *Federal Register* dated October 28, 2009.

PROPOSED LANGUAGE - *COMMON MANUAL*:
Revise Subsection 4.4.B, page 20, column 2, paragraph 3, by adding a new bullet 3, as follows:

Financial Aid Information

A school must provide financial aid information regarding its programs, including a description of all federal, state, local, private, and institutional aid programs to enrolled and prospective students. For each listed financial aid program, the school's student consumer information must include, but is not limited to, descriptions of:
[HEA §485(a)(1)(A); §668.42(a)]

- . . .
- . . .
- <u>The terms and conditions of a Title IV loan(s), i.e., a FFELP, FDLP, or Federal Perkins Loan that are available to a student who enrolls at the school. See below for additional information that must be disclosed to a student who receives a FFELP, FDLP, or Federal Perkins Loan as part of a financial aid package.</u>
  <u>[HEA §485(a)(1)(M); §668.42(a)(4)]</u>

. . .

Student Rights and Responsibilities

A school's student consumer information must include a description of student rights and responsibilities specifically addressing financial aid under the Title IV programs. This description must include, but is not limited to, the following:

- . . .
- . . .
- . . .
- The terms and conditions of any FFELP, FDLP, or Federal Perkins loan a student receives as part of a financial aid package and a sample loan repayment schedule. Loan terms that should be disclosed include the interest rate, the total amount that must be repaid, the requirements on when repayment must begin, and the length of time allotted for repayment. The necessity of repaying the loan should be emphasized. Additional information must be provided during entrance and exit counseling sessions.
[HEA §485(a)(1)(M); §668.42(c)(4) and (6)]

To assist schools in meeting the student consumer information requirements, each MPN includes detailed information on the terms of the borrower's loan. By signing the Federal PLUS Loan Application and Master Promissory Note (PLUS MPN) or the Federal Stafford Loan Master Promissory Note (Stafford MPN), the borrower certifies that he or she has read the information and understands the terms of the loan, including the rights and responsibilities related to that loan. ~~To ensure that this information is adequately communicated to the prospective student or borrower, the guarantor recommends that the information be summarized in the school's student consumer information.~~

PROPOSED LANGUAGE - COMMON BULLETIN:

Student Consumer Information

The *Common Manual* has been updated to conform with regulatory changes published in the October 28, 2009, *Federal Register*. A school must describe in its student consumer information to current and prospective students the terms and conditions of Title IV loans (i.e., a FFELP, FDLP, or Federal Perkins Loan) that are available to a student who enrolls at the school.

Regulations explicitly state that a school must describe in its student consumer information the student rights and responsibilities for any Title IV loan that a student receives as part of a financial aid package; therefore, a guarantor recommendation that the school do so has been deleted from Manual text.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A prospective borrower may receive expanded information about the terms and conditions of Title IV loans that are available to a student who enrolls at the school, particularly at an early stage when the student is evaluating his or her financial aid options.

School:

A school may be required to update its student consumer information.

Lender/Servicer:

None.

Guarantor:

A guarantor may be required to revise program review procedures related to student consumer information disclosures required of schools.

U.S. Department of Education:

The Department may be required to revise program review procedures related to student consumer information disclosures required of schools.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:
October 26, 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 – FEDERAL POLICY PROPOSAL

Date: November 20, 2009

X	DRAFT	Comments Due	Dec 11
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: **Proration of Increased Unsubsidized Stafford Loan Limits for Health Profession Students**

AFFECTED SECTIONS: **6.11.D** **Increased Unsubsidized Stafford Loan Limits for Health Profession Students**

POLICY INFORMATION: **1165/ Batch 165**

EFFECTIVE DATE/TRIGGER EVENT: Loans certified by the school for certain health profession students on or after July 1, 1996.

BASIS:

Private letter guidance from Pam Moran, the Department, dated September 21, 2009; 08-09 FSA Handbook, Volume 3, Chapter 5, page 3-112.

CURRENT POLICY:

Current policy provides loan limits applicable only to 9- and 12-month academic years. Current policy does not specify how a school is required to prorate the special increased loan limit amounts for health professions students.

REVISED POLICY:

Revised policy acknowledges that some FFELP-eligible programs may be shorter than 9 months. Revised policy also clarifies that for an academic year that meets the FFELP academic year requirements but that is shorter than 9 months in length, the school is not required to prorate the loan but may certify the full 9-month limit if the student is otherwise eligible. Revised policy states that to prorate for an academic year that is 10 or 11 months in length, the school must divide the applicable 9-month loan limit by 9 and multiply that sum by the number of months in the student's academic year.

REASON FOR CHANGE:

This change is being made to clarify loan proration and academic year provisions applicable to additional unsubsidized Stafford loans for health profession students.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Revise Subsection 6.11.D, page 37, column 1, paragraph 1, as follows:

- $20,000 for a 9-month academic year, not to exceed $26,667 for a 12-month academic year, for students enrolled…

For an academic year that meets the FFELP academic year requirements (see Section 6.1) but that is shorter than 9 months in length, the school is not required to prorate the loan but may certify the full 9-month limit if the student is otherwise eligible. To prorate for an academic year that is 10 or 11 months in length, the school must divide the applicable 9-month loan limit by 9 and multiply that sum by the number of months in the student's academic year. Schools must follow applicable HEAL ~~proration requirements and other~~ ~~HEAL~~ program restrictions when certifying ~~awarding students~~ increased unsubsidized Stafford loans, except that the HEAL program needs test is not required for increased unsubsidized Stafford loan limits.
[~~08-09~~ 09-10 FSA Handbook, Volume 3, Chapter 5, pp. ~~3-110~~ 3-100 through 3-112; private letter guidance from the Department dated September 21, 2009]

PROPOSED LANGUAGE - COMMON BULLETIN:

Proration of Increased Unsubsidized Stafford Loan Limits for Health Profession Students

The *Common Manual* is being revised to provide guidance for a school that is certifying additional unsubsidized Stafford loan funds for certain health professions students who are attending a program of study that is offered in an academic year of less than 9 months in length. It is permissible to certify the additional unsubsidized Stafford loan amount for an academic year that is less than 9 months in length. Further, that for an academic year that meets the FFELP academic year requirements but that is shorter than 9 months in length, the school is not required to prorate the loan but may certify the full 9-month limit if the student is otherwise eligible. To prorate for an academic year that is 10 or 11 months in length, the school must divide the applicable 9-month loan limit by 9 and multiply that sum by the number of months in the student's academic year.

GUARANTOR COMMENTS:
None.

IMPLICATIONS:
Borrower:
A borrower who qualifies for the additional unsubsidized Stafford loan amounts for certain health professions will be treated more consistently.

School:
A school has specific guidance to assist in its certification of accurate loan amounts for students participating in certain health profession programs of study.

Lender/Servicer:
None.

Guarantor:
A guarantor may need to amend its program review procedures and any loan limit tools or information it provides to its schools.

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

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
USA Funds

DATE SUBMITTED TO CM POLICY COMMITTEE:
September 22, 2009

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

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

Bg/om/edited-aes

COMMON MANUAL - CORRECTIONAL POLICY PROPOSAL

Date: November 20, 2009

X	DRAFT	Comments Due	Dec 11
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: **Paying Credit Balances**

AFFECTED SECTIONS: **8.8.A Delivering Credit Balances**
8.8.B Paying Credit Balances

POLICY INFORMATION: **1166/Batch 165**

EFFECTIVE DATE/TRIGGER EVENT: Effective for schools opening bank accounts or issuing stored-value cards to pay credit balances to a student or parent borrower on or after July 1, 2008, unless implemented earlier on or after November 1, 2007.

BASIS:
§668.164(c); DCL GEN-05-16; 09-10 FSA Handbook, Volume 4, Chapter 1, pp. 4-14 – 4-18.

CURRENT POLICY:
Current policy addresses the payment of credit balances in Subsection 8.7.H under a school's methods for the delivery of loan funds.

REVISED POLICY:
Revised policy incorporates information from Subsection 8.7.H, into a new Subsection, 8.8.A on the paying of credit balances. This new subsection details the methods for schools to use when paying credit balances to borrowers. This includes payment by check, payments to a borrower's bank account which includes EFT to a designated bank account or the opening of a bank account on behalf of a borrower, and payment by stored-value cards.

REASON FOR CHANGE:
This proposal, in conjunction with proposal 1166, reorganizes the text that exists in the Manual in order to provide clarity for schools in the delivery of loan funds and in the paying of credit balances.

PROPOSED LANGUAGE - *COMMON MANUAL*:
Revise 8.8.A, page 16, column 2, paragraph 2, by adding a new Subsection as follows:

8.8.A
~~Delivering Credit Balances~~ Paying Credit Balances

A school may pay a credit balance to a student or a parent, in the case of a PLUS loan, by issuing a check to the student or parent. A school issues a check on the date that it does one of the following:

- Mails the check to the student or parent.
- Notifies the student that the check is available for pickup and the location at the school that the student may pick up the check.

If the school notifies the student that the check is available to be picked up, and the student does not pick up the check within 21 days of the date of that notification, the school must immediately mail the check to the borrower, initiate an electronic funds transfer (EFT) of those funds to the borrower's bank account, or return the funds to the lender.
[§668.164(c)(1)(ii)]

Payments to a Borrower's Bank Account

A school may pay a credit balance by initiating an electronic funds transfer (EFT) to a bank account designated by the student or parent borrower. The bank account must be insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF) and may be a checking, savings, or similar account that underlies a stored-value card or other

transaction device. A school may establish a policy that requires its students to provide bank account information or open an account at a bank of their choosing as long as this does not delay the disbursement of Title IV HEA program funds. If the student does not comply with the policy, the school must disburse the funds to the student using another method.
[§668.164(c)(2) and 3)]

If a school opens a bank account on behalf of a student or parent, establishes a process that the student or parent follows to open a bank account, or similarly assists the student or parent in opening the account, a school must establish a process for the student or parent to follow to open the account or to similarly assist the student or parent in opening the account. A school must:

- Obtain affirmative consent from the student or parent.
[§668.164(c)(3)(i)]

- Before the account is opened, the student or parent borrower must be informed of the terms and conditions associated with accepting and using the account.
[§668.164(c)(3)(ii)]

- Not make any claims against the funds in the account without the written permission of the student or parent, except for correcting an error in transferring the funds in accordance with banking rules.
[§668.164(c)(3)(iii)]

- Ensure the student or parent does not incur any cost in opening the account or initially receiving any type of debit card, stored value card, other type of automated teller machine (ATM) type card, or similar transaction device that is used to access the funds in that account.
[§668.164(c)(3)(iv)]

- Ensure that the student has convenient access to a branch office of the bank or an ATM of the bank in which the account was opened or an ATM of the bank, (or an ATM of another bank), so that the student does not incur any cost in making cash withdrawals from that office or these ATMs. This branch office or these ATMs must be located on the school's campus, in school-owned or operated facilities, or immediately adjacent to and accessible from the campus.
[§668.164(c)(3)(v)]

- Ensure that the debit, stored-value, or ATM card, or other device can be widely used (e.g., the school may not limit the use of the card or device to particular vendors).
[§668.164(c)(3)(vi)]

- Not market or portray the account, card, or device, as a credit card or credit instrument, or subsequently convert the account, card, or device to a credit card or credit instrument.
[§668.164(c)(3)(vii)]

Payments through Stored-Value Cards

A school that pays a credit balance to a student through a school-issued stored value card over which the school exercises control is holding the student's Title IV credit balance and must comply with all of the conditions for holding a credit balance (Subsection 8.8.C). If a school issues a stored-value card to the student, the school must obtain authorization from the student or parent borrower, as applicable, and the following conditions must be met:
[§668.164(c)(3)]

- The value of the card must be convertible to cash and may not be limited to the specific vendors.

- The student must not incur any fees for using the card to withdraw the disbursement at that bank or at the ATMs of other banks.

- The student must not be charged by either the school or affiliated bank for the issuing of a stored-value card. The student may be charged for a replacement card.

- The bank must have an individual account for each student that is insured by the FDIC or the NCUSIF.

- The school must not make any claims against the funds on the card without the written permission of the student, except to correct an error in transferring the funds to the bank under existing banking rules.

- The account must not be marketed or portrayed as a credit card account, nor be structured to be converted into a credit card at any time after it is issued. The issuing bank may not link the stored-value card account to any other banking services it may offer, such as checking, savings, or credit card accounts.

- The school must inform the student of any terms and conditions associated with accepting and using the stored-value card.

- The school must ensure that its stored-value card process meets all regulatory time frames for delivery of loan proceeds or payment of Title IV credit balance (see Subsection 8.8.B).

- The student's access to the funds on the stored-value card must not be contingent upon the student's continued enrollment, academic status, or financial standing with the school. [DCL GEN-05-16]

8.8.B
~~Holding Credit Balances~~Delivering Credit Balances

Any time the delivery of Title IV funds creates a credit balance, the school must pay the final credit balance directly to the student or parent borrower as soon as possible, but no later than 14 days after one of the following:

- …

- …

- …

Figure 8-5 illustrates the time frames related to the delivery of credit balances.

8.8.C
Holding Credit Balances

PROPOSED LANGUAGE - COMMON BULLETIN:
Paying Credit Balances
The *Common* Manual has been revised by renaming Subsection 8.8.A, "Paying Credit Balances". This revised Subsection contains text that was moved from Subsection 8.7.H in terms of paying a credit balance to a borrower by issuing a school check, making payments to a borrower's bank account, and making payments by means of stored-value cards.

GUARANTOR COMMENTS:
None.

IMPLICATIONS:
Borrower:
None.

School:
None.

Lender/Servicer:
None.

Guarantor:
None.

U.S. Department of Education:
None.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

DATE SUBMITTED TO CM POLICY COMMITTEE:

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

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

ce/om/edited-

COMMON MANUAL – ORGANIZATIONAL POLICY PROPOSAL

Date: November 20, 2009

X	DRAFT	Comments Due	Dec 11
	FINAL	Consider at GB meeting	
	APPROVED	with changes/no changes	

SUBJECT: **Delivery Methods**

AFFECTED SECTIONS: **8.7.H Delivery Methods**

POLICY INFORMATION: **1167/Batch 165**

EFFECTIVE DATE/TRIGGER EVENT: Upon approval by the *Common Manual* Governing Board.

BASIS:
None.

CURRENT POLICY:
Current policy combines information on the two separate types of delivery methods for loan proceeds and the concepts of direct payments to a borrower's bank account and stored value cards.

REVISED POLICY:
Revised policy moves existing language to address crediting the student's account so that all of the information regarding delivery by crediting the student's account is together at the beginning of the subsection. In addition, revised policy separates the concepts of releasing or mailing a loan check to the borrower, issuing a school check to the borrower, initiating an EFT transaction to a bank account designated by the borrower, issuing a stored-value card, and dispensing cash to the borrower under direct delivery to a borrower.

REASON FOR CHANGE:
This change is necessary to provide consistency and clarity within Manual text.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Note: The deleted text in this policy is being reorganized and placed within Subsection 8.8.A, Paying Credit Balances. See policy proposal 1167, submitted with this Batch.

Revise Subsection 8.7.H, page 14, column 2, paragraph 2, as follows:

8.7. H
Delivery Methods

A school may deliver loan proceeds using any of the following methods:

- Crediting the proceeds to the student's account at the school.
  [§668.164(d)]

- <u>Making a direct payment to the student or parent borrower.</u>

<u>**Crediting the Student's Account**</u>

<u>A school may credit a student's account with Title IV funds to satisfy the following charges without obtaining the student or parent borrower's authorization:</u>

- <u>Current-year or minor, prior-year charges for tuition and fees.</u>
  <u>[§668.164(d)(1)(i); §668.164(d)(2)(i)]</u>

- <u>Current-year or minor, prior-year charges for room and/or board, if the student contracts with the school for room and/or board.</u>
  <u>[§668.164(d)(1)(ii) and (iii); §668.164(d)(2)(i)]</u>

<u>After obtaining written authorization from the student, or the parent borrower in the case of a parent PLUS loan, a school may credit a student's account with Title IV funds to pay the following charges:</u>

- Additional current-year charges incurred for educationally related activities other than tuition, fees, room, and board.
  [§668.164(d)(1)(iv)]

- Minor, prior-year charges incurred for educationally related activities other than tuition, fees, room, and boards.
  [§668.164(d)(2)(ii)]

Limitation on Payment of Minor, Prior-Year Charges with Current-Year Title IV Funds

The sum of all minor, prior-year charges for tuition, fees, room, board, and, with the student's or parent borrower's authorization, educationally related activities that are paid with Title IV funds from the current year must not exceed $200.
[§668.164(d)(2)]

For more information on required authorizations, see Section 8.3.

Direct Delivery to a Borrower

The school may choose to use any of the following methods to pay the student or parent borrower directly:

- Issuing a check or other instrument to the borrower that requires endorsement or certification. The school may issue a check by releasing or mailing it to the borrower or by notifying the student that it is available for immediate pickup at a specified location at the school. ~~If the school notifies the student that the check is available to pick up, and the student does not pick up the check within 21 days of the date of that notification, the school must immediately mail the check to the borrower, initiate an electronic funds transfer (EFT) of those funds to the borrower's bank account, or return funds to the lender.~~
  [§668.164(c)(1)(ii)]

- Releasing or mailing to the borrower a check that has been provided by a lender.
  [§668.164(c)(~~2~~1)(i)]

- Initiating an electronic funds transfer (EFT) to a bank account designated by the student or parent borrower. The bank account must be insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF). ~~and may be a checking, savings, or similar account that underlies a stored-value card or other transaction device.~~

  - ~~A school may establish a policy that requires its students to provide bank account information or open an account at a bank of their choosing as long as this does not delay the disbursement of Title IV, HEA program funds. If the student does not comply with the policy, the school must disburse the funds to the student using another method.~~

  - ~~If a school opens a bank account on behalf of a student or parent, establishes a process that the student or parent follows to open a bank account, or similarly assists the student or parent in opening a bank account, a school must establish a process for the student or parent to follow to open the account or to similarly assist the student or parent in opening the account. A school must obtain affirmative consent from the student or parent and must follow the same guidelines as those established for a stored-value card.~~

  [§668.164(c)(1)(iii), (2), and (3)~~(c)(2)~~]

- Issuing a stored-value card to the student, in which case, the school must obtain authorization from the student or parent borrower, as applicable. If a bank account underlies a stored-value card, the bank account must be insured by the FDIC or the NCUSIF. ~~and the following conditions must be met:~~
  [§668.164(c)(2) and 3)]

- ~~The value of the card must be convertible to cash and may not be limited to specific vendors.~~

- ~~The student must not incur any fees for using the card to withdraw the disbursement at that bank branch or at the ATMs of other banks.~~

- ~~The student must have convenient access to a branch office of the bank, or an ATM of the bank or another bank. This branch must be located on the school's campus, school-owned or operated facilities, or, immediately adjacent to and accessible from the campus.~~

- ~~The student must not be charged by either the school or the affiliated bank for the issuing of a stored-value card. The student may be charged for a replacement card.~~

- ~~The bank must have an individual account for each student that is insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF).~~

- ~~The school must not make any claims against the funds on the card without the written permission of the student, except to correct an error in transferring the funds to the bank under existing banking rules.~~

- ~~The account must not be marketed or portrayed as a credit card account, nor be structured to be converted into a credit card at any time after it is issued. The issuing bank may not link the stored-value card account to any other banking services it may offer, such as checking, savings, or credit card accounts.~~

- ~~The school must inform the student of any terms and conditions associated with accepting and using the stored-value card.~~

- ~~The school must ensure that its stored-value card process meets all regulatory time frames for delivery of loan proceeds or payment of Title IV credit balances (see Sections 8.7 and 8.8 for additional information).~~

- ~~The student's access to the funds on the stored-value card must not be contingent upon the student's continued enrollment, academic status, or financial standing with the school. [DCL GEN-05-16]~~

- Dispensing cash for which a school obtains a signed receipt from the student or parent borrower.
  [§668.164(c)(1)(iv)]

To help prevent fraud, the school is encouraged to verify the student's identity by requiring at least one form of identification with a photograph before delivering the loan proceeds directly to the student.

~~A school may credit a student's account with Title IV funds to satisfy the following charges without obtaining the student or parent borrower's authorization:~~

- ~~Current-year or minor, prior-year charges for tuition and fees. [§668.164(d)(1)(i); §668.164(d)(2)(i)]~~

- ~~Current-year or minor, prior-year charges for room and/or board, if the student contracts with the school for room and/or board. [§668.164(d)(1)(ii) and (iii); §668.164(d)(2)(i)]~~

~~After obtaining written authorization from the student, or the parent borrower in the case of a parent PLUS loan, a school may credit a student's account with Title IV funds to pay the following charges:~~

- ~~Additional current-year charges incurred for educationally related activities other than tuition, fees, room, and board. [§668.164(d)(1)(iv)]~~

- ~~Minor, prior-year charges incurred for educationally related activities other than tuition, fees, room, and boards.~~
  ~~[§668.164(d)(2)(ii)]~~

~~*Limitation on Payment of Minor, Prior-Year Charges with Current-Year Title IV Funds*~~

~~The sum of all minor, prior-year charges for tuition, fees, room, board, and, with the student's or parent borrower's authorization, educationally related activities that are paid with Title IV funds from the current year must not exceed $200.~~
~~[§668.164(d)(2)]~~

~~For more information on required authorizations, see Section 8.3.~~

PROPOSED LANGUAGE - COMMON BULLETIN:

Delivery Methods

The *Common Manual* has been reorganized to clarify, that there are two methods for delivering loan funds to students, by establishing two new subheadings. These new subheadings are (1) Crediting the Student's Account and (2) Direct Delivery to a Borrower. Information on current and prior year charges is now addressed under the new subheading, Crediting the Student's Account. The information related to releasing or mailing a loan check to the borrower, issuing a school check to the borrower, initiating an EFT transaction to a bank account designated by the borrower, issuing a stored-value card, or dispensing cash to the borrower now resides under the subheading, Direct Delivery to a Borrower.

In addition, the details with regard to initiating payments to a borrower by means of a designated bank account, opening a bank account, or stored value cards was moved to a new Subsection 8.8.A, Paying Credit Balances (see policy proposal 1167).

GUARANTOR COMMENTS:
None.

IMPLICATIONS:
Borrower:
None.

School:
None.

Lender/Servicer:
None.

Guarantor:
None.

U.S. Department of Education:
None.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
Common Manual Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:
April 8, 2008

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

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

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