COMMON MANUAL

Unified Student Loan Policy

Summary of Changes Approved August 2008 through April 2009

This summary lists changes made since the 2008 Annual Update of the *Common Manual* was printed.
Change bars denote the latest policy changes, which were approved April 16, 2009.
Changes made before the 2008 Annual Update was printed are shown in Appendix H of the Manual.

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 2: About the FFELP			
2.1.B Types of Loans Available	Adds information to the Manual regarding the new income-based repayment (IBR) plan, addressing the following lender/servicer activities with regard to IBR: • Determination of partial financial hardship for a borrower who selects IBR. • Calculation of a borrower's minimum monthly payment amount under IBR. • Recalculation of a borrower's monthly payment amount under the IBR-defined permanent-standard if the borrower ceases to have a PFH, chooses not to make PFH payments but remains in IBR, or the borrower fails to renew consent for income verification. • Recalculation of a borrower's monthly payment amount under the IBR-defined expedited-standard if the borrower leaves IBR. • Application of borrower payments and prepayments. • Frequency of capitalization. • Federal interest benefits and special allowance payments. • Disclosure requirements for lenders. • IBR and loan rehabilitation. • Loan forgiveness. • Administrative forbearance to collect and process documentation for forgiveness.	The provisions of the income-based repayment (IBR) plan are effective July 1, 2009. IBR loan forgiveness may not occur prior to July 1, 2034.	1119/159
2.2.C Repayment	Adds the crime of identity theft to the list of eligible circumstances for which a lender may be eligible for claim payment for discharge in the FFELP overview in Chapter 2. Updates the definition of the term 'discharge' to include the crime of identity theft.	False Certification as a result of identity theft loan discharge claims processed by the lender on or after September 8, 2006.	1060/152
2.3.C Common Forms	Adds information to the Manual regarding the FFELP Teacher Loan Forgiveness Request form which a lender may use to request payment on eligible loans due to discharge for Teacher Loan Forgiveness.	Lenders may have begun using the FFELP Teacher Loan Forgiveness Request form upon the applicable publication date.	1118/159

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
2.3.C Common Forms	Removes references throughout the Manual to the Child Care Providers Loan Forgiveness program.	August 14, 2008.	1080/156
Chapter 3: Lender Participation			
3.1 Eligible Lenders	Adds a third exemption for the criterion that FFELP loans may not represent more than 50% of a lender's consumer credit loan portfolio in order for the lender to be considered eligible to participate in the FFELP. This exemption is for a National or State chartered bank or credit union with assets of less than $1 billion.	August 14, 2008.	1072/155
3.2 Schools Acting as Lenders and Eligible Lender Trustee Relationships	Adds the requirement that a school-as-lender (SAL), a lender serving as a trustee for a school, or a school-affiliated organization participating as a lender in the FFELP must have an annual audit of its lending function that focuses on ensuring that the income (special allowance, interest received from students and the Department, proceeds of any loan sale, etc.) is used to provide need-based grants and that the school applies only a reasonable portion of those proceeds to administrative expenses. The audit must confirm that the proceeds of the loan portfolio are used to supplement and not to supplant federal and non-federal funds that would otherwise be directed to need-based grant programs.	First auditable period of the school lender or ELT that begins on or after August 14, 2008.	1073/155
3.4.B Loan Assignment, Sale, or Transfer	Amends the Manual to require that the notification that the lender or holder sends to the borrower when the loan is assigned, sold, or transferred to another lender or holder also include the effective date of the transaction and the date on which the current holder will stop accepting payments, and the date on which the new loan holder will begin accepting payments.	Loans assigned, sold, or transferred by the lender or holder on or after August 14, 2008.	1081/156
3.4.C Permitted and Prohibited Activities	Specifies that the assistance a lender may provide to a school is limited to technical assistance comparable to the kinds of technical assistance provided to a school by the Department under the Federal Direct Loan Program (FDLP). Amends the activities a lender is prohibited from providing to a school based on the provisions of Higher Education Opportunity Act (HEOA).	Lender activities that occur on or after August 14, 2008.	1082/156
3.4.C Permitted and Prohibited Activities	Includes the use of rebuttable presumption by the Department in administrative actions against lenders that involve violations of the prohibited inducement provisions.	Effective for administrative actions against lenders on or after July 1, 2008.	1120/159
3.5.C Reporting to Consumer Reporting Agencies	Changes credit bureaus to "consumer reporting agencies" to align with new statutory terminology. The policy also requires the lender to report to all national consumer reporting agencies, and adds to the list of data that the lender is required to report that the lender must report that the loan is an education loan.	Loans on which the lender reports credit transactions on or after August 14, 2008.	1074/155

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
3.5.E Reporting Loan Assignments, Sales, and Transfers	Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor. Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153
3.5.G NSLDS Reporting	Incorporates the directive from the Department that strongly encourages monthly reporting of NSLDS data by a lender or servicer, while retaining the minimum quarterly reporting requirement.	Publication date of NSLDS Technical Update 2000-01.	1050/151
3.7.A Eligible Lenders 3.7.C How the LLR Program Works	Includes new and amended provisions for lender of last resort (LLR) loans outlined in the Ensuring Continued Access to Student Loans Act (ECASLA) and subsequent federal guidance.	May 7, 2008.	1075/155
Chapter 4: School Participation			
4.1.A Establishing Eligibility 4.1.E School Code of Conduct	Adds the requirement that as part of a school's Program Participation Agreement (PPA), a school may not request or accept funds from a lender for private education loans, including opportunity pool loans, in exchange for FFELP loan volume or a preferred lender arrangement. Adds new subsection 4.4.E which incorporates the requirement that a school school's PPA requires that the school to develop, publish, administer and enforce a code of conduct. The policy also outlines the prohibitions that must be included in the school's code of conduct. Updates Appendix G with definitions of "institutional-affiliated organization", "opportunity pool loans", and "preferred lender arrangement".	School participating in a Title IV loan program on or after August 14, 2008.	1122/159
4.4.A Recommended Lender Lists	Aligns the Manual with Departmental guidance that provides additional clarifications regarding alternatives to a school's recommended lender list, and how a school may provide important lender information to their FFELP applicants.	Information provided by schools regarding lenders participating with the school on or after May 9, 2008.	1063/153

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
4.4.B Consumer Information	Adds the requirement that a school must provide a written notice to a student who has been convicted of a state or federal offense involving drug possession or sale while the student is enrolled in school and receiving Title IV aid. Adds the requirement that a school must provide a written notice to a student who loses Title IV eligibility due to a drug-related conviction that advises the student of his or her loss of Title IV eligibility and the ways in which the student may regain eligibility for Title IV aid.	For the notice upon enrollment: Students who enroll at the school on or after August 14, 2008. For the notice upon loss of Title IV eligibility due to a drug conviction: School determinations of a student's loss of Title IV eligibility on or after August 14, 2008. *If the Department publishes guidance with a different triggering event, the* Common Manual *will immediately notify the FFELP community of the change.*	1076/155
4.4.B Consumer Information	Adds to the Manual consumer information that a school must disclose to a student based on the provisions of the HEOA. Deletes from the Manual consumer information-related requirements that a school is no longer required to disclose to student borrowers. Clarifies that foreign schools are exempt from the requirement to publish an annual security report. Incorporates clarifications that are intended to be non-substantive in nature and align the Manual's text with existing regulatory language.	August 14, 2008. *If the Department publishes guidance with a different triggering event, the* Common Manual *will immediately notify the FFELP community of the change.* The deletion of the requirement to retain a signed consumer information disclosure in the student's file is retroactive to the implementation of the *Common Manual*.	1083/156
4.4.C Entrance Counseling	Expands on the current text of the Manual to include new requirements made as part of the Higher Education Opportunity Act (HEOA) regarding what a school must provide a student during entrance counseling made as a result of the HEOA. Expands counseling specific to Grad PLUS borrowers and makes it consistent with counseling applicable to Stafford borrowers. Deletes audiovisual presentation as an acceptable means of entrance counseling. Deletes redundant text and makes other non-substantive changes to provide clarity.	Entrance counseling provided by the school on or after August 14, 2008.	1090/157
4.4.D Exit Counseling	Expands on the current text of the Manual to include new requirements made as part of the HEOA regarding what a school must provide a student during exit counseling. States that a school is required to ensure that the borrower is provided a copy of the Department's publication that describes federal student finance programs. Deletes redundant text and makes other non-substantive changes to provide clarity.	Exit counseling for Stafford and Grad PLUS borrowers on or after August 14, 2008.	1091/157

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
4.8 Independent Audits	Incorporates the provision of the Higher Education Opportunity Act (HEOA) that allows the Secretary the ability to provide a waiver of the annual audit requirement for foreign schools that received less than $500,000 in Title IV loans in the award year preceding the audit year.	Annual audits required of foreign schools on or after August 14, 2008.	1105/158
Chapter 5: Borrower Eligibility			
5.2.D NSLDS Data Match	Clarifies that an individual who is in default on any Title IV loan is ineligible to receive any Title IV aid, including the benefit of a parent PLUS loan, until the default is resolved. However, a parent's unresolved default on a Title IV loan, including a PLUS loan, does not adversely impact a dependent student's eligibility for other Title IV aid.	Retroactive to the implementation of the *Common Manual.*	1056/151
5.2.D NSLDS Data Match	Adds the crime of identity theft to the list of eligible circumstances for which a lender may be eligible for claim payment for discharge in the FFELP overview in Chapter 2. Updates the definition of the term 'discharge' to include the crime of identity theft.	False Certification as a result of identity theft loan discharge claims processed by the lender on or after September 8, 2006.	1060/152
5.8 Effect of Drug Conviction on Eligibility	Adds the requirement that a school must provide a written notice to a student who has been convicted of a state or federal offense involving drug possession or sale while the student is enrolled in school and receiving Title IV aid. Adds the requirement that a school must provide a written notice to a student who loses Title IV eligibility due to a drug-related conviction that advises the student of his or her loss of Title IV eligibility and the ways in which the student may regain eligibility for Title IV aid.	For the notice upon enrollment: Students who enroll at the school on or after August 14, 2008. For the notice upon loss of Title IV eligibility due to a drug conviction: School determinations of a student's loss of Title IV eligibility on or after August 14, 2008. *If the Department publishes guidance with a different triggering event, the* Common Manual *will immediately notify the FFELP community of the change.*	1076/155
5.9 Required High School Diploma or Equivalent 5.10 Ability-to-Benefit Provisions	Expands the ability to benefit criteria and allows a student without a high school diploma or its equivalent to become eligible to receive Title IV funding upon satisfactory completion of six credit hours or equivalent coursework that is applicable toward a degree or certificate offered by the school.	Awards of Title IV aid made on or after August 14, 2008.	1124/159
5.11 Student Enrollment Requirements	Includes new standards for determining full-time enrollment status for a student enrolled in a nonstandard term-based, credit hour program or in correspondence coursework. Deletes obsolete formulas for determining full-time enrollment status for students enrolled in a program using both credit and clock hours. Clarifies that noncredit and reduced-credit remedial courses must be included when determining a student's enrollment status, if the student qualifies for aid for the remedial courses.	Loans first disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1051/151

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
5.15 Multiple School Enrollment	Adds that for a student enrolled simultaneously at multiple schools, any Stafford or PLUS loan certified by one school is not included as estimated financial assistance (EFA) by any other school when determining a student or parent borrower's loan eligibility for the same payment period or period of enrollment.	Publication date of the 05-06 FSA Handbook.	1077/155
5.16 Ineligible Borrowers 5.16.A Ineligibility Based on Borrower Error 5.16.B Ineligibility Based on School Error	Aligns the Manual guidance regarding a borrower whose failure to begin attendance results in the school being required to return loan funds to the lender.	School determinations that a student did not begin attendance on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1041/150
Chapter 6: School Certification			
6.1.B Academic Year Categories Figure 6-2 Frequency of Stafford Annual Loan Limits	Incorporates various changes made in the Volume 3 of the 08-09 FSA Handbook regarding academic year categories, including the adoption of the abbreviation for programs with nonstandard terms that are substantially equal and at least nine weeks of instructional time in length (SE9W), and the FSA Handbook standard for identifying the different BBAY categories that apply to different types of academic programs: BBAY1, BBAY2, and BBAY3. Revises Figure 6-2 with corresponding changes.	Publication date of Volume 3 of the 08-09 FSA Handbook, unless implemented by the school on or after November 1, 2007.	1092/159

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.1.B Academic Year Categories 6.2 Determining the Loan Period	Incorporate regulatory guidance and information from Volume 3 of the 08-09 FSA Handbook concerning the treatment of students who transfer between schools, between programs at the same school, and students who complete one program and begin another program at the same school during an academic year. In addition, these changes clarify minimum Stafford loan periods and grade level increases for such students. Establishes a centralized source in Subsection 6.11.A, for details about and examples of determining remaining Stafford annual loan limits for a student who transfers during an academic year. Previous Manual text that addressed a mid-year transfer student's remaining Stafford loan eligibility was relocated from Subsection 6.1.B., Section 6.2, and from existing bullets under the subheading *Undergraduate Students* in Subsection 6.11.A.	Loans certified on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007, for determining the minimum loan period for a student who transfers between schools and enrolls in a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W. For increases in the additional, unsubsidized Stafford annual loan limit, Stafford loans first disbursed on or after July 1, 2008. Publication date of Volume 3 of the FSA Handbook for determining remaining Stafford loan eligibility for students who transfer to: • Credit-hour programs with nonstandard terms that are substantially equal and at least nine weeks of instructional time in length (SE9W). • Clock-hour programs, non-term-based credit-hour programs, credit-hour programs with nonstandard terms that are not SE9W, and programs with a combination of standard and nonstandard terms that are not qualified to use a Scheduled Academic Year (SAY).	1106/158
6.6 Determining the Expected Family Contribution (EFC) 6.7 Determining the Amount of Estimated Financial Assistance (EFA)	Adds information on certain TEACH grant provisions and their implications for FFELP borrowers and loan eligibility. These provisions relate to: estimated financial assistance (EFA); Stafford annual and aggregate loan limits; return of Title IV funds calculation; total and permanent disability; and a school's cohort default rate. Adds a glossary definition to the Manual for TEACH grants.	For provisions regarding estimated financial assistance (EFA), annual, and aggregate Stafford loan limits: Loan eligibility determinations made by a school on or after July 1, 2008. For provisions regarding the return of Title IV funds: TEACH Grant recipients who withdraw on or after July 1, 2008. For total and permanent disability discharge determinations: total and permanent disability discharge applications received by the lender on or after July 1, 2008. For all other provisions: July 1, 2008.	1078/155

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.7 Determining the Amount of Estimated Financial Assistance (EFA)	Adds that for a student enrolled simultaneously at multiple schools, any Stafford or PLUS loan certified by one school is not included as estimated financial assistance (EFA) by any other school when determining a student or parent borrower's loan eligibility for the same payment period or period of enrollment.	Publication date of the 05-06 FSA Handbook.	1077/155
6.8 Determining the Student's Dependency Status	Incorporates statutory change made by the College Cost Reduction and Access Act (CCRAA) of 2007 that allows an FAA to make a dependency override for a student based on the documented dependency override for that same student made by another FAA at a prior school. The documented dependency override of the prior FAA must be within the same award year. If a school uses the documented dependency override of another school, it must retain the SAR/ISIR that was used as the basis for continuing the dependency override.	Dependency overrides made by the school on or after July 1, 2009.	1107/158
6.8 Determining the Student's Dependency Status	Incorporates the changes made to the definition of independent student by CCRAA, as well as incorporates the clarifications made to that definition through HEOA. Although the specific HEOA changes are not effective until July 1, 2010, the Department has updated the 2009-2010 FAFSA to reflect the changes. As a result, the *Common Manual* is being updated to reflect the HEOA clarifications.	For dependency determinations beginning with the 2009-2010 award year.	1125/159
6.8 Determining the Student's Dependency Status	Includes new authority for an FAA to certify an unsubsidized Stafford loan for a dependent student if the student's parent(s) has ended financial support and refuses to file the FAFSA.	Loans certified for loan periods that begin on or after August 14, 2008, or include that date.	1126/159
6.9 Defining Enrollment Status	Includes new standards for determining full-time enrollment status for a student enrolled in a nonstandard term-based, credit hour program or in correspondence coursework. Deletes obsolete formulas for determining full-time enrollment status for students enrolled in a program using both credit and clock hours. Clarifies that noncredit and reduced-credit remedial courses must be included when determining a student's enrollment status, if the student qualifies for aid for the remedial courses.	Loans first disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1051/151
6.10 Determining the Student's Grade Level	Incorporates various changes made in the Volume 3 of the 08-09 FSA Handbook regarding Stafford annual loan limit increases for a student who experiences a grade level change within an academic year. Adds reference to a credit-hour program with nonstandard terms that are not SE9W when explaining that a school may not certify the higher loan limit associated with the next grade level until the student completes both the minimum number of weeks and the minimum number of credit or clock hours in the program's defined academic year. Makes non-substantive changes to provide consistency throughout the Manual's text.	Publication date of Volume 3 of the 08-09 FSA Handbook, unless implemented earlier by the school on or after November 1, 2007.	1093/157

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.11 Loan Limits	Revises text to state explicitly that there is no annual or aggregate loan limit for a parent or Grad PLUS loan. A PLUS loan may not exceed the cost of attendance minus estimated financial assistance for the student.	Retroactive to the implementation of the *Common Manual.*	1057/151
6.11 Loan Limits	Adds that for a student enrolled simultaneously at multiple schools, any Stafford or PLUS loan certified by one school is not included as estimated financial assistance (EFA) by any other school when determining a student or parent borrower's loan eligibility for the same payment period or period of enrollment.	Publication date of the 05-06 FSA Handbook.	1077/155
6.11.A Stafford Annual Loan Limits	Incorporates various changes made in the Volume 3 of the 08-09 FSA Handbook regarding Stafford annual loan limit increases for a student who experiences a grade level change within an academic year. Adds reference to a credit-hour program with nonstandard terms that are not SE9W when explaining that a school may not certify the higher loan limit associated with the next grade level until the student completes both the minimum number of weeks and the minimum number of credit or clock hours in the program's defined academic year. Makes non-substantive changes to provide consistency throughout the Manual's text.	Publication date of Volume 3 of the 08-09 FSA Handbook, unless implemented earlier by the school on or after November 1, 2007.	1093/157

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.11.A Stafford Annual Loan Limits	Incorporate regulatory guidance and information from Volume 3 of the 08-09 FSA Handbook concerning the treatment of students who transfer between schools, between programs at the same school, and students who complete one program and begin another program at the same school during an academic year. In addition, these changes clarify minimum Stafford loan periods and grade level increases for such students. Establishes a centralized source in Subsection 6.11.A, for details about and examples of determining remaining Stafford annual loan limits for a student who transfers during an academic year. Previous Manual text that addressed a mid-year transfer student's remaining Stafford loan eligibility was relocated from Subsection 6.1.B., Section 6.2, and from existing bullets under the subheading *Undergraduate Students* in Subsection 6.11.A.	Loans certified on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007, for determining the minimum loan period for a student who transfers between schools and enrolls in a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are not SE9W. For increases in the additional, unsubsidized Stafford annual loan limit, Stafford loans first disbursed on or after July 1, 2008. Publication date of Volume 3 of the FSA Handbook for determining remaining Stafford loan eligibility for students who transfer to: • Credit-hour programs with nonstandard terms that are substantially equal and at least nine weeks of instructional time in length (SE9W). • Clock-hour programs, non-term-based credit-hour programs, credit-hour programs with nonstandard terms that are not SE9W, and programs with a combination of standard and nonstandard terms that are not qualified to use a Scheduled Academic Year (SAY).	1106/158
6.11.A Stafford Annual Loan Limits Figure 6-4 Stafford Annual and Aggregate Loan Limits for Undergraduate Students 6.11.B Stafford Aggregate Loan Limits	Incorporates increases in the unsubsidized Stafford annual loan limits, and the combined Stafford aggregate loan limits, for undergraduate students authorized by the ECASLA.	Stafford loans first disbursed on or after July 1, 2008, for loan periods that include or begin on or after July 1, 2008.	1052/151
6.11.A Stafford Annual Loan Limits 6.11.B Stafford Aggregate Loan Limits	Adds information on certain TEACH grant provisions and their implications for FFELP borrowers and loan eligibility. These provisions relate to: estimated financial assistance (EFA); Stafford annual and aggregate loan limits; return of Title IV funds calculation; total and permanent disability; and a school's cohort default rate. Adds a glossary definition to the Manual for TEACH grants.	For provisions regarding estimated financial assistance (EFA), annual, and aggregate Stafford loan limits: Loan eligibility determinations made by a school on or after July 1, 2008. For provisions regarding the return of Title IV funds: TEACH Grant recipients who withdraw on or after July 1, 2008. For total and permanent disability discharge determinations: total and permanent disability discharge applications received by the lender on or after July 1, 2008. For all other provisions: July 1, 2008.	1078/155

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.11.C PLUS Loans for Graduate and Professional Students	Revises text to state explicitly that there is no annual or aggregate loan limit for a parent or Grad PLUS loan. A PLUS loan may not exceed the cost of attendance minus estimated financial assistance for the student.	Retroactive to the implementation of the *Common Manual.*	1057/151
6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students	Incorporates the increase in the Stafford aggregate loan limit for graduate and professional health profession students who are eligible for increased unsubsidized Stafford loans, from $189,125 to $224,000.	Effective on April 18, 2008.	1053/151
6.11.E Exceeding Loan Limits	Incorporates private guidance received from the Department that will assist lenders in resolving inadvertent overawards that existed when loan limits increased due to the enactment of the Ensuring Continued Access to Student Loans Act (ECASLA).	Inadvertent overawards resulting from Stafford loans first disbursed before July 1, 2008, and inadvertent overawards that occur in the future prior to an annual or aggregate loan limit increase.	1094/157

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.11.F Prorated Loan Limits	Incorporates several new and existing clarifications found in the FSA Handbook concerning prorating a borrower's Stafford annual loan limit. Incorporates information regarding when a school is not required to prorate the Stafford annual loan limit and in some instances, the school is not permitted to prorate the borrower's Stafford annual loan limit.	Publication date of Volume 3 of the 08-09 FSA Handbook for the following in a credit-hour program that uses nonstandard terms that are substantially equal and at least nine instructional weeks in length (SE9W): • Determining the final period of study for an undergraduate borrower. • Exempting from proration an undergraduate borrower who is enrolled less than half time for a term(s) during a final period of study that contains the number of terms in the program's academic year. Publication date of Volume 3 of the 07-08 FSA Handbook for exempting from proration an undergraduate borrower who is enrolled in a standard term-based credit-hour program and enrolled less than half time for a term(s) during a final period of study that contains the number of terms in the program's academic year. Publication date of Volume 3 of the 05-06 FSA Handbook for the following: • Clarifying that a school must prorate the Stafford annual loan limit when the school knows in advance that an undergraduate borrower will enroll in a program that is shorter than an academic year or, for a program that is equal to or longer than an academic year, the borrower will enroll in a final period of study that is shorter than an academic year. • Exempting from proration an undergraduate borrower who is enrolled at least half time but less than full time or enrolled for a period of less than a full academic year that is not a final period of study. Publication date of Volume 3 of the 04-05 FSA Handbook for using the school's academic year for the program to determine whether a final period of study is shorter than an academic year.	1095/159

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.14.A Subsidized Stafford Loans	Adds information to the Manual regarding the new income-based repayment (IBR) plan, addressing the following lender/servicer activities with regard to IBR: • Determination of partial financial hardship for a borrower who selects IBR. • Calculation of a borrower's minimum monthly payment amount under IBR. • Recalculation of a borrower's monthly payment amount under the IBR-defined permanent-standard if the borrower ceases to have a PFH, chooses not to make PFH payments but remains in IBR, or the borrower fails to renew consent for income verification. • Recalculation of a borrower's monthly payment amount under the IBR-defined expedited-standard if the borrower leaves IBR. • Application of borrower payments and prepayments. • Frequency of capitalization. • Federal interest benefits and special allowance payments. • Disclosure requirements for lenders. • IBR and loan rehabilitation. • Loan forgiveness. • Administrative forbearance to collect and process documentation for forgiveness.	The provisions of the income-based repayment (IBR) plan are effective July 1, 2009. IBR loan forgiveness may not occur prior to July 1, 2034.	1119/159
6.15.B Stafford Loan Certification	Includes new authority for an FAA to certify an unsubsidized Stafford loan for a dependent student if the student's parent(s) has ended financial support and refuses to file the FAFSA.	Loans certified for loan periods that begin on or after August 14, 2008, or include that date.	1126/159
6.15.C PLUS Loan Certification	Revises text to state explicitly that there is no annual or aggregate loan limit for a parent or Grad PLUS loan. A PLUS loan may not exceed the cost of attendance minus estimated financial assistance for the student.	Retroactive to the implementation of the *Common Manual.*	1057/151
Chapter 7: Loan Origination			
7.1.B Creditworthiness	Provides that in addition to the four examples of extenuating circumstances, a lender may approve a PLUS loan for an applicant with adverse credit if he or she is or has been 180 days or less delinquent, during the period beginning on January 1, 2007, and ending on December 31, 2009, on mortgage loan payments or on medical bill payments for the applicant or the applicant's family.	Effective for loans first disbursed on or after July 1, 2008, for extenuating circumstances existing between January 1, 2007, and December 31, 2009.	1084/156

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
7.4 Establishing Stafford Loan Interest Rates 7.4.B Reduced Stafford Interest Rates 7.5 Establishing PLUS Loan and SLS Loan Interest Rates 7.5.B Reduced PLUS Interest Rates	Incorporates HEOA-related changes that require FFELP lenders to comply with the provisions of the Servicemembers Civil Relief Act (SCRA) with respect to charging reduced interest (not to exceed 6%) on a FFELP loan. Qualifying borrowers must request the reduced interest rate in writing and provide the lender substantiating documentation of his or her eligibility. Permits the lender to determine the applicable special allowance payment based on the loan's actual 6% interest rate if the loan was first disbursed on or after July 1, 2008.	Loans for which the lender receives a servicemember's written request for the reduced interest rate that is effective on or after August 14, 2008, for periods of military service ending on or after that date. Special allowance billings for loans that are first disbursed on or after July 1, 2008, if the lender receives a servicemember's request for the reduced interest rate on or after August 14, 2008.	1096/157
7.6.A General Initial Disclosure Requirements	Incorporates provisions of the HEOA regarding initial lender disclosure requirements.	August 14, 2008.	1108/158
7.6.B Income-Sensitive and Income-Based Repayment Disclosure Requirements	Adds information to the Manual regarding the new income-based repayment (IBR) plan, addressing the following lender/servicer activities with regard to IBR: • Determination of partial financial hardship for a borrower who selects IBR. • Calculation of a borrower's minimum monthly payment amount under IBR. • Recalculation of a borrower's monthly payment amount under the IBR-defined permanent-standard if the borrower ceases to have a PFH, chooses not to make PFH payments but remains in IBR, or the borrower fails to renew consent for income verification. • Recalculation of a borrower's monthly payment amount under the IBR-defined expedited-standard if the borrower leaves IBR. • Application of borrower payments and prepayments. • Frequency of capitalization. • Federal interest benefits and special allowance payments. • Disclosure requirements for lenders. • IBR and loan rehabilitation. • Loan forgiveness. • Administrative forbearance to collect and process documentation for forgiveness.	The provisions of the income-based repayment (IBR) plan are effective July 1, 2009. IBR loan forgiveness may not occur prior to July 1, 2034.	1119/159

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
7.7.C Disbursement by Individual Check 7.7.D Disbursement by Electronic Funds Transfer (EFT) or Master Check	Removes the requirement that the lender provide any SSN(s) on an individual check and affords the lender alternative methods by which sufficient information is provided with or on the check to ensure that the school can efficiently match the check with the correct student or borrower to facilitate timely delivery. Removes the requirement that the master check roster always include the SSN for the dependent student for a parent PLUS loan by affording the lender the option to include *either* the student's SSN or other reliable identifying information.	Loan disbursement checks issued by the lender on or after July 1, 2009, unless implemented earlier by the lender or the guarantor.	1079/156
Chapter 8: Loan Delivery			
8.7 Delivering Loan Funds at Eligible Schools	Clarifies that there are three exceptions to the general rule that a student must maintain continuous eligibility for the loan period certified, and provides cross-references to explanations of those exceptions.	Retroactive to the implementation of the *Common Manual.*	1058/151
8.7.G Delivery to Transfer Students	Incorporates a regulatory change regarding a school's examination of a transfer student's financial aid history, made by the HERA Interim Final Rule, published July 3, 2006. The school must determine the amount of any ACG or National SMART grants awarded and delivered during the award year for the transfer student prior to the delivery of FFELP funds.	Eligibility determinations made on or after July 1, 2007, unless implemented earlier by the school.	1054/151
8.7.H Delivery Methods	Provides that if the borrower does not pick up the check within 21 days of the school's notice to the borrower, the school must immediately mail it to the borrower, initiate an EFT of the funds to the borrower's bank account, or return the loan funds to the lender.	Checks issued for direct payment by the school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1067/154
8.9.B Return of Ineligible Borrower Loan Funds	Aligns the Manual guidance regarding a borrower whose failure to begin attendance results in the school being required to return loan funds to the lender.	School determinations that a student did not begin attendance on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1041/150
Chapter 9: School Reporting Responsibilities and the Return of Title IV Funds			
9.2.A National Student Loan Data System (NSLDS) Enrollment Reporting	Updates information concerning a school that fails to provide updated enrollment data to the NSLDS in a timely manner. Adds technical information regarding the timing and format of the NSLDS Late Enrollment Reporting Notification. Defines the date that NSLDS "created" the school's Enrollment Reporting Roster File as the date and time stamp that the NSLDS enters into the Roster File's header record.	Eligibility determinations made on or after July 1, 2007, unless implemented earlier by the school.	1055/153
9.5.A Return Amounts for Title IV Grant and Loan Programs	Provides separate glossary definitions of the Federal Work-Study, Federal Supplemental Educational Opportunity Grant, and the Federal Perkins Loan Programs. A cross-reference to the FSA Handbook has also been added to the definition of each program.	Retroactive to the implementation of the *Common Manual.*	1070/154

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
9.5.A Return Amounts for Title IV Grant and Loan Programs 9.5.B Processing Returned Funds	Adds information on certain TEACH grant provisions and their implications for FFELP borrowers and loan eligibility. These provisions relate to: estimated financial assistance (EFA); Stafford annual and aggregate loan limits; return of Title IV funds calculation; total and permanent disability; and a school's cohort default rate. Adds a glossary definition to the Manual for TEACH grants.	For provisions regarding estimated financial assistance (EFA), annual, and aggregate Stafford loan limits: Loan eligibility determinations made by a school on or after July 1, 2008. For provisions regarding the return of Title IV funds: TEACH Grant recipients who withdraw on or after July 1, 2008. For total and permanent disability discharge determinations: total and permanent disability discharge applications received by the lender on or after July 1, 2008. For all other provisions: July 1, 2008.	1078/155
Chapter 10: Loan Servicing			
10.6.B Length of the Repayment Period 10.6.D Minimum Payment Requirements	Adds information to the Manual regarding the new income-based repayment (IBR) plan, addressing the following lender/servicer activities with regard to IBR: • Determination of partial financial hardship for a borrower who selects IBR. • Calculation of a borrower's minimum monthly payment amount under IBR. • Recalculation of a borrower's monthly payment amount under the IBR-defined permanent-standard if the borrower ceases to have a PFH, chooses not to make PFH payments but remains in IBR, or the borrower fails to renew consent for income verification. • Recalculation of a borrower's monthly payment amount under the IBR-defined expedited-standard if the borrower leaves IBR. • Application of borrower payments and prepayments. • Frequency of capitalization. • Federal interest benefits and special allowance payments. • Disclosure requirements for lenders. • IBR and loan rehabilitation. • Loan forgiveness. • Administrative forbearance to collect and process documentation for forgiveness.	The provisions of the income-based repayment (IBR) plan are effective July 1, 2009. IBR loan forgiveness may not occur prior to July 1, 2034.	1119/159
10.7 Disclosing Repayment Terms	Includes new disclosure requirements that relate to the new income-based repayment plan.	Disclosures made on or after July 1, 2009.	1128/159
10.7 Disclosing Repayment Terms	Incorporates provisions of the HEOA regarding additional information a lender is required to disclose at or prior to the start of the student borrower's repayment period.	Loans first disbursed on or after August 14, 2008.	1109/158

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
10.7.A Time Frame for Disclosure	Incorporates HEOA-related changes with regard to the time frames in which a lender discloses repayment terms to a borrower prior to the start of the repayment period. A lender must provide the repayment disclosure to a Stafford borrower no less than 30 days, and no more than 150 days, before the first payment due date. The lender must provide the repayment disclosure to a PLUS borrower at or before the beginning of the repayment period, defined as the date on which the loan is fully disbursed or the date on which an in-school or post-enrollment deferment period is scheduled to end. The lender must notify a PLUS loan borrower of repayment terms no less than 30 days, and no more than 150 days, before the first payment due date.	Effective for loans first disbursed on or after August 14, 2008.	1097/157
10.8 Establishing a Repayment Schedule 10.8.A Standard Repayment Schedule 10.8.E Extended Repayment Schedule 10.9 Interest Charges 10.10.B Capitalization Frequency 10.11.A Applying Regular Borrower Payments 10.11.B Applying Prepayments	Adds information to the Manual regarding the new income-based repayment (IBR) plan, addressing the following lender/servicer activities with regard to IBR: • Determination of partial financial hardship for a borrower who selects IBR. • Calculation of a borrower's minimum monthly payment amount under IBR. • Recalculation of a borrower's monthly payment amount under the IBR-defined permanent-standard if the borrower ceases to have a PFH, chooses not to make PFH payments but remains in IBR, or the borrower fails to renew consent for income verification. • Recalculation of a borrower's monthly payment amount under the IBR-defined expedited-standard if the borrower leaves IBR. • Application of borrower payments and prepayments. • Frequency of capitalization. • Federal interest benefits and special allowance payments. • Disclosure requirements for lenders. • IBR and loan rehabilitation. • Loan forgiveness. • Administrative forbearance to collect and process documentation for forgiveness.	The provisions of the income-based repayment (IBR) plan are effective July 1, 2009. IBR loan forgiveness may not occur prior to July 1, 2034.	1119/159

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
10.9.B Reduced Interest Rates	Incorporates HEOA-related changes that require FFELP lenders to comply with the provisions of the Servicemembers Civil Relief Act (SCRA) with respect to charging reduced interest (not to exceed 6%) on a FFELP loan. Qualifying borrowers must request the reduced interest rate in writing and provide the lender substantiating documentation of his or her eligibility. Permits the lender to determine the applicable special allowance payment based on the loan's actual 6% interest rate if the loan was first disbursed on or after July 1, 2008.	Loans for which the lender receives a servicemember's written request for the reduced interest rate that is effective on or after August 14, 2008, for periods of military service ending on or after that date. Special allowance billings for loans that are first disbursed on or after July 1, 2008, if the lender receives a servicemember's request for the reduced interest rate on or after August 14, 2008.	1096/157
10.12 Lender Disclosures During Repayment	Incorporates provisions of the HEOA regarding lender disclosure requirements during repayment. This includes disclosures to a borrower who notifies the lender that he or she is having difficulty making scheduled payments.	Required lender disclosures made for loans with first payments due on or after July 1, 2009.	1129/159
Chapter 11: Deferment and Forbearance			
11.1.A General Deferment Eligibility Criteria	Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor. Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153
11.1.J Disclosure When Granting a Deferment on an Unsubsidized Stafford Loan	Incorporates provisions of the HEOA regarding lender disclosure requirements when granting a deferment on an unsubsidized Stafford loan.	In-school, graduate fellowship, unemployment, military, and economic hardship deferments on unsubsidized Stafford loans granted on or after August 14, 2008.	1130/159
11.4 Economic Hardship Deferment 11.4.A Eligibility Criteria—Economic Hardship 11.4.B Deferment Documentation—Economic Hardship	Incorporates Final Rule-related changes (dated October 23, 2008) that adds a definition for family size as it pertains to the economic hardship deferment and deletes the two eligibility criterion based on a federal income-to-debt ratio.	Elimination of the debt-to-income provisions is effective for economic hardship deferments granted on or after July 1, 2009, that begin on or after July 1, 2009. The definition of family size is effective for economic hardship deferments granted on or after July 1, 2009.	1098/157

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
11.4.A Eligibility Criteria—Economic Hardship	Clarifies that non-taxable income, defined by the IRS as child support, life insurance proceeds, and gifts and bequests, is not to be treated as income for purposes of determining eligibility for an economic hardship deferment.	Economic hardship deferment eligibility determinations made on or after July 1, 2009, unless implemented earlier by the guarantor.	1003/154
11.4.D Simplified Deferment Processing 11.5.D Simplified Deferment Processing 11.8.D Simplified Deferment Processing 11.8.D Simplified Deferment Processing 11.14.D Simplified Deferment Processing 11.18.D Simplified Deferment Processing	States that when granting a deferment using the simplified deferment processing method, the lender may base the deferment on information from an authoritative electronic database maintained or authorized by the Secretary that supports eligibility for the deferment for the same reason and same time period.	Deferment requests granted by the lender on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007.	1071/154
11.6 In-School Deferment, Summer Bridge Extension, and Post-Enrollment Deferment 11.6.A Eligibility Criteria—In-School 11.6.E Post-Enrollment Deferment	States that a PLUS loan borrower who meets the conditions required for an in-school deferment may defer all of his or her PLUS, Stafford, or Consolidation loans, as applicable. In addition, a parent PLUS borrower may request an in-school deferment of his or her PLUS loans, first disbursed on or after July 1, 2008, based on the in-school status of the student for which the loan was made.	PLUS loans first disbursed on or after July 1, 2008.	1086/156
11.6.B Deferment Documentation—In-School	Requires the lender, at the request of a school, to use data on the NSLDS to process a borrower's in-school deferment.	In-school deferments granted by the lender on or after August 14, 2008.	1087/156
11.8 Military Active Duty Student Deferment 11.8.A Eligibility Criteria—Military Active Duty Student 11.8.B Deferment Documentation—Military Active Duty Student 11.8.C Length of Deferment—Military Active Duty Student 11.8.D Simplified Deferment Processing 11.12 Post-Active Duty Student Deferment 11.12.A Eligibility Criteria—Post-Active Duty Student 11.12.B Deferment Documentation—Post-Active Duty Student 11.12.C Length of Deferment—Post-Active Duty Student 11.12.D Simplified Deferment Processing Figure 11-1 Deferment Eligibility Chart	Incorporates Final Rule-related changes (dated October 23, 2008) relating to the post-active duty student deferment. The Manual identifies the military active duty student deferment as a post-active duty student deferment and moves the text so that the information related to the post-active duty student deferment appears alphabetically within the deferment chapter. Specifies that to qualify for the post-active duty student deferment, a borrower's eligible military service must begin on or after October 1, 2007, or include that date. Updates Figure 11-1, "Deferment Eligibility Chart," to incorporate these changes and to also clarify that there is no limit to the number of post-active duty student deferments an eligible borrower may receive, however, each individual deferment is limited to 13 months.	Post-active duty student deferment requests received on or after July 1, 2009, unless implemented earlier by the lender on after October 23, 2008.	1099/157

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
11.8.C Length of Deferment—Military Service	Incorporates a Final Rule-related change (dated October 23, 2008) which states that without supporting documentation, a military service deferment may be granted to an otherwise eligible borrower for a period not to exceed the initial 12 months from the date the qualifying eligible service began based on a request from the borrower or the borrower's representative.	Military service deferment requests received by the lender on or after July 1, 2009, unless implemented by the lender on or after October 23, 2008.	1100/157
11.20 Forbearance	Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor. Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153
11.20.I Borrower Contact during Forbearance	Incorporates provisions of the HEOA that requires a lender to send a notice to the borrower or endorser when it grants a forbearance to assist the borrower or endorser, as applicable, in understanding the effect that interest capitalization has on the loan's principal balance and the amount of interest that may be paid over the life of the loan. Requires that the lender contact the borrower or endorser not less than every 180 days during the forbearance period, and the notice must include the additional requirements put in place by the HEOA. Removes the exception regarding notices for the internship and residency forbearance, and adds a cross-reference to the appropriate subsection of the Manual that describes the standard borrower notice and notification requirements.	Forbearance granted by the lender on or after August 14, 2008.	1131/159

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Figure 11-2 Forbearance Eligibility Chart 11.21.K Late Notification of Out-of-School Dates	Adds information to the Manual regarding the new income-based repayment (IBR) plan, addressing the following lender/servicer activities with regard to IBR: • Determination of partial financial hardship for a borrower who selects IBR. • Calculation of a borrower's minimum monthly payment amount under IBR. • Recalculation of a borrower's monthly payment amount under the IBR-defined permanent-standard if the borrower ceases to have a PFH, chooses not to make PFH payments but remains in IBR, or the borrower fails to renew consent for income verification. • Recalculation of a borrower's monthly payment amount under the IBR-defined expedited-standard if the borrower leaves IBR. • Application of borrower payments and prepayments. • Frequency of capitalization. • Federal interest benefits and special allowance payments. • Disclosure requirements for lenders. • IBR and loan rehabilitation. • Loan forgiveness. • Administrative forbearance to collect and process documentation for forgiveness. Updates Figure 11-2, "Forbearance Eligibility Chart," to include IBR.	The provisions of the income-based repayment (IBR) plan are effective July 1, 2009. IBR loan forgiveness may not occur prior to July 1, 2034.	1119/159
11.21.T Repayment Plan Change	Adds new subsection 11.21.T to incorporate the October 2008 final rules change that permits a lender to grant an administrative forbearance to cover a period of delinquency that exists at the time a borrower chooses a different repayment plan.	Repayment plan changes granted by the lender on or after July 1, 2009.	1132/159
11.23 Mandatory Administrative Forbearance 11.24.B Internship or Residency	Incorporates provisions of the HEOA that requires a lender to send a notice to the borrower or endorser when it grants a forbearance to assist the borrower or endorser, as applicable, in understanding the effect that interest capitalization has on the loan's principal balance and the amount of interest that may be paid over the life of the loan. Requires that the lender contact the borrower or endorser not less than every 180 days during the forbearance period, and the notice must include the additional requirements put in place by the HEOA. Removes the exception regarding notices for the internship and residency forbearance, and adds a cross-reference to the appropriate subsection of the Manual that describes the standard borrower notice and notification requirements.	Forbearance granted by the lender on or after August 14, 2008.	1131/159

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Figure 11-2 Forbearance Eligibility Chart 11.24.C National Service, Loan Forgiveness, Department of Defense Repayment, or Active Military State Duty	Removes references throughout the Manual to the Child Care Providers Loan Forgiveness program.	August 14, 2008.	1080/156
11.24.C National Service, Loan Forgiveness, Department of Defense Repayment, or Active Military State Duty Figure 11-2 Forbearance Eligibility Chart	Incorporates a Final Rule-related change (dated October 23, 2008) that states a mandatory forbearance must be granted to a borrower who is a member of the National Guard if the borrower is serving on active military state duty and qualifies for the post-active duty student deferment, but does not qualify for the military service deferment or other deferment. This type of forbearance is granted in yearly increments (or for a lesser period of time that is equal to the period for which the borrower is eligible) while the eligible borrower is engaged in active state duty for a period of more than 30 consecutive days. The forbearance begins on the day after the grace period expires for a Stafford loan that has not entered repayment or on the day after the borrower ceases at least half-time enrollment, for a FFELP loan in repayment. Updates Figure 11-2, "Forbearance Eligibility Chart," to incorporate this forbearance type.	Requests received by a lender on or after July 1, 2009, unless implemented earlier by the lender on or after October 23, 2008.	1101/157
Chapter 12: Due Diligence in Collecting Loans			
12.1.A Lender Disclosure Requirements	Incorporates provisions of the HEOA regarding information a lender is required to disclose when a borrower is 60 days delinquent.	Loans that become delinquent on or after July 1, 2009.	1110/158
12.4 Due Diligence Requirements	Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor. Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
12.4.A Due Diligence Requirements for Loans with Monthly Repayment Obligations 12.4.B Due Diligence Requirements for Loans with Repayment Obligations Less Frequent Than Monthly	Adds information to the Manual regarding the new income-based repayment (IBR) plan, addressing the following lender/servicer activities with regard to IBR: • Determination of partial financial hardship for a borrower who selects IBR. • Calculation of a borrower's minimum monthly payment amount under IBR. • Recalculation of a borrower's monthly payment amount under the IBR-defined permanent-standard if the borrower ceases to have a PFH, chooses not to make PFH payments but remains in IBR, or the borrower fails to renew consent for income verification. • Recalculation of a borrower's monthly payment amount under the IBR-defined expedited-standard if the borrower leaves IBR. • Application of borrower payments and prepayments. • Frequency of capitalization. • Federal interest benefits and special allowance payments. • Disclosure requirements for lenders. • IBR and loan rehabilitation. • Loan forgiveness. • Administrative forbearance to collect and process documentation for forgiveness.	The provisions of the income-based repayment (IBR) plan are effective July 1, 2009. IBR loan forgiveness may not occur prior to July 1, 2034.	1119/159
12.4.A Due Diligence Requirements for Loans with Monthly Repayment Obligations 12.4.B Due Diligence Requirements for Loans with Repayment Obligations Less Frequent Than Monthly 12.4.D Contact by Telephone 12.4.E Endorser Due Diligence 12.7.C Required Address Skip Tracing Activities 12.8.A Telephone Skip Tracing Activities	Specifies that a diligent effort is one successful contact or two attempts to contact the borrower or endorser by telephone. Each effort consists of one successful contact or two attempts to contact the borrower or endorser on different days and at different times.	Retroactive to the implementation of the *Common Manual.*	1059/151
Chapter 13: Claim Filing, Discharge, and Forgiveness			
Introduction	Removes references throughout the Manual to the Child Care Providers Loan Forgiveness program.	August 14, 2008.	1080/156

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
13.1.A Claim Filing Requirements	Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor. Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153
13.1.D Claim File Documentation 13.1.G Additional Documentation Requested by the Guarantor	Incorporates a Final Rule-related change (dated November 1, 2007) that states a lender will need to provide additional loan disbursement information or electronic signature documentation to a guarantor, upon request, for a loan that may be selected for subrogation to the Department. Creates a new subsection regarding additional documentation as requested by the guarantor.	Requests for loan disbursement information and electronic signature documents received from the guarantor on or after July 1, 2008.	1102/157
13.7 Rehabilitation of Defaulted FFELP Loans	Incorporates the provision of the HEOA which states a loan may only be rehabilitated once, and that a borrower may continue to rehabilitate other defaulted loans that have not previously been rehabilitated.	Loans rehabilitated on or after August 14, 2008.	1111/158
13.7 Rehabilitation of Defaulted FFELP Loans	Incorporates the provision of the HEOA which states that upon successful rehabilitation of a loan, the guarantor or any other holder that reported the loan as a default, must request that the consumer reporting agency to which the default was reported remove the default record from the borrower's credit history.	Loan rehabilitation sales to eligible lenders that take place on or after August 14, 2008.	1112/158
13.7 Rehabilitation of Defaulted FFELP Loans	Incorporates a Final Rule-related change (dated October 23, 2008) that states a lender must allow a borrower to choose any repayment plan that is available for the loan type as the rehabilitated loan. The rehabilitation lender is no longer required to ensure that the repayment schedule on the rehabilitated loan has initial payments that are equal to or greater than the nine monthly payments that the borrower made to the guarantor during the rehabilitation period.	Rehabilitated FFELP loans purchased by a lender on or after July 1, 2009.	1103/157

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
13.7 Rehabilitation of Defaulted FFELP Loans	Adds information to the Manual regarding the new income-based repayment (IBR) plan, addressing the following lender/servicer activities with regard to IBR: • Determination of partial financial hardship for a borrower who selects IBR. • Calculation of a borrower's minimum monthly payment amount under IBR. • Recalculation of a borrower's monthly payment amount under the IBR-defined permanent-standard if the borrower ceases to have a PFH, chooses not to make PFH payments but remains in IBR, or the borrower fails to renew consent for income verification. • Recalculation of a borrower's monthly payment amount under the IBR-defined expedited-standard if the borrower leaves IBR. • Application of borrower payments and prepayments. • Frequency of capitalization. • Federal interest benefits and special allowance payments. • Disclosure requirements for lenders. • IBR and loan rehabilitation. • Loan forgiveness. • Administrative forbearance to collect and process documentation for forgiveness.	The provisions of the income-based repayment (IBR) plan are effective July 1, 2009. IBR loan forgiveness may not occur prior to July 1, 2034.	1119/159
13.8 Discharge	Changes credit bureaus to "consumer reporting agencies" to align with new statutory terminology. The policy also requires the lender to report to all national consumer reporting agencies, and adds to the list of data that the lender is required to report that the lender must report that the loan is an education loan.	Loans on which the lender reports credit transactions on or after August 14, 2008.	1074/155
13.8.E False Certification as a Result of the Crime of Identity Theft	Relocates current Manual text regarding the loss of insurance as a result of the crime of identity theft and the refunding of interest benefits and special allowance to a more appropriate subsection of the Manual.	False Certification as a result of identity theft loan discharge claims processed by the lender on or after September 8, 2006.	1066/153
13.8.G Total and Permanent Disability	Adds information regarding a borrower's eligibility for loan discharge due to total and permanent disability if the borrower provides documentation from the U.S. Department of Veterans Affairs (VA) showing that the VA has determined the borrower to be unemployable due to a service-connected condition.	Total and permanent disability discharge requests received by the lender on or after August 14, 2008, that are based on U.S. Department of Veterans Affairs determinations.	1133/159

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
13.8.G Total and Permanent Disability	States that the borrower must submit the total and permanent disability certification to the lender within 90 days of the date that the physician completed and certified the discharge application. If the borrower submits the discharge application after this 90-day time frame, the borrower must have the physician complete a new application and the borrower must submit the application to the lender within 90 days of the physician's certification of the new discharge application.	Total and permanent disability applications received by the lender on or after July 1, 2008.	1068/154
13.8.G Total and Permanent Disability	Adds information on certain TEACH grant provisions and their implications for FFELP borrowers and loan eligibility. These provisions relate to: estimated financial assistance (EFA); Stafford annual and aggregate loan limits; return of Title IV funds calculation; total and permanent disability; and a school's cohort default rate. Adds a glossary definition to the Manual for TEACH grants.	For provisions regarding estimated financial assistance (EFA), annual, and aggregate Stafford loan limits: Loan eligibility determinations made by a school on or after July 1, 2008. For provisions regarding the return of Title IV funds: TEACH Grant recipients who withdraw on or after July 1, 2008. For total and permanent disability discharge determinations: total and permanent disability discharge applications received by the lender on or after July 1, 2008. For all other provisions: July 1, 2008.	1078/155

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
13.9 Forgiveness	Adds information to the Manual regarding the new income-based repayment (IBR) plan, addressing the following lender/servicer activities with regard to IBR: • Determination of partial financial hardship for a borrower who selects IBR. • Calculation of a borrower's minimum monthly payment amount under IBR. • Recalculation of a borrower's monthly payment amount under the IBR-defined permanent-standard if the borrower ceases to have a PFH, chooses not to make PFH payments but remains in IBR, or the borrower fails to renew consent for income verification. • Recalculation of a borrower's monthly payment amount under the IBR-defined expedited-standard if the borrower leaves IBR. • Application of borrower payments and prepayments. • Frequency of capitalization. • Federal interest benefits and special allowance payments. • Disclosure requirements for lenders. • IBR and loan rehabilitation. • Loan forgiveness. • Administrative forbearance to collect and process documentation for forgiveness.	The provisions of the income-based repayment (IBR) plan are effective July 1, 2009. IBR loan forgiveness may not occur prior to July 1, 2034.	1119/159
13.9 Forgiveness 13.9.A Teacher Loan Forgiveness Program	Removes references throughout the Manual to the Child Care Providers Loan Forgiveness program, and renumbers the Teacher Loan Forgiveness Program as Subsection 13.9.A.	August 14, 2008.	1080/156
13.9.A Teacher Loan Forgiveness Program	Incorporates the provisions of the HEOA which state that an otherwise eligible borrower may qualify for forgiveness if the borrower has provided qualifying teaching services at one or more locations that are operated by an educational service agency, but are not a school, and that have been determined by the Secretary, in consultation with the state, to be eligible locations for this purpose. The chief administrator of an educational service agency may certify a borrower's eligibility for teacher loan forgiveness for borrowers who perform their qualifying teaching service as employees of such an agency. This change also adds the definition of an educational service agency. Adds that a borrower who receives teacher loan forgiveness benefits under the FFELP or Direct Loan Programs may not receive, for the same teaching service, benefits under the Public Service Loan Forgiveness Program or the Loan Forgiveness for Service in Areas of National Need.	Teacher Loan Forgiveness Applications and Teacher Loan Forgiveness Forbearance request forms received by the lender on or after August 14, 2008.	1113/158

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
13.9.A Teacher Loan Forgiveness Program	Aligns the Manual with Departmental clarifying guidance that states in the case of a borrower who has taught more than 5 years, any consecutive 5-year period of qualifying service may be counted for teacher loan forgiveness purposes.	Teacher Loan Forgiveness discharge determinations made after October 8, 1998.	1065/153
13.9.A Teacher Loan Forgiveness Program Figure 13-5 Information to Be Provided on the FFELP Teacher Loan Forgiveness Request Form	Adds information to the Manual regarding the FFELP Teacher Loan Forgiveness Request form which a lender may use to request payment on eligible loans due to discharge for Teacher Loan Forgiveness. Adds a new figure to the Manual to help a lender determine what loan information must be provided on the form.	Lenders may have begun using the FFELP Teacher Loan Forgiveness Request form upon the applicable publication date.	1118/159
13.9.B Loan Forgiveness Program for Service in Areas of National Need	Adds information regarding Loan Forgiveness for Service in Areas of National Need that was added as a result the HEOA.	School, academic, or calendar year of full-time employment completed after August 14, 2008.	1088/156
13.9.C Loan Repayment Program for Civil Legal Assistance Attorneys	Adds information regarding Loan Repayment for Civil Legal Assistance Attorneys that was added as a result of the HEOA.	August 14, 2008.	1089/156
13.9.D Loan Forgiveness under the Income-Based Repayment (IBR) Schedule	Adds information to the Manual regarding the new income-based repayment (IBR) plan, addressing the following lender/servicer activities with regard to IBR: • Determination of partial financial hardship for a borrower who selects IBR. • Calculation of a borrower's minimum monthly payment amount under IBR. • Recalculation of a borrower's monthly payment amount under the IBR-defined permanent-standard if the borrower ceases to have a PFH, chooses not to make PFH payments but remains in IBR, or the borrower fails to renew consent for income verification. • Recalculation of a borrower's monthly payment amount under the IBR-defined expedited-standard if the borrower leaves IBR. • Application of borrower payments and prepayments. • Frequency of capitalization. • Federal interest benefits and special allowance payments. • Disclosure requirements for lenders. • IBR and loan rehabilitation. • Loan forgiveness. • Administrative forbearance to collect and process documentation for forgiveness.	The provisions of the income-based repayment (IBR) plan are effective July 1, 2009. IBR loan forgiveness may not occur prior to July 1, 2034.	1119/159

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 14: Violations, Penalties, and Cures			
14.1.E Violations and Cures Associated with Unsynchronized Servicing of a Consolidation Loan with Multiple Loan Records	Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. If a lender fails to perform due diligence activities on a single payment due date and amount, the lender may incur due diligence violations and penalties sufficient to cause a loss of guarantee on the loan. Also clarifies what a lender may do to cure these violations.	Claims filed by the lender on or after January 1, 2009, unless implemented earlier by the guarantor.	997/153
Chapter 15: Federal Consolidation Loans			
15.1.A Agreement to Guarantee Federal Consolidation Loans 15.2 Borrower Eligibility and Underlying Loan Holder Requirements 15.4 Disbursement 15.5.A Establishing the First Payment Due Date 15.5.B Disclosing Repayment Terms	Clarifies that although the subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, the lender must ensure that the Consolidation loan is administered as a single Consolidation loan. Due diligence must be performed at a loan level, and should the Consolidation loan default, all portions of the loan must default on the same date and be filed in the same claim or at least simultaneously with the guarantor. Clarifies that lenders and servicers are expected to maintain adequate internal controls and procedures to ensure that all portions of the single Consolidation loan remain synchronized throughout the life of the loan, and any re-synchronization occurs in a timely manner to ensure that the loan maintains a single due date and amount, and that the guarantor may examine the lender's controls, procedures, and servicing history during a program review.	Consolidation loan applications received by the lender on or after November 13, 1997.	991/153
15.2 Borrower Eligibility and Underlying Loan Holder Requirements	Incorporates a HEOA-related change that states a FFELP borrower may consolidate into the Direct Loan program for the purpose of using the no accrual of interest for active duty service members benefits of the Direct Loan program. Incorporates changes made as a result of the HEOA and Final Rule dated October 23, 2008, that state that a FFELP borrower may consolidate into the Direct Loan program for the purpose of using the Public Service Loan Forgiveness Program.	Direct Consolidation Loans disbursed on and after October 1, 2008, for purpose of using the no accrual of interest for active duty service members. Direct Consolidation Loans disbursed on and after July 1, 2009: • to obtain an income-based repayment plan (if the loan has been submitted for default aversion or is already in default). • for purposes of using the Public Service Loan Forgiveness Program.	1104/157
15.3.A Providing Consolidation Loan Information	Incorporates the provisions of the HEOA regarding information a lender is required to disclose to a prospective Consolidation loan borrower, in simple and understandable terms, at the time the lender provides an application.	Consolidation loan applications provided to potential borrowers on or after August 14, 2008.	1114/158

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
15.3.A Providing Consolidation Loan Information 15.5 Repayment 15.5.F Delinquency, Claim Filing, Loan Forgiveness, and Discharge 15.6 Interest Benefits and Special Allowance	Adds information to the Manual regarding the new income-based repayment (IBR) plan, addressing the following lender/servicer activities with regard to IBR: • Determination of partial financial hardship for a borrower who selects IBR. • Calculation of a borrower's minimum monthly payment amount under IBR. • Recalculation of a borrower's monthly payment amount under the IBR-defined permanent-standard if the borrower ceases to have a PFH, chooses not to make PFH payments but remains in IBR, or the borrower fails to renew consent for income verification. • Recalculation of a borrower's monthly payment amount under the IBR-defined expedited-standard if the borrower leaves IBR. • Application of borrower payments and prepayments. • Frequency of capitalization. • Federal interest benefits and special allowance payments. • Disclosure requirements for lenders. • IBR and loan rehabilitation. • Loan forgiveness. • Administrative forbearance to collect and process documentation for forgiveness.	The provisions of the income-based repayment (IBR) plan are effective July 1, 2009. IBR loan forgiveness may not occur prior to July 1, 2034.	1119/159
15.3.D Calculating the Interest Rate	Incorporates HEOA-related changes that require FFELP lenders to comply with the provisions of the Servicemembers Civil Relief Act (SCRA) with respect to charging reduced interest (not to exceed 6%) on a FFELP loan. Qualifying borrowers must request the reduced interest rate in writing and provide the lender substantiating documentation of his or her eligibility. Permits the lender to determine the applicable special allowance payment based on the loan's actual 6% interest rate if the loan was first disbursed on or after July 1, 2008.	Loans for which the lender receives a servicemember's written request for the reduced interest rate that is effective on or after August 14, 2008, for periods of military service ending on or after that date. Special allowance billings for loans that are first disbursed on or after July 1, 2008, if the lender receives a servicemember's request for the reduced interest rate on or after August 14, 2008.	1096/157

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 16: Cohort Default Rates and Appeals			
16.1 Overview of Cohort Default Rates and Terminology 16.2 Calculation of School Cohort Default Rates Figure 16-1 Cohort Default Rate Formulas Figure 16-2 Cohort Default Rate Formulas Beginning with Fiscal Year 2009 Figure 16-3 Summary: Challenges, Adjustments, and Appeals	Incorporates the provisions of the HEOA regarding cohort default rate (CDR) calculations beginning with fiscal year 2009 and thereafter. Adds a second definition for CDR to include student borrowers who enter repayment during a specific fiscal year on certain FFELP or FDLP loans and who subsequently default before the end of the second fiscal year following the fiscal year in which the borrowers entered repayment. Amends current text to align policy related to the numerator used in the CDR calculation, including revisions to Figure 16-1. Adds a new Figure 16-2, "Cohort Default Rate Formulas Beginning with Fiscal Year 2009," to reflect the change in calculation beginning with fiscal year 2009 and thereafter. The current Figure 16-2, "Summary: Challenges, Adjustments, and Appeals," has been re-numbered as Figure 16-3.	Cohort default rate calculations beginning with fiscal year 2009 and thereafter.	1115/158
16.2 Calculation of School Cohort Default Rates	Adds information on certain TEACH grant provisions and their implications for FFELP borrowers and loan eligibility. These provisions relate to: estimated financial assistance (EFA); Stafford annual and aggregate loan limits; return of Title IV funds calculation; total and permanent disability; and a school's cohort default rate. Adds a glossary definition to the Manual for TEACH grants.	For provisions regarding estimated financial assistance (EFA), annual, and aggregate Stafford loan limits: Loan eligibility determinations made by a school on or after July 1, 2008. For provisions regarding the return of Title IV funds: TEACH Grant recipients who withdraw on or after July 1, 2008. For total and permanent disability discharge determinations: total and permanent disability discharge applications received by the lender on or after July 1, 2008. For all other provisions: July 1, 2008.	1078/155
16.3 School Draft Cohort Default Rates and Challenges	Aligns the Manual text with policy contained in the *Cohort Default Rate Guide* which specifies that any cohort default rate (CDR) challenge must be submitted by the school within 45 days of the time frame begin date. The time frame begin date for domestic schools is the sixth business day after the Department officially releases the draft cohort default rates. For foreign schools, the time frame begin date is the day after the official cohort default rate notification is received.	Cohort default rate challenges submitted by the school on or after the publication date of the August 2006 *Cohort Default Rate Guide.*	1116/158
Chapter 17: Program Reviews			
Introduction	Moves the CRI information from Appendix F to Chapter 17, and updates the information to include ED's approval of the CRI process.	January 1, 2008.	1062/152

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 18: Limitation, Suspension, and Termination			
18.1 Actions to Limit, Suspend, or Terminate Participation	Includes the use of rebuttable presumption by the Department in administrative actions against lenders that involve violations of the prohibited inducement provisions.	Effective for administrative actions against lenders on or after July 1, 2008.	1120/159
18.1 Actions to Limit, Suspend, or Terminate Participation	Incorporates the provisions of the HEOA which states that a school placed on limitation, suspension, termination, or emergency action is required to prepare a teach-out plan and provide it to its accrediting agency or association. A "teach-out plan" is a written plan that provides for equitable treatment of students if a school ceases to operate before all students have completed their program of study. The teach-out plan must be prepared in accordance with HEA §496(c)(3) (see Title I–General Provisions, Accreditation, Operating Procedures) and any applicable Title IV regulations or accrediting agency standards.	Limitation, suspension, termination, or emergency actions placed on a school on or after August 14, 2008.	1117/158
Appendix A: Interest Benefits and Special Allowance			
A.1.B When Federal Interest Benefits Will Be Paid A.2.A Special Allowance and Excess Interest Rates	Adds information to the Manual regarding the new income-based repayment (IBR) plan, addressing the following lender/servicer activities with regard to IBR: • Determination of partial financial hardship for a borrower who selects IBR. • Calculation of a borrower's minimum monthly payment amount under IBR. • Recalculation of a borrower's monthly payment amount under the IBR-defined permanent-standard if the borrower ceases to have a PFH, chooses not to make PFH payments but remains in IBR, or the borrower fails to renew consent for income verification. • Recalculation of a borrower's monthly payment amount under the IBR-defined expedited-standard if the borrower leaves IBR. • Application of borrower payments and prepayments. • Frequency of capitalization. • Federal interest benefits and special allowance payments. • Disclosure requirements for lenders. • IBR and loan rehabilitation. • Loan forgiveness. • Administrative forbearance to collect and process documentation for forgiveness.	The provisions of the income-based repayment (IBR) plan are effective July 1, 2009. IBR loan forgiveness may not occur prior to July 1, 2034.	1119/159

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
A.2 Special Allowance and Excess Interest	Incorporates HEOA-related changes that require FFELP lenders to comply with the provisions of the Servicemembers Civil Relief Act (SCRA) with respect to charging reduced interest (not to exceed 6%) on a FFELP loan. Qualifying borrowers must request the reduced interest rate in writing and provide the lender substantiating documentation of his or her eligibility. Permits the lender to determine the applicable special allowance payment based on the loan's actual 6% interest rate if the loan was first disbursed on or after July 1, 2008.	Loans for which the lender receives a servicemember's written request for the reduced interest rate that is effective on or after August 14, 2008, for periods of military service ending on or after that date. Special allowance billings for loans that are first disbursed on or after July 1, 2008, if the lender receives a servicemember's request for the reduced interest rate on or after August 14, 2008.	1096/157
A.2.A Special Allowance and Excess Interest Rates	Incorporates changes from the October 23, 2008 Final Rules relating the definition of "eligible not-for-profit holder."	July 1, 2009.	1134/159
Figure A-5 LaRS Special Allowance and Interest Rate Reporting for FFELP Loans	Provides an updated version of the LaRS Special Allowance and Interest Rate Reporting for FFELP Loans chart from the NCHELP Program Regulations Committee for inclusion in the Manual. This version is dated March 2008, and contains statutory changes made to special allowance codes as a result of the College Cost Reduction and Access Act (CCRAA) of 2007.	Loans first disbursed on or after October 1, 2007.	1069/154
Appendix D: U.S. Department of Education Contact Information			
D.9 Other Department Contact Information	Removes references throughout the Manual to the Child Care Providers Loan Forgiveness program.	August 14, 2008.	1080/156
Appendix F: FFELP Community Initiatives			
Common Review Initiative (CRI)	Moves the CRI information from Appendix F to Chapter 17, and updates the information to include ED's approval of the CRI process.	January 1, 2008.	1062/152
Appendix G: Glossary			
Ability-to-Benefit (ATB)	Expands the ability to benefit criteria and allows a student without a high school diploma or its equivalent to become eligible to receive Title IV funding upon satisfactory completion of six credit hours or equivalent coursework that is applicable toward a degree or certificate offered by the school.	Awards of Title IV aid made on or after August 14, 2008.	1124/159
Academic Competitiveness Grant	Includes glossary definitions for the ACG and National SMART Grant programs.	July 1, 2006.	1061/152
BBAY (and BBAY1, BBAY2, BBAY3) Borrower-Based Academic Year	Incorporates various changes made in the Volume 3 of the 08-09 FSA Handbook regarding academic year categories, including the adoption of the abbreviation for programs with nonstandard terms that are substantially equal and at least nine weeks of instructional time in length (SE9W), and the FSA Handbook standard for identifying the different BBAY categories that apply to different types of academic programs: BBAY1, BBAY2, and BBAY3. Revises the current Appendix G definition of the acronym "BBAY", as well as the definition of "Borrower-Based Academic Year."	Publication date of Volume 3 of the 08-09 FSA Handbook, unless implemented by the school on or after November 1, 2007.	1092/159

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Consumer Reporting Agency	Incorporates the provision of the HEOA which states that upon successful rehabilitation of a loan, the guarantor or any other holder that reported the loan as a default, must request that the consumer reporting agency to which the default was reported remove the default record from the borrower's credit history. Adds a definition of Consumer Reporting Agency to Appendix G.	Loan rehabilitation sales to eligible lenders that take place on or after August 14, 2008.	1112/158
Diligent Effort	Specifies that a diligent effort is one successful contact or two attempts to contact the borrower or endorser by telephone. Each effort consists of one successful contact or two attempts to contact the borrower or endorser on different days and at different times.	Retroactive to the implementation of the *Common Manual.*	1059/151
Discharge	Updates the definition of the term 'discharge' to include the crime of identity theft.	False Certification as a result of identity theft loan discharge claims processed by the lender on or after September 8, 2006.	1060/152
Eligible Not-For-Profit Holder	Incorporates changes from the October 23, 2008 Final Rules relating the definition of "eligible not-for-profit holder."	July 1, 2009.	1134/159
Expedited-Standard	Adds information to the Manual regarding the new income-based repayment (IBR) plan, addressing the following lender/servicer activities with regard to IBR: • Determination of partial financial hardship for a borrower who selects IBR. • Calculation of a borrower's minimum monthly payment amount under IBR. • Recalculation of a borrower's monthly payment amount under the IBR-defined permanent-standard if the borrower ceases to have a PFH, chooses not to make PFH payments but remains in IBR, or the borrower fails to renew consent for income verification. • Recalculation of a borrower's monthly payment amount under the IBR-defined expedited-standard if the borrower leaves IBR. • Application of borrower payments and prepayments. • Frequency of capitalization. • Federal interest benefits and special allowance payments. • Disclosure requirements for lenders. • IBR and loan rehabilitation. • Loan forgiveness. • Administrative forbearance to collect and process documentation for forgiveness.	The provisions of the income-based repayment (IBR) plan are effective July 1, 2009. IBR loan forgiveness may not occur prior to July 1, 2034.	1119/159

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Federal Perkins Loan Federal Supplemental Educational Opportunity Grant Federal Work-Study	Provides separate glossary definitions of the Federal Work-Study, Federal Supplemental Educational Opportunity Grant, and the Federal Perkins Loan Programs. A cross-reference to the FSA Handbook has also been added to the definition of each program.	Retroactive to the implementation of the *Common Manual.*	1070/154
Forgiveness	Removes references throughout the Manual to the Child Care Providers Loan Forgiveness program.	August 14, 2008.	1080/156
Full-Time Student	Includes new standards for determining full-time enrollment status for a student enrolled in a nonstandard term-based, credit hour program or in correspondence coursework. Deletes obsolete formulas for determining full-time enrollment status for students enrolled in a program using both credit and clock hours. Clarifies that noncredit and reduced-credit remedial courses must be included when determining a student's enrollment status, if the student qualifies for aid for the remedial courses.	Loans first disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1051/151
Grade Level	Revises the current glossary definition of "Grade Level" to clarify that a school must provide the appropriate grade level code (e.g., 01 through 05) on the Federal Stafford Loan School Certification.	Publication date of Volume 3 of the 08-09 FSA Handbook, unless implemented earlier by the school on or after November 1, 2007.	1093/157
Income-Based Repayment (IBR) Schedule	Adds information to the Manual regarding the new income-based repayment (IBR) plan, addressing the following lender/servicer activities with regard to IBR: • Determination of partial financial hardship for a borrower who selects IBR. • Calculation of a borrower's minimum monthly payment amount under IBR. • Recalculation of a borrower's monthly payment amount under the IBR-defined permanent-standard if the borrower ceases to have a PFH, chooses not to make PFH payments but remains in IBR, or the borrower fails to renew consent for income verification. • Recalculation of a borrower's monthly payment amount under the IBR-defined expedited-standard if the borrower leaves IBR. • Application of borrower payments and prepayments. • Frequency of capitalization. • Federal interest benefits and special allowance payments. • Disclosure requirements for lenders. • IBR and loan rehabilitation. • Loan forgiveness. • Administrative forbearance to collect and process documentation for forgiveness.	The provisions of the income-based repayment (IBR) plan are effective July 1, 2009. IBR loan forgiveness may not occur prior to July 1, 2034.	1119/159
Institution-Affiliated Organization	Updates Appendix G with definitions of "institutional-affiliated organization", "opportunity pool loans", and "preferred lender arrangement".	School participating in a Title IV loan program on or after August 14, 2008.	1122/159

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Institution of Higher Education (Institution)	Expands the ability to benefit criteria and allows a student without a high school diploma or its equivalent to become eligible to receive Title IV funding upon satisfactory completion of six credit hours or equivalent coursework that is applicable toward a degree or certificate offered by the school.	Awards of Title IV aid made on or after August 14, 2008.	1124/159
Lender of Last Resort	Includes new and amended provisions for lender of last resort (LLR) loans outlined in the Ensuring Continued Access to Student Loans Act (ECASLA) and subsequent federal guidance.	May 7, 2008.	1075/155
National Science and Mathematics Access to Retain Talent Grant	Includes glossary definitions for the ACG and National SMART Grant programs.	July 1, 2006.	1061/152
Opportunity Pool Loan	Updates Appendix G with definitions of "institutional-affiliated organization", "opportunity pool loans", and "preferred lender arrangement".	School participating in a Title IV loan program on or after August 14, 2008.	1122/159
Partial Financial Hardship (PFH) Permanent-Standard	Adds information to the Manual regarding the new income-based repayment (IBR) plan, addressing the following lender/servicer activities with regard to IBR: • Determination of partial financial hardship for a borrower who selects IBR. • Calculation of a borrower's minimum monthly payment amount under IBR. • Recalculation of a borrower's monthly payment amount under the IBR-defined permanent-standard if the borrower ceases to have a PFH, chooses not to make PFH payments but remains in IBR, or the borrower fails to renew consent for income verification. • Recalculation of a borrower's monthly payment amount under the IBR-defined expedited-standard if the borrower leaves IBR. • Application of borrower payments and prepayments. • Frequency of capitalization. • Federal interest benefits and special allowance payments. • Disclosure requirements for lenders. • IBR and loan rehabilitation. • Loan forgiveness. • Administrative forbearance to collect and process documentation for forgiveness.	The provisions of the income-based repayment (IBR) plan are effective July 1, 2009. IBR loan forgiveness may not occur prior to July 1, 2034.	1119/159
Pell Grant	Adds a cross-reference to the FSA Handbook to the existing Pell Grant glossary definition.	July 1, 2006.	1061/152
Preferred Lender Arrangement	Updates Appendix G with definitions of "institutional-affiliated organization", "opportunity pool loans", and "preferred lender arrangement".	School participating in a Title IV loan program on or after August 14, 2008.	1122/159

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Public Service Loan Forgiveness Program	Incorporates a HEOA-related change that states a FFELP borrower may consolidate into the Direct Loan program for the purpose of using the no accrual of interest for active duty service members benefits of the Direct Loan program. Incorporates changes made as a result of the HEOA and Final Rule dated October 23, 2008, that state that a FFELP borrower may consolidate into the Direct Loan program for the purpose of using the Public Service Loan Forgiveness Program.	Direct Consolidation Loans disbursed on and after October 1, 2008, for purpose of using the no accrual of interest for active duty service members. Direct Consolidation Loans disbursed on and after July 1, 2009: • to obtain an income-based repayment plan (if the loan has been submitted for default aversion or is already in default). • for purposes of using the Public Service Loan Forgiveness Program.	1104/157
SAY Scheduled Academic Year SE9W	Incorporates various changes made in the Volume 3 of the 08-09 FSA Handbook regarding academic year categories, including the adoption of the abbreviation for programs with nonstandard terms that are substantially equal and at least nine weeks of instructional time in length (SE9W), and the FSA Handbook standard for identifying the different BBAY categories that apply to different types of academic programs: BBAY1, BBAY2, and BBAY3. Adds a new Appendix G definition for the acronym “SE9W” relative to a non-standard term-based credit-hour program.	Publication date of Volume 3 of the 08-09 FSA Handbook, unless implemented by the school on or after November 1, 2007.	1092/159

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Self-Paced	Incorporates several new and existing clarifications found in the FSA Handbook concerning prorating a borrower's Stafford annual loan limit. Incorporates information regarding when a school is not required to prorate the Stafford annual loan limit and in some instances, the school is not permitted to prorate the borrower's Stafford annual loan limit. Adds a definition of "self-paced program."	Publication date of Volume 3 of the 08-09 FSA Handbook for the following in a credit-hour program that uses nonstandard terms that are substantially equal and at least nine instructional weeks in length (SE9W): • Determining the final period of study for an undergraduate borrower. • Exempting from proration an undergraduate borrower who is enrolled less than half time for a term(s) during a final period of study that contains the number of terms in the program's academic year. Publication date of Volume 3 of the 07-08 FSA Handbook for exempting from proration an undergraduate borrower who is enrolled in a standard term-based credit-hour program and enrolled less than half time for a term(s) during a final period of study that contains the number of terms in the program's academic year. Publication date of Volume 3 of the 05-06 FSA Handbook for the following: • Clarifying that a school must prorate the Stafford annual loan limit when the school knows in advance that an undergraduate borrower will enroll in a program that is shorter than an academic year or, for a program that is equal to or longer than an academic year, the borrower will enroll in a final period of study that is shorter than an academic year. • Exempting from proration an undergraduate borrower who is enrolled at least half time but less than full time or enrolled for a period of less than a full academic year that is not a final period of study. Publication date of Volume 3 of the 04-05 FSA Handbook for using the school's academic year for the program to determine whether a final period of study is shorter than an academic year.	1095/159

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Standard-Standard	Adds information to the Manual regarding the new income-based repayment (IBR) plan, addressing the following lender/servicer activities with regard to IBR: • Determination of partial financial hardship for a borrower who selects IBR. • Calculation of a borrower's minimum monthly payment amount under IBR. • Recalculation of a borrower's monthly payment amount under the IBR-defined permanent-standard if the borrower ceases to have a PFH, chooses not to make PFH payments but remains in IBR, or the borrower fails to renew consent for income verification. • Recalculation of a borrower's monthly payment amount under the IBR-defined expedited-standard if the borrower leaves IBR. • Application of borrower payments and prepayments. • Frequency of capitalization. • Federal interest benefits and special allowance payments. • Disclosure requirements for lenders. • IBR and loan rehabilitation. • Loan forgiveness. • Administrative forbearance to collect and process documentation for forgiveness.	The provisions of the income-based repayment (IBR) plan are effective July 1, 2009. IBR loan forgiveness may not occur prior to July 1, 2034.	1119/159
TEACH Grant Teacher Education Assistance for College and Higher Education (TEACH) Grant	Adds information on certain TEACH grant provisions and their implications for FFELP borrowers and loan eligibility. These provisions relate to: estimated financial assistance (EFA); Stafford annual and aggregate loan limits; return of Title IV funds calculation; total and permanent disability; and a school's cohort default rate. Adds a glossary definition to the Manual for TEACH grants.	For provisions regarding estimated financial assistance (EFA), annual, and aggregate Stafford loan limits: Loan eligibility determinations made by a school on or after July 1, 2008. For provisions regarding the return of Title IV funds: TEACH Grant recipients who withdraw on or after July 1, 2008. For total and permanent disability discharge determinations: total and permanent disability discharge applications received by the lender on or after July 1, 2008. For all other provisions: July 1, 2008.	1078/155
Appendix H: History of the FFELP and the *Common Manual*			
H.4.C Higher Education Hurricane Relief Act Waivers H.4.D Disaster Waivers	Aligns the Manual with regulatory and statutory waivers that are still in effect for students, borrowers, schools, and lenders affected by a hurricane or other disaster per Departmental guidance.	For the 3-month administrative forbearance, August 5, 1999. For the Title IV grant overpayment waiver, November 9, 2005. For all other waivers, February 24, 2004.	1064/153

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
H.4.E Waiver of Borrower-by-Borrower LLR Designation	Includes new and amended provisions for lender of last resort (LLR) loans outlined in the Ensuring Continued Access to Student Loans Act (ECASLA) and subsequent federal guidance.	May 7, 2008.	1075/155

2.1
The Federal Family Education Loan Program (FFELP)

Chapter 2 provides general information about the FFELP, the types of loans that are available in the program, and the various stages that comprise the "life" of a FFELP loan. This chapter also lists other resources a school, lender, or servicer may wish to consult for more information about the FFELP.

2.1.A
Overview

The Federal Family Education Loan Program (FFELP) is authorized in Part B of Title IV of the Higher Education Act of 1965, as amended. Under the FFELP, students and their parents can obtain low-cost education loans to help pay for the cost of higher education.

FFELP loans are made to students and parents by lenders. The lender cannot require the borrower to provide collateral for the loan—and, in most cases, the lender does not require the borrower to be creditworthy. To protect the lender from loss in the event of the borrower's death, disability, bankruptcy, or default, the loan is guaranteed by a guarantor. In certain circumstances, the lender also is protected if the student attends a school that closes or if the school falsely certifies the borrower's loan.

Guarantors are reinsured under a common participation agreement with the U.S. Department of Education (the Department). However, the Department is authorized to enter into individual agreements, called Voluntary Flexible Agreements (VFAs), with selected guarantors. VFAs include waivers of certain regulations and may create unique servicing requirements for schools, lenders, and guarantors. Guarantors participating under VFAs will work with their school and lender partners to address the special requirements for servicing loans under their guarantee. [HEA §427(a)(2)(A); HEA §428(b) and (c); HEA §428A]

Some guarantors have entered into VFAs. Contact your guarantor for more information.

2.1.B
Types of Loans Available

All FFELP loans have flexible terms—both during the period when the student is in school and during the period when the loan must be repaid. During repayment, a borrower may be entitled to defer payments on the loan in certain circumstances, such as during periods of unemployment, economic hardship, or further study.

There are several types of education loans currently offered by lenders under the FFELP:

- A **subsidized Federal Stafford loan** is available to an eligible student attending a participating postsecondary school. A student who demonstrates financial need is eligible to have the federal government pay the interest on the loan to the lender until repayment of the loan begins and during any deferment periods. The student is allowed a grace period (usually six months) after leaving school or dropping below half-time enrollment before repayment begins. Repayment of ~~the~~ a Stafford loan is scheduled over a maximum period of 10 years. However, the repayment period may be longer than 10 years under an income-based repayment plan. For a borrower eligible for an extended repayment schedule, the maximum repayment period is~~, or~~ 25 years ~~for borrowers eligible for an extended repayment schedule~~. (See Section 10.8).[1]

- An **unsubsidized Federal Stafford loan** is available to an eligible student attending a participating postsecondary school. A student who does not demonstrate sufficient financial need is typically eligible for an unsubsidized Stafford loan. An unsubsidized Stafford loan can also be used to supplement a subsidized Stafford loan. An unsubsidized Stafford loan borrower does not have any interest paid on his or her behalf by the federal government; such a borrower is responsible for paying to the lender all interest that accrues on the loan from the time the loan is disbursed until it is paid in full. Otherwise, the terms of an unsubsidized Stafford loan are the same as those for a subsidized Stafford loan.

1. Policy 1119 (Batch 159), approved April 16, 2009

- A **Federal PLUS loan** is available to an eligible parent of a dependent undergraduate student attending a participating postsecondary school and to an eligible graduate or professional student enrolled in an eligible graduate or professional program at a participating school. A PLUS loan borrower must not have adverse credit or must obtain a creditworthy endorser to be eligible for the loan. The borrower is responsible for paying to the lender the interest that accrues on the loan from the time the loan is disbursed until it is paid in full. Repayment of ~~the~~ a PLUS loan is scheduled over a maximum period of 10 years. However, the repayment period on a Grad PLUS loan may be longer than 10 years under an income-based repayment plan. For a borrower eligible for an extended repayment schedule, the maximum repayment period is~~, or~~ 25 years ~~for borrowers eligible for an extended repayment schedule~~. (See Section 10.8).[1]

- A **Federal Consolidation loan** is available to a borrower who wants to combine his or her outstanding education loans into a single loan with a single monthly payment. In most cases, the borrower is responsible for paying to the lender the interest that accrues on the loan until the loan is paid in full. Consolidation loans usually have a longer repayment period and a lower monthly payment than is available on the underlying education loans.

Before July 1, 1994, **Federal SLS loans** were available to eligible students attending participating postsecondary schools. An SLS borrower must pay to the lender all interest that accrues on the loan from the time the loan is disbursed until it is paid in full. The Federal SLS Loan Program was discontinued effective July 1, 1994. At the same time, loan limits on unsubsidized Stafford loans were increased by the amounts previously available to SLS borrowers. All SLS loans first disbursed before July 1, 1994, retain the terms and conditions established under the Federal SLS Loan Program.

More information about each of these types of loans, the process a borrower follows to obtain a loan, the terms of the loan, and how schools and lenders are to handle FFELP loans is included in this Manual.

2.2 The Life of a FFELP Loan

The life of a FFELP loan begins with the borrower's request for a loan and the school's certification of the borrower's eligibility. It ends when the loan is paid in full—or when the outstanding loan amount is fully discharged or forgiven. The life of a Stafford or PLUS loan spans three phases:

Phase 1: Origination
The school certifies the applicant's eligibility, and the lender approves the loan and applies for the guarantee.

Phase 2: The Interim Period
The school and lender manage the loan while the borrower or student is in school, and during any grace period to which the borrower is entitled.

Phase 3: Repayment
The lender maintains, or services, the loan from the time the borrower is to begin making payments on the loan until the loan is paid in full by the borrower, paid in full by consolidation, paid by the guarantor as a claim, or fully discharged or forgiven.

During these three phases, the school and lender each have responsibilities for ensuring that the loan is handled properly.

The three flow charts on the following pages depict the life of a Stafford loan and the life of a PLUS loan.

1. Policy 1119 (Batch 159), approved April 16, 2009

Deferment Forms

- SCH In-School Deferment Request
- EDU Education Related Deferment Request
- PUB Public Service Deferment Request
- TDIS Temporary Total Disability Deferment Request
- UNEM Unemployment Deferment Request
- PLWM Parental Leave/Working Mother Deferment Request
- HRD Economic Hardship Deferment Request and Worksheets
- PLUS PLUS Borrower with Dependent Student Deferment Request
- MIL Military Deferment Request

Default Aversion Forms

- Default Aversion Assistance Request Form

Claim Forms

- Claim Form
- Supplemental Claim Form
- Request for Reimbursement Due to Partial Discharge of a Federal Consolidation Loan
- FFELP Teacher Loan Forgiveness Request Form[1]

Loan Discharge/Forgiveness Forms

- Loan Discharge Application: School Closure
- Loan Discharge Application: False Certification of Ability to Benefit
- Loan Discharge Application: False Certification (Disqualifying Status)
- Loan Discharge Application: Unauthorized Signature/ Unauthorized Payment
- Loan Discharge Application: Total and Permanent Disability
- Loan Discharge Application: Unpaid Refund
- Loan Discharge Application: Spouses and Parents of September 11, 2001 Victims

- Teacher Loan Forgiveness Application
- Teacher Loan Forgiveness Forbearance Form
- ~~Child Care Provider Loan Forgiveness Application for Renewal Benefits~~
- ~~Child Care Provider Loan Forgiveness Forbearance Form~~[2]

1. Policy 1118 (Batch 159), approved April 16, 2009
2. Policy 1080 (Batch 156), approved February 19, 2009

If warranted, the Department or a guarantor will notify a lender that an action is pending to limit, suspend, or terminate its eligibility to participate in the FFELP. In any such action, if the Department, its designee, or Hearing Officer finds that the lender offered or provided payments or activities that violate the inducement provisions listed in this subsection under *Prohibited Activities*, the Department or the Hearing Officer will apply a rebuttable presumption that the payments or activities were offered or provided to secure FFELP loan applications or FFELP loan volume. To reverse this presumption, the lender must present evidence that the activities or payments in which the lender engaged were provided for a reason unrelated to securing FFELP loan applications or FFELP loan volume. ~~The lender will be given an opportunity to appeal such an action or to present evidence that the activities in which the lender was engaged were provided for a reason unrelated to securing applications for FFELP loans or securing loan volume.~~ For more information on limitation, suspension, and termination actions, see Chapter 18.
[§682.705(b) and (c); §682.706(a) and (d)~~; §682.707~~][1]

A lender is considered ineligible to participate in the FFELP if any principal employee or affiliate of the lender is debarred or suspended under Executive Order 12549 or the Federal Acquisitions Regulations.

3.4.D Borrower Defenses

In some cases, a loan held by a lender may be subject to borrower claims and defenses that the borrower might otherwise assert against the school (such as poor quality of education). This may result in the borrower being released from his or her obligation to repay the loan, if the loan meets any of the following criteria:

- The loan was made by the school or a school-affiliated organization.
- The loan was made by a lender that provided improper inducements to the school or to another party in the making of the loan. (See Subsection 3.4.C for more information regarding improper lender activities.)
- The loan was made for attendance at a school that referred the borrower to the lender.
- The loan was made for attendance at a school that was affiliated by common control, contract, or other business with the originating lender.

1. Policy 1120 (Batch 159), approved April 16, 2009

3.4.E Charges to Borrowers

A lender may impose the following charges on borrowers, as provided by the terms of the borrower's promissory note and as permitted by federal and state law:

- Federal default (formerly guarantee) and origination fees.
  [§682.202(c) and (d)]
- Interest (not to exceed the applicable statutory rate).
  [§682.202(a)]
- Capitalized interest.
  [§682.202(b)]
- Late charges.
  [§682.202(f)]
- Reasonable collection costs, such as court costs and attorney fees incurred by the lender or its servicer in collecting a delinquent loan.
  [§682.202(g)(1)]

If an ineligible borrower receives a loan solely as a result of his or her error or false statements, the lender also may charge the borrower the amount of special allowance that was paid by the Department through the most recently ended fiscal quarter.
[§682.202(h)]

If a borrower refinances a fixed interest rate PLUS or SLS loan to obtain a variable interest rate, the lender may charge the borrower a fee of up to $100 to cover the costs of conversion. For more information on refinancing PLUS and SLS loans, see Appendix B.
[§682.202(e)]

Nonpermissible Charges

A lender may not charge the borrower either of the following:

- Additional fees for making a loan, such as lender application fees or the cost of credit checks performed on a borrower (federally authorized guarantee and origination fees are permissible).
- Normal collection costs, such as costs associated with the preparation and mailing of notices or letters or the making of telephone calls.
  [§682.202(g)(2)]

- The school will not provide any commission, bonus, or other incentive payment to a person or entity engaged in student recruitment or admission activities or in making decisions regarding the awarding of Title IV aid, based directly or indirectly upon the success of securing enrollments or financial aid. This prohibition does not apply to the recruitment of foreign students residing in foreign countries who are not eligible to receive Title IV aid. (See subheading "Permissible Incentive Compensation" later in this subsection for a list of permissible activities that do not violate this provision).
  [§668.14(b)(22)(i)]

- The school will not request or accept from any lender any offer of funds to be used for private education loans, including funds from an opportunity pool, to students in exchange for the school providing concessions or promises to the lender, including the following:

  – A specified number of FFELP loans made, insured, or guaranteed.

  – A specified volume of FFELP loans.

  – A preferred lender arrangement for FFELP loans.
  [HEA §487(e)(5)]

- The school will develop, publish, administer, and enforce a school code of conduct that meets the minimum requirements described in Subsection 4.1.E. The code of conduct will apply to the school's officers, employees, and agents, and each institution-affiliated organization that has a preferred lender arrangement for the purpose of offering FFELP or private education loans. The school, and any institution-affiliated organizations that has a Website, must publish the code prominently on its Website. Also, the school must annually inform any of its officers, employees, and agents who have responsibilities with respect to education loans of the code's provisions.
  [HEA §151(5); HEA §487(a)(25); DCL GEN-08-12/FP-08-10][1]

The Department will notify a school in writing whether the school qualifies in whole or in part as an eligible institution of higher education. The school also is notified of the Title IV programs in which it is eligible to participate.

If only a portion of the school qualifies as an eligible institution of higher education, the Department will specify in the notice each location and/or educational program that qualifies.

Upon being approved by the Department, a school becomes eligible to apply for participation in the FFELP with the guarantor. For any school, the guarantor must be satisfied that the school has the ability to properly administer the FFELP according to federal regulations and the guarantor's policies before it will approve the school for participation under its guarantee.

▲ Schools may contact individual guarantors for more information on specific eligibility procedures and required supporting documentation. See Section 1.5 for contact information.

A school may participate in the FFELP and the Federal Direct Loan Program (FDLP) at the same time. However, a school is prohibited from certifying loans of the same type (be it Stafford or PLUS) under each program for the same student for the same period of enrollment. A school may, though, certify a PLUS loan under either program, and a Stafford loan under the other program, when the loans benefit the same student for the same period of enrollment. For example, the school may certify a Stafford loan under the FFELP and a PLUS loan under the FDLP for the same student for the same period of enrollment.
[HEA §454(a)(4); 07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-78]

Permissible Incentive Compensation

The following are examples of compensation incentives that a school may offer that have been approved by the Department (a school is not limited to offering only these compensation plans, however):

- Fixed compensation (annual salary or hourly wage), as long as it is not adjusted more than twice during any 12-month period (with the exception of a cost of living increase that is paid to substantially all full-time employees) and any adjustment is not based solely on the number of students recruited, admitted, enrolled, or awarded financial aid.
  [§668.14(b)(22)(ii)(A)]

- Compensation to recruiters based on the recruitment of students who enroll only in non-Title IV programs.
  [§668.14(b)(22)(ii)(B)]

- Compensation to recruiters who arrange contracts between the school and an employer whose employees enroll at the school and for whom the employer pays

1. Policy 1122 (Batch 159), approved April 16, 2009

- The percentage of the school's regularly enrolled students who had neither a high school diploma nor the recognized equivalent of a high school diploma is more than 50%, and the school does not provide a 2-year or 4-year degree program. A nonprofit school may be exempt from this rule if it demonstrates to the Department that it exceeds the 50% threshold because it serves, through government contracts, significant numbers of such students. No more than 40% of the school's total enrollment may consist of students who lack a high school diploma, or its equivalent, and who are not served through the government contracts. [§600.7(a)(1)(iv) and (d)]

90/10 Rule for Proprietary Schools

Federal regulations stipulate that proprietary schools must receive no more than 90% of their revenues from Title IV funds. If a school fails to meet this requirement, it is ineligible to participate in all Title IV student assistance programs. This requirement is known as the 90/10 rule. The formula for determining the revenue percentages is found in 34 CFR 600.5(d).

The determination of whether a proprietary school meets this requirement is based on the school's most recently completed fiscal year. A school that fails to satisfy the 90/10 rule during its most recently completed fiscal year loses its eligibility on the last day of that fiscal year.

A school has 90 days after the end of its most recently completed fiscal year to report to the Department and each applicable guarantor that it did not satisfy the 90/10 rule for that period.

If a school determines that it did satisfy the 90/10 rule during its most recently completed fiscal year, it must have the independent certified public accountant who prepares its audited financial statement report on the accuracy of the school's calculation—based on performing an agreed-upon procedure attestation engagement. The report must be included as part of the audited financial statement. [§600.5(a)(8); §600.5(d)–(g); §600.40(a)(2); §668.15]

Close-Out Procedures

When a school closes or otherwise loses its eligibility for continued participation, federal regulations require that the school perform a series of close-out procedures. The school also is required to implement the close-out procedures of the appropriate state licensing authority.
[§600.5; §600.7; §600.40; §668.26]

Delivery of Proceeds in Cases of Loss of School Eligibility

A school's loss of eligibility impacts its ability to deliver Title IV funds to students. See Subsection 7.7.H and Section 8.11 for additional information regarding the disbursement and delivery of funds in the case of loss of school eligibility or certification.

4.1.E
School Code of Conduct

As part of a Program Participation Agreement (PPA), the school that has a preferred lender arrangement for the purpose of offering FFELP or private education loans must develop, publish, administer, and enforce a code of conduct that applies to the officers, employees, and agents of the school.

The code of conduct must include the following:

- A ban on revenue-sharing arrangements. A school may not enter into a revenue-sharing arrangement with any lender. A revenue-sharing arrangement is defined as any arrangement between a school and a lender under which the lender makes Title IV loans to students attending the school (or to the families of those students), the school recommends the lender or the loan products of the lender and, in exchange, the lender pays a fee or provides other material benefits, including revenue or profit-sharing, to the school or to its officers, employees, or agents.
[HEA §487(e)(1); DCL GEN-08-12/FP-08-10]

- A gift ban. An employee of a school financial aid office may not receive gifts from a lender, servicer, or guarantor. An officer, employee, or agent of a school's financial aid office or a school officer or agent who has responsibilities with respect to education loans may not solicit or accept any gifts from a lender, servicer, or guarantor. A "gift" is defined as any gratuity, favor, discount, entertainment, hospitality, loan, or other item having monetary value of more than a *de minimus* amount. Exceptions to this gift ban include the following:

  – The school may accept brochures, workshops, or trainings using standard materials relating to a loan, default aversion and prevention, or financial literacy.[1]

[1] Policy 1122 (Batch 159), approved April 16, 2009

– The school may accept food, training, or informational material provided as part of a training session designed to improve the service of a lender, guarantor, or servicer if the training contributes to the professional development of the school's officer, employee or agent.

– The school may accept favorable terms and benefits on an education loan provided to a student employed by the school if those terms and benefits are comparable to those provided to all students at the school.

– A lender or guarantor may conduct entrance and exit counseling at a school, as long as the school's staff are in control of the counseling and the counseling does not promote the services of a specific lender.

– The school may accept philanthropic contributions from a lender, guarantor, or servicer that are unrelated to education loans or any contribution that is not made in exchange for advantage related to education loans.

– The school may accept education grants, scholarships, or financial aid funds administered by or on behalf of a state.
[HEA §487(e)(2); DCL GEN-08-12/FP-08-10]

- A school officer, employee, or agent working in the school's financial aid office or who has responsibilities with respect to education loans may not accept from a lender, or affiliate of any lender, any fee, payment, or other financial benefit as compensation for any type of consulting arrangement or contract to provide services to or on behalf of a lender relating to education loans.
[HEA §487(e)(3); DCL GEN-08-12/FP-08-10]

- A school may not assign, through award packaging or other methods, a lender to a first-time borrower. In addition, the school may not delay or refuse to certify a loan based on the borrower's choice of a particular lender or guarantor.
[HEA §487(e)(4); DCL GEN-08-12/FP-08-10]

- A school may not request or accept funds from a lender for private education loans, including funds for opportunity pool loans to its students, in exchange for providing concessions or promises to the lender for a specific number of FFELP loans made, insured, or guaranteed; a specified loan volume; or a preferred lender arrangement.
[HEA §487(e)(5); DCL GEN-08-12/FP-08-10]

- A school may not request or accept assistance from a lender with call center or financial aid office staffing. However, a school can receive assistance from a lender in the form of professional development training, educational counseling materials as long as the materials identify the lender that assisted in preparing the materials, and short-term non-recurring staffing assistance during emergencies or disasters.
[HEA §487(e)(6); DCL GEN-08-12/FP-08-10]

- Any employee of the school's financial aid office or who has responsibilities with respect to education loans or financial aid that serves on an advisory board, commission, or group established by a lender or guarantor, or group of lenders or guarantors, is prohibited from receiving anything of value for the service except for reimbursement of reasonable expenses incurred by the employee for service on the board.
[HEA §487(e)(7); DCL GEN-08-12/FP-08-10][1]

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continue to meet the requirements of the program. The Department will select schools based on the school's demonstrated institutional performance.

QAP is currently being tested at various sites.

Contact your guarantor or the Department for more information on this program.

4.8 Independent Audits

As a condition of participation in the FFELP and several other Title IV programs, each school and third-party servicer contracted by the school must undergo annual financial and compliance audits on a fiscal-year basis. These audits, required by federal law and regulations, must be conducted by an independent or government auditor that meets the qualifications and standards specified in the U.S. General Accounting Office's *Government Auditing Standards* and independence standards, including those related to organizational independence. Both the audited financial statement and the compliance audit must be submitted together to the Department within 6 months following the end of the school's or servicer's fiscal year end. To determine applicable audit requirements and submission periods, schools and school servicers should consult the *Audit Guide, Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions* and OMB Circular A-133. Copies of the *Audit Guide* may be obtained by calling the Department at 800-4-FED-AID. Copies of OMB circulars may be obtained from the OMB's Publication Office at (202) 395-7332, or in an electronic format from the White House's Website:

> www.whitehouse.gov/omb/circulars/index-education.html

Waiver of Annual Audit Submission

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

In addition, a~~A~~t the request of a school, the Department may waive the annual audit submission requirement if the school meets all of the following criteria:[1]

- Is not a foreign school.
  [§668.27(c)(1)]
- Disbursed less than $200,000 in Title IV program funds during each of the two completed award years preceding the school's waiver request.
  [§668.27(c)(2)]
- Agrees to keep records relating to each award year in the unaudited period for 2 years after the end of the record retention period specified in Section 4.5 for that award year.
  [§668.27(c)(3)]
- Has participated in Title IV programs under the same ownership for at least three award years preceding the school's waiver request.
  [§668.27(c)(4)]
- Is financially responsible as defined in Section 4.3 and does not rely on the alternative standards of Subsection 4.3.A to participate in Title IV programs.
  [§668.27(c)(5)]
- Is not on the reimbursement or cash monitoring system of payment.
  [§668.27(c)(6)]
- Has not been the subject of a limitation, suspension, fine, termination proceeding, or emergency action initiated by the Department or a guarantor in the 3 years preceding the school's waiver request.
  [§668.27(c)(7)]
- Has submitted its compliance audits and audited financial statements for the previous two fiscal years in accordance with and subject to Subsection 4.3.A, and no individual audit disclosed liabilities exceeding $10,000.
  [§668.27(c)(8)]
- Submits a letter of credit equaling 10% of the amount of Title IV program funds the school disbursed to or on behalf of its students during the award year preceding the school's waiver request. This letter must remain in

1. Policy 1105 (Batch 158), approved April 16, 2009

5.9 Required High School Diploma or Equivalent

To be eligible for FFELP funds, the borrower, or the dependent student for whom a parent seeks a PLUS loan, must have a high school diploma or its equivalent, or must ~~receive a passing score on an approved ability-to-benefit test~~ demonstrate an ability to benefit from a program of study offered by a school (see Section 5.10 for more information on ability-to-benefit provisions). The following are considered equivalent to a high school diploma for establishing Title IV eligibility: [§668.32(e)(1) and (2)]

- A General Education Development (GED) Certificate—or a state certificate issued after a student passes an approved examination that the state recognizes as an equivalent to the GED. [§668.32(e)(3)]

- An academic transcript in a recognized program. A school may admit a limited number of students without high school diplomas or equivalent certificates who have excelled academically in high school and met the school's admissions standards. If such a student completes a program of at least two years that is acceptable for full credit toward a bachelor's degree, the academic transcript for that program would be considered the equivalent of a high school diploma. [07-08 FSA Handbook, Volume 1, Chapter 1, pp. 1-5 to 1-6]

5.10 Ability-to-Benefit Provisions

To receive Title IV assistance, a student without a high school diploma or its equivalent must demonstrate the potential to succeed in (i.e., an ability to benefit from) a program of study ~~in~~ offered by a ~~postsecondary institution~~ school. A student who is admitted on an ability-to-benefit (ATB) basis must meet one of the following requirements: [§668.32(e); §682.201(a)(8)]

- The student takes—and achieves at least a passing score as specified by the U.S. Department of Education~~,~~ on—an independently administered test that has been approved by the Department to establish (according to the Department's criteria) whether the student has the ability to benefit from the education or training being offered. The independent administrator for the ATB test must be an individual or organization that has been certified by the test publisher and has no fiscal interest in the school. [§668.141(a)(1)]

- The student obtains a passing score on a Department-approved state test or assessment. [§668.141(a)(1)]

- The student is enrolled in an eligible school that participates in a state-approved testing process that is approved by the Department. [§668.141(a)(2)]

- The student satisfactorily completes six credit hours or equivalent coursework that is applicable toward a degree or certificate offered by the school. The student is ineligible to receive Title IV aid while earning the six credit hours or their equivalent. [HEA §484(d)(4); DCL GEN-08-12/FP-08-10][1]

To determine a student's eligibility to receive Title IV aid, a school may accept a passing score on an approved, properly administered ATB test if the score is received from an approved test publisher or assessment center. [§668.151(a)(2)]

A student should not be considered to have an ability to benefit if, at the time of loan certification, the student would not meet the requirements for employment in the student's state of residency in the occupation for which the student is training. The disqualifying factor may be a physical or mental condition, age, criminal record, or any other reason accepted by the Department. The school will not be held responsible for improper certification if it could not reasonably be expected to be aware of the student's disqualifying condition. [§682.402(e)(13)]

5.10.A Testing ATB Students with Special Needs

If no test can be approved for students with disabilities or for students for whom English is not their native language or who are not fluent in English because a test is not reasonably available, the Department considers the

1. Policy 1124 (Batch 159), approved April 16, 2009

6.1.B Academic Year Categories

~~Typically,~~ Generally, there are two categories of academic year that determine the frequency of Stafford annual loan limits:

- A scheduled academic year (SAY) that corresponds to a traditional academic year calendar ~~(e.g., fall and spring semesters; or fall, winter, and spring quarters)~~. An SAY is a ~~“fixed” academic~~ fixed period of time that generally begins and ends at about the same time each calendar year according to an established schedule that is published in a school’s catalog or other materials. Summer terms are generally not considered to be part of the SAY, but for loan limit purposes they are treated as a “header” or “trailer” to the SAY, as explained below.
  [08-09 FSA Handbook, Volume 3, Chapter 5, pp. 3-79 and 3-80]

  For a standard term-based credit-hour program, a traditional academic year includes, for example, fall and spring semesters, or fall, winter, and spring quarters. For a nonstandard term-based credit-hour program with substantially equal terms that are at least nine weeks of instructional time in length (SE9W), a traditional academic year includes two or more nonstandard terms during the period fall through spring. Nonstandard terms are considered substantially equal in length if no term in the loan period is more than two weeks of instructional time longer than any other term in the loan period.
  [08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-79]

- A borrower-based academic year (BBAY) that does not have a fixed beginning or ending date. A BBAY begins when a student, or a group of students, begins attendance and tracks the student’s (or group‘s) attendance and progress in a program of study.
  [08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-82]

Although there is no annual loan limit for a parent or Grad PLUS loan, a school must certify a parent or Grad PLUS loan for the same SAY or BBAY loan period that is used for the student’s Stafford loan.
[~~07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-78~~ 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-79]

Both the SAY and BBAY must meet the minimum statutory requirements ~~of~~ for an academic year. One exception to this rule is that, for a program offered in an SAY, a BBAY that includes a summer term and that is used as an alternative to ~~a~~ the SAY ~~in a standard term-based, credit-hour program and that includes a summer term~~ may include fewer than 30 weeks of instructional time or fewer credit hours than the minimum number required for an SAY.
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-82]

~~For clock-hour programs and nonstandard term-based and non-term-based credit-hour programs, a school must use a BBAY.~~ For a standard term-based credit-hour program~~s~~ that ~~are~~ is offered in a traditional academic year calendar or a credit-hour program with nonstandard terms that are SE9W using a traditional academic year calendar, a school may use either an SAY or a BBAY (referred to in discussion below as BBAY1). For ~~a standard term-based program~~ such programs that ~~is~~ are *not* offered in a traditional academic year calendar, a school must use a BBAY (referred to in discussion below as BBAY2).
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-82]

For a clock-hour program, a non-term-based credit-hour program, or a credit-hour program with nonstandard terms that are *not* SE9W, a school must use a BBAY (referred to in discussion below as BBAY3).
[08-09 FSA Handbook, Volume 3, Chapter 5, p.3-83]

There are significant differences ~~between a~~ in how a school determines that a student has completed a BBAY for a ~~standard term-based~~ credit-hour program with standard terms or nonstandard terms that are SE9W~~, and~~ versus a BBAY for a clock-hour, a non-term-based credit-hour, or a nonstandard term-based credit-hour program with terms that are *not* SE9W. See the discussion that follows for additional information.

~~Standard Term-Based,~~ Credit-Hour Programs with Standard Terms or Nonstandard Terms That Are SE9W Offered in a Traditional Academic Year Calendar: Using an SAY

~~A school with~~ For a ~~standard term-based~~ credit-hour program with standard terms or nonstandard terms that are SE9W using an SAY that corresponds to a traditional academic year calendar, the school must designate the summer term as either a “header” (precedes the academic year) or a “trailer” (follows the academic year). (See the discussion in this ~~s~~Subsection under the ~~sub~~heading *Academic Year Categories* for additional information.) A school may consistently designate the summer term as either a header or trailer with no exceptions. ~~The~~ A school ~~has~~ may also choose any one of the following options, provided there is no overlap in academic years:

- ~~The school may consistently designate the summer term as either a header or a trailer with no exceptions.~~[1]

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- The school may consistently designate the summer term as either a header or a trailer with some exceptions (e.g., for different programs or for individual students) that are determined by the school on a case-by-case basis.
- The school may make all decisions regarding the use of the summer term as a header or a trailer on a case-by-case basis.

The Stafford annual loan limit applies to the SAY, plus the summer trailer or header. Once the calendar period associated with all of the terms in the SAY has elapsed, a student regains eligibility for new Stafford annual loan limits regardless of whether the student attends all of the terms or completes all of the credit hours or weeks of instructional time in the program's Title IV academic year. [08-09 FSA Handbook, Volume 3, Chapter 5, pp. 3-79 and 3-80]

~~Standard Term-Based,~~ Credit-Hour Programs Using Standard Terms or Nonstandard Terms That Are SE9W Offered in a Traditional Academic Year Calendar: Using ~~a~~ BBAY1

If a program is offered in an SAY, the school may use BBAY1 as an alternative to the SAY for monitoring annual loan limit progression. If ~~a~~ BBAY1 is used, the school must include the same number of consecutive terms in the BBAY as it includes in ~~its~~ the program's SAY, excluding a summer term designated as a "header" or "trailer" to the SAY. (See the discussion in this ~~s~~Subsection under the ~~sub~~heading *Academic Year Categories* for additional information.) For example, if the SAY includes three quarter terms (fall, winter, and spring), a BBAY would consist of any three consecutive terms. ~~Mini-sessions (summer or otherwise) must be combined and treated as a single term. The borrower is not required to attend the entire BBAY but the loan period must coincide with the student's attendance. The BBAY must begin with a term in which the student actually is enrolled but may include a term in which the student is not enrolled.~~ The BBAY may include a term(s) in which the student does not enroll if the student could have enrolled at least half-time in that term(s), but the BBAY must begin with a term in which the student is actually enrolled. A student may be enrolled less than half-time for the first term in the BBAY, although the student is not eligible to receive, or receive the benefit of, a loan for that initial term. Mini-sessions (summer or otherwise) that are offered consecutively within a term must be combined and treated as a single term.

A school may use ~~a~~ BBAY1 for all students, for students enrolled in certain programs, or on a student-by-student basis. For example, a school may use BBAY1 for a student who is enrolled in a program that begins in a term other than the first term of the SAY. The school may also alternate between ~~a~~ BBAY1 and an SAY for the same student, allowing a student to receive another annual loan limit sooner than would be permitted under the SAY. However the school must ensure that it does not establish overlapping academic years for a student. [~~07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-80~~ 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-82]

The Stafford annual loan limits apply to the BBAY. Once the calendar period associated with all of the terms in BBAY1 has elapsed, a student regains eligibility for new Stafford annual loan limits regardless of whether the student attends all of the terms or completes the credit hours or weeks of instructional time in the program's Title IV academic year. [08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-82]

~~Standard Term-Based,~~ Credit-Hour Programs Using Standard Terms or Nonstandard Terms That Are SE9W Not Offered in a Traditional Academic Year Calendar: Using BBAY2

If a school has a program that is not offered in a traditional academic year calendar (i.e., one that corresponds to an SAY), the school must use ~~a~~ BBAY2. (See the discussion in this Subsection under the ~~sub~~heading *Academic Year Categories* for additional information.) The BBAY for a program that is not offered in an SAY must always include enough consecutive terms to meet the program's Title IV academic year requirements for weeks of instructional time. If the program uses semester~~s~~ or trimester~~s~~ terms, a BBAY consists of at least two consecutive terms. If the program uses quarter~~s~~ terms, a BBAY consists of at least three consecutive terms. If the program uses nonstandard terms that are SE9W, a BBAY consists of the number of consecutive terms that coincide with the weeks of instructional time in the program's academic year. ~~Mini-sessions (summer or otherwise) must be combined and treated as a single standard term. A BBAY may include a term(s) that a student does not attend if the student could have enrolled at least half time during that term(s), but the BBAY must begin with a term in which the student is actually enrolled. The BBAY for programs that are not offered in a traditional academic calendar must always include enough terms to meet the minimum Title IV academic year requirements for weeks of instructional time.~~ The BBAY may include a term(s) in which the student does not enroll if the student could have enrolled at least half time in that term(s), but the BBAY must begin with a term in which the student is actually enrolled. A student may be enrolled less than half-time for the first term in the BBAY, although the student is not eligible to receive, or receive the benefit of, a loan for that initial term.[1] Mini-

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sessions (summer or otherwise) must be combined and treated as a single standard term.
[~~07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-81~~ 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-82 and 3-83]

~~A student enrolled in a standard term-based credit-hour program enters a new academic year for annual loan limit purposes when the calendar time for the SAY or BBAY has elapsed, regardless of whether the student attends all of the terms or completes all of the credits in the academic year.~~ The Stafford annual loan limits apply to the BBAY. Once the calendar period associated with all of the terms in BBAY2 has elapsed, a student regains eligibility for new Stafford annual loan limits regardless of whether the student attends all of the terms or completes all of the credit hours or weeks of instructional time in the program's Title IV academic year.
[§682.603(g)(1); 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-82 and 3-83]

~~Nonstandard Term-Based Programs with Substantially Equal Terms of at Least Nine Weeks of Instructional Time~~

~~For a program with nonstandard terms that are substantially equal, and no term in the loan period is less than nine weeks of instructional time in length, the student enters a new academic year for annual loan limit purposes when the calendar time for the academic year has elapsed. Terms are considered substantially equal in length if no term in the loan period is more than two weeks of instructional time longer than any other term in that loan period.~~
~~[§682.603(g)(1) and (4)]~~

Clock-Hour Programs, Non-Term-Based Credit-Hour Programs, and Nonstandard Term-Based Credit-Hour Programs with Terms That Are *Not* ~~Substantially Equal or Not at Least Nine Weeks of Instructional Time~~ SE9W: Using BBAY3

~~For clock-hour programs, non-term-based credit-hour programs, and nonstandard term-based programs with terms that are not substantially equal or are not at least nine weeks of instructional time in length, the BBAY begins when the student enrolls and does not end until the student completes both the required number of weeks and the required number of clock or credit hours in the academic year. A student who does not attend on a full-time basis will take longer to complete the academic year than a full-time student.~~ A school must use BBAY3 for any of the following programs:

- A clock-hour program.
- A non-term-based credit-hour program.
- A credit-hour program with nonstandard terms that are *not* SE9W, i.e., the terms are not substantially equal in length, or each term is not at least nine weeks of instructional time in length.
- A credit-hour program with a combination of standard terms and nonstandard terms that does not qualify to use an SAY.

BBAY3 begins when the student enrolls and does not end until the student successfully completes (i.e., passes) the number of credit or clock hours and completes the weeks of instructional time in the program's Title IV academic year. For a student enrolled in a nonstandard term-based program with terms that are not SE9W, the number of terms that have elapsed is irrelevant.

The Stafford annual loan limits apply to the BBAY. Once a student successfully completes (i.e., passes) the number of credit or clock hours and completes the weeks of instructional time in the program's Title IV academic year, a new BBAY begins and the student regains eligibility for a new annual loan limit. A student's enrollment status may affect how soon the student regains eligibility for new Stafford annual loan limits. A student who does not attend on a full-time basis will take longer to complete the academic year than a full-time student.
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-83]

~~These types of programs frequently allow a student to complete the program at his or her own pace.~~ A student enrolled in a self-paced program, either a clock-hour program or a non-term-based credit-hour program, may successfully complete the number of clock or credit hours in the program's academic year in fewer than the number of weeks of instructional time in the program's academic year. ~~As a result,~~ If the self-paced program is an undergraduate program that is *exactly* one academic year in length, e.g., 900 clock hours and 26 weeks of instructional time, ~~one~~ a student may successfully complete 900 clock hours in ~~28~~ 22 weeks ~~while another may complete 900 clock hours in 32 weeks~~. If the average student successfully completes the program in ~~30~~ 26 weeks, the school is not required to prorate the loan amount for the occasional student who successfully completes the program in less than ~~30~~ 26 weeks (see Subsection 6.11.F). A student who is enrolled in a program that is more than one academic year in length cannot receive a subsequent loan for a new BBAY until the student has completed both the number of clock or credit hours and the weeks of instructional time in the initial BBAY.[1] For example, a student is enrolled in a program of 1800 clock hours and 52 weeks of instructional time in which the Title IV academic year is defined as 900 clock

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hours and 26 weeks of instructional time. The student successfully completes 900 clock hours in 22 weeks of instructional time. However, the student must also complete the 26 weeks of instructional time in the program's academic year before the student gains eligibility to receive another loan for a new BBAY. If the subsequent loan is for a final period of undergraduate study that includes fewer clock or credit hours than the program's academic year, the school must prorate the Stafford annual loan limits (see Subsection 6.11.F).
[~~07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-81~~ 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-813 and 3-85]

~~A student enrolled in one of these types of programs enters a new academic year for annual loan limit purposes only after the student successfully completes both the weeks and the clock or credit hours in the academic year. [§682.603(g)(2) and (3)]~~[1]

Transfer Students

If a student borrows Stafford loan funds to attend one school and then transfers to a new school or transfers to a new program at the same school, ~~the new~~ a school is not permitted to certify a Stafford loan until it determines whether the student's new academic year will overlap with the final academic year at the prior school or with the prior program at the same school. As a result, a student's Stafford annual loan limit for the initial period of enrollment at the new school or in the new program at the same school may be limited. For detailed information about determining whether an academic year overlap exists for a transfer student and determining such a student's remaining Stafford loan eligibility, see Subsection 6.11.A. ~~This requires the new school to determine the student's academic year at the prior school. The new school may use either of the following methods to make this determination:~~
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-86]

- ~~Obtain documentation from the prior school about its academic year.~~
- ~~Make assumptions about the prior school's academic year based on information obtained from the National Student Loan Data System (NSLDS). Schools that use this method must determine that the academic year at the prior school ended on the *later* of the following:~~
  - ~~30 weeks after the first day of the most recent loan period listed.~~
  - ~~The end date of the loan period for all loans made in the academic year.~~

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

~~If the final academic year of the prior school does overlap with the initial academic year of the new school, the new school must not certify a Stafford loan for more than the student's current annual loan limit *minus* the loan amount the student received at the prior school for the prior school's final academic year. If the student's grade level decreases as a result of the transfer, the new school must not certify a Stafford loan for more than the annual loan limit applicable to the student's current (i.e., decreased) grade level *minus* the outstanding loan amount the student received at the prior school during the prior school's final academic year. The exception to this rule is a transfer from a graduate program to an undergraduate program within an academic year. In this case, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher (graduate/professional) annual loan limit.~~
~~[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88]~~

> ~~*Example: Transfer to a Standard Term-Based Credit-Hour Program*~~
>
> ~~A student received a base Stafford loan in the amount of $2,000 as a grade level 3 student at School A for the loan period August 21, 2006, to December 20, 2006. The student then enrolled in School B, where he was classified as grade level 1 in a standard term-based credit-hour program. School B wishes to certify a loan from his start date, January 5, 2007, through the end of that term, May 11, 2007.~~
>
> ~~School B opts to use the "assumption" method of determining the academic year at School A. The most recent loan period at School A began August 21, 2006; the end date of the minimum 30-week academic year, based on that date, would be March 18, 2007. When compared to the end date of School A's loan period, the later of these two dates is March 18, 2007; therefore, the assumed end date of School A's final academic year is March 18, 2007.~~[2]

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2. Policy 1106 (Batch 158), approved April 16, 2009

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

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

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

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

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

~~These same principles apply when a student transfers from one program of study to another program of study within the same school.~~
~~[*Dear Guaranty Agency Director Letter* March 16, 1994; 06-07 *FSA Handbook*, Volume 3, Chapter 4, pp. 3-75 to 3-77]~~[1]

1. Policy 1106 (Batch 158), approved April 16, 2009

Frequency of Stafford Annual Loan Limits **Figure 6-2**

~~**Scheduled Academic Year (SAY)**~~ **Credit-Hour Programs with Standard Terms or Nonstandard Terms That Are Substantially Equal and at Least Nine Weeks of Instructional Time (SE9W) Offered in a Scheduled Academic Year (SAY)** **(Including Such Programs Using Modules)**		~~**Borrower-Based Academic Year (BBAY)**~~ **Credit-hour Programs with Standard Terms or Nonstandard Terms That Are SE9W Not Offered in an SAY (Including Such Programs Using Modules)**	**Credit-Hour Programs with Nonstandard Terms That Are Not SE9W, Non-Term-Based Credit-Hour and Clock-Hour Programs (Includes Programs that Mix Nonstandard and Standard Terms With No SAY)**
May Use SAY	**May Use BBAY1**	**Must Use BBAY2**	**Must Use BBAY3**
~~**Standard Term-Based Credit-Hour Programs (Including Such Programs Offered in Modules)**~~ SAY consists of a traditional academic year calendar that begins and ends at approximately the same time each calendar year SAY includes at least two semesters or trimesters or three quarters in fall through spring, or a comparable academic calendar with nonstandard terms that are SE9W SAY must at least meet the program's Title IV academic year requirements in credit hours and weeks of instructional time Student does not have to be enrolled in the first term of the SAY All Stafford loans borrowed during a SAY (including summer header/trailer) must not exceed the annual loan limit for student's grade level Student regains eligibility for new annual loan limit after SAY calendar period elapses After original loan, additional loans during the same SAY are permissible if any of the following occur: • Student has remaining eligibility • Student progresses to a grade level with a higher annual loan limit • Student changes from dependent to independent *continued*	~~Consists of a traditional academic year calendar that begins and ends at approximately the same time each calendar year and includes at least two semesters or trimesters, or at least three quarters~~ ~~School must use a SAY that meets the minimum statutory requirements of an academic year~~ BBAY floats with a student's, or a group of students', enrollment BBAY must equal the number of terms in the program's SAY, excluding a summer header/trailer BBAY need not meet minimum statutory requirements of an academic year if the BBAY includes a summer term School may use BBAY1 for • All students • Certain students • Certain programs School may alternate SAY and BBAY1 for a student provided academic years do not overlap Student must be enrolled in the first term of the BBAY. Student may enroll less than half time for the initial term of the BBAY but the student is not eligible to receive, or receive the benefit of, a loan for that initial term BBAY may include terms that the student does not attend if the student could have enrolled at least half-time *continued*	~~**All standard term-based, credit-hour programs:**~~ BBAY ~~Academic year~~ floats with a student's, or a group of students', enrollment BBAY consists of at least two consecutive semesters or trimesters, three consecutive quarters, or at least the number of consecutive nonstandard terms that are SE9W covered by the program's academic year BBAY must meet at least the program's Title IV academic year requirements in credit hours and weeks of instructional time Student must enroll in the first term of the BBAY. Student may enroll less than half time for the initial term in the BBAY but the student is not eligible to receive, or receive the benefit of, a loan for that initial term BBAY may include terms that the student does not attend if the student could have enrolled at least half time All Stafford loans borrowed during ~~a~~ BBAY must not exceed the annual loan limit for student's grade level Borrower regains eligibility for new annual loan limit after BBAY calendar period elapses *continued*	BBAY floats with a student's, or a group of students', enrollment BBAY must meet at least the program's Title IV academic year requirements in credit/clock hours and weeks of instructional time BBAY begins with student's enrollment on at least a half-time basis All Stafford loans borrowed during BBAY must not exceed the annual loan limit for student's grade level Borrower gains eligibility for a new annual loan limit after successfully completing the credit/clock hours and weeks of instructional time in the BBAY Student may not borrow additional loan for progress to next grade level until the student successfully completes both the credit/clock hours and weeks of instructional time in the BBAY After original loan, additional loans during the same BBAY are permissible if the student has remaining eligibility, or the student changes from dependent to independent

~~Scheduled Academic Year (SAY)~~ **Credit-Hour Programs with Standard Terms or Nonstandard Terms That Are Substantially Equal and at Least Nine Weeks of Instructional Time (SE9W) Offered in a Scheduled Academic Year (SAY) (Including Such Programs Using Modules)**		~~Borrower-Based Academic Year (BBAY)~~ **Credit-hour Programs with Standard Terms or Nonstandard Terms That Are SE9W Not Offered in an SAY (Including Such Programs Using Modules)**	**Credit-Hour Programs with Nonstandard Terms That Are Not SE9W, Non-Term-Based Credit-Hour and Clock-Hour Programs (Includes Programs that Mix Nonstandard and Standard Terms With No SAY)**
May Use SAY	**May Use BBAY1**	**Must Use BBAY2**	**Must Use BBAY3**
(continued) Summer term may be "header" or "trailer" to the SAY, per • Strict policy • Program • Case by case basis Summer mini-sessions may be combined and treated as a single header/trailer or individual mini-sessions may be assigned to different SAYs	*(continued)* All Stafford loans borrowed during a ~~SAY~~ BBAY ~~(including summer header/trailer)~~ must not exceed the annual loan limit for student's grade level Borrower regains eligibility for new annual loan limit after ~~SAY~~ BBAY calendar period elapses After original loan, additional loans during the same ~~SAY~~ BBAY are permissible if any of the following occur: • Student has remaining eligibility • Student progresses to a grade level with a higher annual loan limit • Student changes from dependent to independent ~~Loan period may not always include all terms in SAY~~ ~~Summer term may be "header" or "trailer" to the SAY, per~~ • ~~Strict policy~~ • ~~By program~~ • ~~Case by case~~ ~~Summer m~~Mini-sessions (summer or otherwise) ~~may~~ must be combined with each other or with other terms and treated as a single ~~header/trailer or individual mini-sessions may be assigned to different SAYs~~ standard or nonstandard term. Student need not enroll in each mini-session but must have been able to enroll at least half time in the combined term	*(continued)* After original loan, additional loans during the same BBAY are permissible if any of the following occurs: • Student has remaining eligibility • Student progresses to a grade level with a higher annual loan limit • Student changes from dependent to independent • ~~BBAY begins with term in which student actually enrolls~~ • ~~BBAY may include terms student does not attend, if student could have enrolled at least half time~~ Mini-sessions (summer or otherwise) must be combined with each other or with other terms and treated as a single standard or nonstandard term. Student need not enroll in each mini-session but must have been able to enroll at least half-time in the combined term ~~**Programs offered in a traditional academic year calendar (i.e., one that corresponds to a SAY):**~~ ~~Length of BBAY must equal number of terms in SAY, excluding summer header or trailer~~ ~~Number of hours/instructional weeks in BBAY need not meet minimum statutory requirements of an academic year if BBAY includes a shorter summer term~~ ~~School may use BBAY for~~ • ~~All students~~ • ~~Certain programs~~ • ~~Certain students~~ ~~May alternate SAY and BBAY for a student if no overlap of academic years~~ *continued*	

~~**Scheduled Academic Year (SAY)**~~ **Credit-Hour Programs with Standard Terms or Nonstandard Terms That Are Substantially Equal and at Least Nine Weeks of Instructional Time (SE9W) Offered in a Scheduled Academic Year (SAY) (Including Such Programs Using Modules)**		~~**Borrower-Based Academic Year (BBAY)**~~ **Credit-hour Programs with Standard Terms or Nonstandard Terms That Are SE9W Not Offered in an SAY (Including Such Programs Using Modules)**	**Credit-Hour Programs with Nonstandard Terms That Are Not SE9W, Non-Term-Based Credit-Hour and Clock-Hour Programs (Includes Programs that Mix Nonstandard and Standard Terms With No SAY)**
May Use SAY	**May Use BBAY1**	**Must Use BBAY2**	**Must Use BBAY3**
		(continued) ~~**Programs not offered in a traditional academic year calendar:**~~ ~~Must use BBAY that consists of at least two semesters or trimesters, or at least three quarters~~ ~~BBAY must meet minimum statutory requirements of an academic year in instructional weeks~~	
~~**Nonstandard Term-Based Credit-Hour Programs with Substantially Equal Terms of at Least Nine Weeks of Instructional Time**~~	~~*~~	~~BBAY must meet the minimum statutory requirements or equivalent~~ ~~Student enters a new academic year for annual loan limit purposes when the calendar time of the BBAY has elapsed~~	
~~**Clock-Hour Programs, Non-Term-Based Credit-Hour Programs, and Nonstandard Term-Based Credit-Hour Programs with Terms that Are Not Substantially Equal or Not at Least Nine Weeks of Instructional Time**~~	~~Not applicable~~	~~BBAY must meet the minimum statutory requirements or equivalent~~ ~~Student may not borrow additional loan for progress to next grade level until the student completes both the minimum number of weeks and credit/clock hours in an academic year~~	

~~*The use of the SAY in a nonstandard term-based program with substantially equal terms not less than nine weeks long has not been defined. This figure will be updated when further guidance is received.~~

[~~07-08 FSA Handbook, Volume 3, Chapter 5, pp. 3-79 to 3-84 and 3-86~~ 08-09 FSA Handbook, Volume 3, Chapter 5, pp. 3-79, 3-85, and 3-94][1]

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6.2 Determining the Loan Period

The loan period is the period of enrollment for which a Stafford or PLUS loan is intended. The loan period must coincide with a bona fide academic term established by the school for which school charges are generally assessed (i.e., semester, trimester, quarter, length of the student's program, or the school's academic year).
[§682.200(b)]

The maximum period for which a school may certify a loan is an academic year. See Section 6.1 for more information about how the academic year is defined and used to determine and certify the appropriate loan amount for a student enrolled in a standard term-based, nonstandard term-based, or non-term-based credit-hour program, and for a clock-hour program.

The maximum period for which a school may certify a Stafford or PLUS loan is the calendar period of time in which the student is expected to successfully complete the credit or clock hours and the instructional weeks in the Title IV academic year definition for any of the following programs:

- A non-term-based credit-hour program.
- A clock-hour program.
- A nonstandard term-based, credit-hour program that does not have substantially equal terms.
- A nonstandard term-based, credit-hour program that has substantially equal terms that are not all at least nine weeks in length.

For a student who attends such a program on at least a half-time but less-than-full-time basis, otherwise progresses in the program at a slower rate, or takes an approved leave of absence, the loan period may be longer than the loan period for a student attending the same program who progresses at a normal pace.

> Example: A school offers a non-term-based, credit-hour program of one academic year in length. The Title IV academic year definition for the program, and the program's length, is 24 semester credit hours and 40 instructional weeks, which requires the normal, full-time student 10 months to complete. For such a student, the loan period is 10 months in length (i.e., the calendar period required for the student to successfully complete the number of credit hours and instructional weeks in the program/academic year). However, for a student who enrolls in the program on a less-than-full-time basis (but at least half-time) the loan period may be 15 months, (i.e., the calendar period necessary for the student to successfully complete the number of credit hours and instructional weeks in the program/academic year at a slower pace).

[§682.603(g)(2)(i)]

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

- ~~A single academic term (e.g., a semester or quarter) for:~~
  - ~~A program that measures academic progress in credit hours and uses a semester, trimester, or quarter system.~~
  - ~~A program that has terms that are substantially equal in length and for which no term in the loan period is less than nine weeks in length. [§682.603(f)(1)(i)(A)]~~

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

<u>In a clock-hour program, a non-term-based credit-hour program, a credit-hour program with nonstandard terms that are not SE9W (i.e., the terms are not substantially equal, or each term is not at least nine weeks of instructional time in length), or a program with a combination of standard or nonstandard terms that does not qualify to use an SAY, the minimum period for which a school may certify a loan is:</u>

- The lesser of the length of the student's program at the school, the school's academic year, or the student's ~~remaining period of enrollment for the program~~ <u>final period</u> of study at the school~~, for:~~<u>.</u>
  - ~~A program that measures academic progress in clock hours or in credit hours, but that does not use a semester, trimester, or quarter system.~~[1]

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1. Policy 1106 (Batch 158), approved April 16, 2009

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

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

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

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

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

  In this case, the new school may certify a loan for no more than the remaining balance of the ~~student's~~ Stafford annual loan limit for the student's grade level at the new school ~~(see Section 6.1)~~. See Subsection 6.11.A for more information about determining remaining Stafford loan eligibility for a student who transfers between schools during an academic year, and Figure 6-4 for more information about Stafford annual loan limits applicable to a student's grade level. [§682.603~~(g)~~(f)(1)(ii); 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-78]

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

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

  – The student then begins a new program at the same school within the same academic year. [§682.603~~(g)~~(f)(1)(iii); 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-78][1]

The exception to this rule is the completion of a graduate program and beginning of an undergraduate program within an academic year. In this case, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher (graduate/professional) annual loan limit.
[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88]

Defaulted Borrowers

The maximum loan period that the school may certify for a defaulted borrower whose Title IV eligibility is reinstated (see Subsection 5.2.D) is the academic year during which the borrower regains eligibility.
[§682.603(g)(2)(ii)]

Including a Retroactive Period in a Loan Period

Generally, a school may certify a borrower's eligibility for a Stafford or PLUS loan retroactive to the beginning of the current period of enrollment for a student or parent borrower, as applicable, who meets conditions that include, but are not limited to, the following:

- The student or parent borrower, as applicable, regains eligibility during the period of enrollment after an earlier loss of eligibility due to, for example:

  – Failure to make satisfactory academic progress (see Section 8.4). If the school's written satisfactory academic progress policy provides for reinstatement of eligibility at a later point, the school must comply with its written policy. [07-08 FSA Handbook, Volume 1, Chapter 1, p. 1-10]

  – Failure to meet citizenship requirements (see Subsection 5.2.A).

  – A prior default or overpayment in a Title IV program (see Subsection 5.2.D). [§682.603(f)(2)(ii)]

  – Inadvertent borrowing in excess of the Stafford annual or aggregate loan limit (see Subsection 6.11.E).

- The student or parent borrower, as applicable, requests a loan in the second or subsequent payment period in the period of enrollment.

[1] Policy 1106 (Batch 158), approved April 16, 2009

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

A student's EFA does not include:

- Amounts used to replace the expected family contribution (EFC), including any TEACH grant amounts, unsubsidized Stafford loan amounts, PLUS loan amounts, and non-federal non-need-based loans, including private, state-sponsored, and institutional loan funds. However, if the sum of the ~~loan~~ amounts received that are being used to replace the student's EFC exceeds the EFC, the excess amount is treated as EFA.
[§682.200(b)(2)(i)][1]

- For a *subsidized* Stafford loan, veterans' educational benefits paid under Chapter 30 of Title 38 of the U.S. Code (Montgomery GI Bill–Active Duty) and national service education awards or postservice benefits paid under Title I of the National and Community Service Act of 1990 (AmeriCorps).
[§682.200(b)(2)(iii)]

- Qualified education benefits, including qualified tuition programs (e.g., 529 prepaid tuition plans and savings plans), prepaid tuition plans offered by a state, and Coverdell education savings accounts.
[HEA §480(f)(3) and (4); DCL GEN-06-05; DCL GEN-06-10]

- Federal Perkins loans and Federal Work-Study (FWS) funds the school determines the student has declined for any reason.
[HEA §480(j); §682.200(b)(2)(ii)]

- Any portion of EFA previously described that is included in the calculation of the student's EFC.
[§682.200(b)(2)(iv)]

- Non-need-based employment income.
[§682.200(b)(2)(v)]

- Non-Title IV state assistance, if that state specifies that the funds must be used to pay a specific component of the student's COA. If the state assistance is excluded from the EFA, then the costs paid by those state funds must also be excluded from the student's COA.
[HEA §480(j)(3); §682.200(b)(2)(vi); DCL GEN-06-05]

- For a student who is enrolled simultaneously at multiple schools, the amount of a Stafford or PLUS loan certified at another school for the same payment period or period of enrollment. For more information about determining eligibility for a student who is enrolled simultaneously at multiple schools, see Section 5.15.
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-90][2]

6.8 Determining the Student's Dependency Status

A student's dependency status is determined from information provided on the Free Application for Federal Student Aid (FAFSA). A student's dependency status affects the expected family contribution (EFC) and the types and amounts of aid that the student may be eligible to receive.

For purposes of Title IV aid, a student is considered independent if he or she meets one or more of the following criteria:

- The student is at least 24 years old by December 31 of the award year.

- The student is an orphan, in foster care, or a ward/dependent of the court, or was an orphan, in foster care, or a ward/dependent of the court ~~until he or she reached age 18~~ at any time when the student was 13 years of age or older.
[HEA §480(d)(1)(B); DCL GEN-08-01; DCL GEN-08-12]

- The student is or was, immediately prior to attaining the age of majority, an emancipated minor or in legal guardianship as determined by a court in the student's state of legal residence.
[HEA §480(d)(1)(C); DCL GEN-08-01; DCL GEN-08-12][3]

1. Policy 1078 (Batch 155), approved January 15, 2009
2. Policy 1077 (Batch 155), approved January 15, 2009
3. Policy 1125 (Batch 159), approved April 16, 2009

- The student has been verified, on or after the start of the award year for which the FAFSA is filed, as either an unaccompanied youth who is a homeless child or an unaccompanied youth at risk of being homeless and self-supporting. For purposes of this criterion, the following definitions apply:

  – *Homeless* means lacking fixed, regular, and adequate housing, which includes living in shelters, motels or cars, or temporarily living with other people because the student has nowhere else to go.

  – *Unaccompanied* means the student is not living in the physical custody of his or her parents or guardian.

  – *Youth* means 21 years of age or younger or the student is still in high school as of the day the FAFSA is completed.

  Homeless status can be verified by any one of the following entities:

  – A local educational homeless liaison, designated pursuant to the McKinney-Vento Homeless Assistance Act.

  – The director of an emergency shelter or transitional housing program funded under the Runaway and Homeless Youth Act.

  – The director of a program funded under the McKinney-Vento Homeless Assistance Act (relating to emergency shelter grants).

  – The financial aid administrator (FAA).
  [HEA §480(d)(1)(H); DCL GEN-08-01; DCL GEN-08-12]

- The student is a veteran of the U.S. Armed Forces. For the purposes of determining dependency status, a student is considered to be a veteran if he or she will meet both of the following criteria prior to the end of the award year for which the FAFSA is filed.

  – The student engaged in active duty in the U.S. Armed Forces; is a National Guard or Reserves enlistee, who was called to active duty for purposes other than training; or was a cadet or midshipman at a service academy (even if the student withdrew before graduation).

  – He or she was released under a condition other than dishonorable.
  [DCL GEN-95-54]

- The student is currently serving on active duty in the U.S. Armed Forces or is a National Guard or Reserves enlistee and is called to active duty for purposes other than training. In this case, active duty does not include a call into active duty for state purposes.
  [HEA §480(d)(3); DCL GEN-06-05; DCL GEN-06-10]

- The student is working on a master's or doctoral program (such as an MA, MBA, MD, JD, PhD, EdD, or graduate certificate, etc.) at the beginning of the award year for which the FAFSA is completed.

- The student is married as of the date the FAFSA is completed.

- The student has at least one child who receives more than half of his or her support from the student.

- The student has a dependent, other than a spouse or a child, who lives with the student and receives more than half of his or her support from the student at the time the FAFSA is completed and through June 30 of the award year.
  [HEA §480(d)(1) through (6); DCL GEN-03-07]

A student is considered dependent if he or she does not meet any of the preceding criteria for an independent student unless the ~~financial aid administrator (~~FAA~~)~~ determines that the student is independent on the basis of special circumstances and performs a dependency override. [HEA §480(d)(7); §668.2(b)][1]

Dependency Overrides

If unusual circumstances exist, a financial aid administrator (FAA) may use professional judgment to determine that a student who does not meet any of the above criteria is an independent student. A dependency override affects all Title IV programs (i.e., a student determined to be independent is considered independent for all Title IV programs, not just the FFELP). The FAA must document, in the student's file, the unusual circumstances on which the dependency override was based. The FAA is generally required to acquire third-party documentation supporting a student's unusual circumstances. If the only documentation available to the FAA is a statement by the student, the student's statement must include the facts related to the

1. Policy 1125 (Batch 159), approved April 16, 2009

unusual circumstances. The FAA must also prepare a written statement regarding the dependency determination that includes any other pertinent facts not already covered in the documentation.
[HEA §480(d)(7)]

A determination of unusual circumstances must be made each award year. Further, a change to a student's dependency status by an FAA at one school is not binding on another school. ~~Each school is required to make an individual determination of the student's dependency status and each school must retain documentation to support its decision.~~ However, an FAA may, at his or her discretion, use the dependency override of an FAA at a prior school, as documented on a Student Aid Report (SAR)/Institutional Student Information Record (ISIR), for the same student and the same award year without gathering supporting documentation. For subsequent award years, the FAA must make his/her own dependency override determination. The FAA who makes the initial dependency override must prepare a written statement regarding the dependency determination, including the identification of the specific unusual circumstances upon which the FAA is basing the determination. The school that makes the initial dependency override during any award year must maintain this ~~documentation~~ statement and the supporting documentation used to make the determination. A school that uses the dependency override of another school must retain the SAR/ISIR that was used as the basis for continuing the dependency override. See Section 4.5 for SAR/ISIR recordkeeping requirements.
[HEA §480(d)(2)][1]

Unusual circumstances may include, but are not limited to:

- An abusive family situation in which an otherwise dependent student has been a victim of domestic violence and is no longer residing with his or her parents.
- Abandonment by parents in which a student's parents cannot be located.

The following four conditions, individually or in combination with one another, do not qualify as unusual circumstances:

- A parent's refusal to contribute to the student's education.
- A parent's unwillingness to provide information on the FAFSA or for verification.
- A parent not claiming the student as a dependent for income tax purposes.
- A student's demonstration of total self-sufficiency.

Note: An FAA is permitted to certify an unsubsidized Stafford loan for a dependent student if the parent(s) has ended all financial support and refuses to complete the parental section of the FAFSA. This is not a situation that permits an FAA to perform a dependency override. See Subsection 6.15.B, subheading "Use of Professional Judgment for a Student Whose Parent(s) Ceases Financial Support and Refuses to Complete FAFSA" for more information.

An FAA may make a dependency override only from dependent to independent. However, if an independent student is receiving substantial support from his or her parents, a school may use professional judgment to adjust one or more of the FAFSA's data elements, such as untaxed income, to reflect this support.
[DCL GEN-03-07; 07-08 FSA Handbook, Application and Verification Guide, Chapter 2, p. AVG-24][2]

Required Updates to a Student's Dependency Status

A student is required to update his or her dependency status if it changes during the award year regardless of whether the student is selected for verification. The only exception is if the student's dependency status changes as the result of a change in marital status. If an unmarried and otherwise dependent student marries after he or she submits the FAFSA, the student remains dependent for the rest of that award year. If the student is still married when he or she submits the FAFSA for the next award year, the student is independent for that award year. If a married student divorces after he or she submits the FAFSA, the student remains independent for the current award year. However, if the student is independent in the current award year solely because he or she is married, the student is dependent in the next award year if he or she cannot answer "yes" to any of the dependency questions on the FAFSA.
[07-08 FSA Handbook, Application and Verification Guide, Chapter 5, p. AVG-97]

If the student's last remaining parent dies after the student submits the FAFSA, the student must update his or her dependency status on the Student Aid Report (SAR) and report income and assets as an independent student.
[07-08 FSA Handbook, Application and Verification Guide, Chapter 2, p. AVG-29]

1. Policy 1107 (Batch 158), approved April 16, 2009

2. Policy 1126 (Batch 159), approved April 16, 2009

In determining the appropriate Stafford annual loan limits[1] for an undergraduate student, ~~including a transfer student or a student who has completed a program of study at the same school or a different school,~~ schools ~~and lenders~~ must adhere to the following additional parameters:[2]

- A student who is enrolled in a program that is more than one academic year in length and has not successfully completed the first year of that program is eligible for Stafford loan funds not to exceed the annual loan limits applicable to first-year undergraduate students, regardless of the actual length of time it takes the student to complete the first academic year of the program. [§682.204(a)(1), (a)(9)(i), (d)(1) and (8)(i)]

- A student who is enrolled in an undergraduate program that is one academic year or less in length is eligible for Stafford loan funds not to exceed the annual loan limits applicable to first-year undergraduate students, regardless of the actual length of time it takes the student to complete the program. [§682.204(a)(1), (a)(8), (d)(1) and (7)]

- A student who is enrolled in an undergraduate program that is more than one academic year in length and has successfully completed the first year in that program but has not successfully completed the second year of the program is eligible for Stafford loan funds not to exceed the annual loan limits applicable to second-year undergraduate students, regardless of the actual length of time it takes the student to complete the second academic year of the program. [§682.204(a)(2), (a)(9)(ii), (d)(2) and (8)(ii)]

- A student who has an associate degree or bachelor's degree that is required for admission into a program and who is not a graduate or professional student is eligible for Stafford loan funds not to exceed the annual loan limits applicable to ~~third-, fourth-, and fifth-year~~ third-year and beyond undergraduate students. In this case, in order to determine the student's grade level and the applicable annual loan limit, the school may consider the number of years the student completed in the required degree program. [§682.204(a)(3), (a)(4), and (d)(4)][3]

- ~~In a standard term-based program, a student who experiences a grade level change within the academic year becomes eligible for the Stafford annual loan limits that are applicable to the new grade level, minus any loan funds already received for that academic year. In a nonstandard term-based or non-term-based credit-hour program, or clock-hour program, the school may not certify the higher loan limit associated with the next grade level until the student completes both the minimum number of weeks and the minimum number of credit or clock hours in the program's defined academic year.~~[4]

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

- ~~A student who transfers from one program of study to another at the same school or a different school within an academic year is eligible for Stafford loan funds not to exceed the annual loan limits applicable to the student's grade level in the student's new program of study (even if that student is at a lower grade level in the new program or has previously obtained an undergraduate degree in a different program), as determined by the school, minus any outstanding loan funds received in the prior program for the current academic year.~~[5]

  ~~*Exception:* When a student transfers from a graduate program to an undergraduate program within an academic year, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the~~

1. Policy 1093 (Batch 157), approved March 19, 2009
2. Policy 1106 (Batch 158), approved April 16, 2009
3. Policy 1052 (Batch 151), approved September 18, 2008
4. Policy 1093 (Batch 157), approved March 19, 2009
5. Policy 1106 (Batch 158), approved April 16, 2009

~~academic year may not exceed the higher (graduate/professional) annual loan limit. See Section 6.1 for detailed information about defining an academic year and calculating Stafford annual loan limits for a student who transfers.~~
~~[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88]~~

- ~~A student who transfers to a standard term-based credit-hour program at the same school or a different school within an academic year and receives the remaining annual loan limit from the initial academic year for attendance in the new program is eligible to receive an additional Stafford loan in a subsequent term(s) that begins within the initial academic year of the new program, but after the end of the academic year in the prior program. In this case, the student is eligible to receive the annual loan limit applicable to the student's grade level minus the outstanding loan amount the student has already received in that academic year in the new program. See Section 6.1 for detailed information about defining an academic year and calculating Stafford annual loan amounts for a student who transfers. See Section 6.10 for information about determining a student's grade level.~~
~~[07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88]~~[1]

- A dependent student who is enrolled as a regular student in an eligible undergraduate degree or certificate program and whose parent has *not* been determined to be unable to obtain a PLUS loan is eligible to borrow up to the base Stafford annual loan limit applicable to the student's current grade level plus an additional $2,000 in unsubsidized Stafford loan funds (see Figure 6-4). Such a student who is enrolled in preparatory coursework necessary for the student to enroll in an undergraduate or graduate program, or teacher certification or recertification coursework, is eligible to borrow only the base Stafford annual loan limit (see the following three bullets).
[HEA §428H(d)(3)(A); DCL GEN-08-08]

- A student who has a bachelor's degree and is enrolled or accepted for enrollment in coursework necessary for a professional credential or certification from a state that is required for employment as a teacher in an elementary or secondary school in that state is eligible to borrow the following:

  – For a ~~A~~ dependent student, ~~who has a bachelor's degree and is enrolled or accepted for enrollment in coursework necessary for a professional credential or certification from a state that is required for employment as a teacher in an elementary or secondary school in that state is eligible to borrow~~ the base Stafford annual loan limit of up to $5,500.

  – For an ~~An~~ independent student, or a dependent student whose parent is ~~not eligible for~~ unable to obtain a PLUS loan (because the parent has adverse credit or other exceptional circumstances that are documented by the FAA), ~~is eligible to borrow a~~ the combined subsidized and unsubsidized Stafford annual loan limit of up to $12,500. Of the total amount borrowed for the year, no more than $5,500 may consist of subsidized Stafford loan funds (see Figure 6-4).

The loan limits for this category of student are not prorated.
[HEA §428H(d)(2)(A)(ii); §682.204(a)(7) and (d)(6)(iii); DCL GEN-08-08]

- A student who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in an undergraduate program is eligible to borrow the following:

  – For a ~~A~~ dependent student, ~~who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in an undergraduate program is eligible to borrow~~ the base Stafford annual loan limit of up to $2,625.

  – For an ~~An~~ independent student, or a dependent student whose parent is ~~not eligible for~~ unable to obtain a PLUS loan (because the parent has adverse credit or other exceptional circumstances that are documented by the FAA), ~~is eligible to borrow a~~ the combined subsidized and unsubsidized Stafford annual loan limit of up to ~~$6,625~~ $8,625. Of the total amount borrowed for the year, no more than $2,625 may consist of subsidized Stafford loan funds (see Figure 6-4).

A student is eligible for loans for one period of 12 consecutive months beginning on the first day of the loan period for which the student is enrolled. The loan limits for this category of student are not prorated ~~if the coursework is less than an academic year.~~
[HEA §428H(d)(4)(A)(iii); §682.204(a)(6)(i) and (d)(6)(i)~~; 07-08 FSA Handbook, Volume 3, Chapter 4, p. 3-91~~; DCL GEN-08-08]

1. Policy 1106 (Batch 158), approved April 16, 2009

- A student who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in a graduate or professional program is eligible to borrow the following:

  - For a ~~A~~ dependent student, ~~who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in a graduate or professional program is eligible to borrow~~ the base Stafford annual loan limit of up to $5,500.

  - For an ~~An~~ independent student, or a dependent student whose parent is ~~not eligible for~~ unable to obtain a PLUS loan (because the parent has adverse credit or other exceptional circumstances that are documented by the FAA), ~~is eligible to borrow a~~ the combined subsidized and unsubsidized Stafford annual loan limit of up to $12,500. Of the total amount borrowed for the year, no more than $5,500 may consist of subsidized Stafford loan funds (see Figure 6-4).[1]

  Preparatory coursework required for admission into a graduate or professional program may be taken at a school that is not generally permitted to certify loans at the fifth-year undergraduate loan level. A student is eligible for loans for one period of 12 consecutive months beginning on the first day of the loan period for which the student is enrolled. The loan limits for this category of student are not prorated.
  [HEA §428H(d)(2)(A)(ii); §682.204(a)(6)(ii) and (d)(6)(ii); DCL GEN-98-2; DCL GEN-08-08][2]

A school may not link separate, stand-alone programs of study to allow a student to qualify for higher annual loan limits than the student would otherwise be eligible to receive based on the length of the program.
[§682.204(a) through (d); DCL GEN-98-2; 07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-88]

Graduate and Professional Students

A student enrolled in a graduate or professional program of study is eligible to borrow a combined subsidized and unsubsidized Stafford annual loan limit of up to $20,500 for each academic year. Of the total amount borrowed for the year, no more than $8,500 may consist of subsidized Stafford loan funds. If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire $20,500 Stafford annual loan limit in unsubsidized Stafford loan funds.
[§682.204(a)(5) and (d)(5)]

Exception: Increased unsubsidized Stafford annual loan limits are authorized for certain health profession students (see Subsection 6.11.D).

Transfer Students

If a student borrows Stafford loan funds to attend one school and then transfers to a new school, the new school is not permitted to certify a Stafford loan until it determines whether the student's new academic year will overlap with the final academic year in the program at the prior school. This requires the new school to determine the student's academic year in the prior school's program using either of the following methods:

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

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

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

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

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

1. Policy 1052 (Batch 151), approved September 18, 2008
2. Policy 1052 (Batch 151), approved September 18, 2008
3. Policy 1106 (Batch 158), approved April 16, 2009

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

Grade Level Changes upon Transfer

If the student's grade level decreases as a result of a transfer between schools or between programs at the same school and an academic year overlap exists, the new school must not certify a Stafford loan for more than the Stafford annual loan limit for the student's decreased grade level at the new school *minus* the outstanding loan amount the student received during the final academic year at the prior school or in the prior program at the same school. The exception to this rule is a transfer from a graduate program to an undergraduate program within an academic year. In this case, the undergraduate loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. The total amount awarded for the academic year may not exceed the higher (graduate/professional) annual loan limit.
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-93]

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

Transfer between Schools

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

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

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

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

Transfer between Programs At the Same School

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

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

Note: The following also applies to a student who transfers into a credit-hour program with a combination of standard terms and nonstandard terms that does not qualify to use an SAY.[1]

1. Policy 1106 (Batch 158), approved April 16, 2009

Transfer between Schools

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

School B Accepts Credit or Clock Hours

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

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

[§682.603(f)(1)(ii)]

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

If the final period of study in School B's program is shorter than the remainder of the final academic year in School A's program, the initial loan period at School B begins on the student's start date at School B, January 5, 2010, and ends on the date School B expects the student to complete the number of credit or clock hours and weeks of instructional time in the final period of study in School B's program. Because this student is enrolled in an undergraduate program, the student's Stafford annual loan limit at School B must be prorated based on the number of hours that School B expects the student to complete during the final period of study in School B's program at the time School B certifies the loan (see Subsection 6.11.F). School B may certify a Stafford loan amount that does not exceed the *lesser* of the following:

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

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

School B Does Not Accept Credit or Clock Hours

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

1. Policy 1106 (Batch 158), approved April 16, 2009

in subsidized Stafford loan funds). School B may initially certify a combined subsidized and unsubsidized Stafford loan amount that does not exceed $3,500, of which no more than $1,500 may consist of subsidized Stafford loan funds. After the student successfully completes the credit or clock hours and completes the weeks of instructional time in the initial academic year for the program at School B, the student enters a new academic year for annual loan limit purposes. School B may then certify a subsequent loan(s) for the next full academic year or for the student's final period of study in the program, if less than a full academic year.
[08-09 FSA Handbook, Volume 3, Chapter 5, pp. 3-87 and 3-89]

Transfer between Programs at the Same School

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

- The student is continuously enrolled at the school.
- The coursework in the payment period from which the student is transferring is substantially similar to the coursework the student will take when he or she first transfers into the new program.
- The payment period in the program from which the student is transferring is substantially equal in weeks of instructional time and in credit or clock hours to the payment period into which the student will transfer. The payment periods are substantially equal in weeks of instructional time if neither payment period is more than two weeks of instructional time longer than the other payment period.
- There is little or no change in the institutional charges the school assesses to the student for the payment period.
- The credit or clock hours from the payment period from which the student is transferring are accepted toward the new program.

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

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

In all other cases, a school must place a student in a new payment period and a new loan period when, during an academic year, the student transfers from one program to a clock-hour program, a non-term-based credit-hour program, a credit-hour program with nonstandard terms that are not SE9W, or a credit-hour program with standard and nonstandard terms that does not qualify to use an SAY. The school may be required to establish a withdrawal date (see Section 9.4) and perform a return of Title IV funds calculation based on the student's withdrawal from the prior program during a payment period or, as applicable, period of enrollment. (See Subsection 9.5.A for more information about calculating a return of Title IV funds on a payment period or period of enrollment basis). The school must also cancel any undelivered disbursement(s) from the original loan for which the student is ineligible. The new loan period for the new program begins on the student's start date in the new program and ends on the date that the school expects the student to complete the credit or clock hours and weeks of instructional time in the new program's academic year. The school may certify an initial Stafford loan for the new program that does not exceed the Stafford annual loan limit for the student's grade level in the new program minus the loan amount the student received during the prior program's final academic year.
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-88]

If a student transfers to a new program at the same school to complete a final period of study of less than one academic year, the new loan period for the new program begins on the student's start date in the new program and ends on the date that the school expects the student to complete the credit or clock hours and weeks of instructional time in the program's final period of study. In this situation, if the new program is an undergraduate program, the student's Stafford annual loan limit must be prorated based on the number of hours that the school expects the student to complete during the final period of study in the new program (see Subsection 6.11.F). If an overlap exists with the prior program's academic year, the school may certify a Stafford loan amount that does not exceed the *lesser* of the following:[1]

1. Policy 1106 (Batch 158), approved April 16, 2009

- The Stafford annual loan limit for the student's grade level in the new program, minus the Stafford loan amount the student received for the prior program's final academic year.
- The prorated Stafford annual loan limit for the student's grade level in the new program (see Subsection 6.11.F).

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

Completing a Program and Beginning Another Program at the Same School during an Academic Year

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

- The student's last loan to complete the prior program was for a period of less than an academic year.
- The student then begins a new program at the same school within the same academic year.

[§682.603(f)(1)(iii); 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-88]

The new loan for the new program begins on the date that the student starts the new program and ends on the date that the school expects the student to complete the number of credit or clock hours and weeks of instructional time in the prior program's academic year. For this initial loan in the new program, the school may certify a Stafford loan amount that does not exceed the Stafford annual loan limit for the student's grade level in the new program, minus the loan amount the student received during the prior program's final academic year.[1]

Grade Level Increases within the Same Academic Year

In a credit-hour program that uses standard terms or nonstandard terms that are substantially equal *and* at least nine weeks of instructional time in length (SE9W), a student who experiences a grade level change within the academic year becomes eligible for the Stafford annual loan limits that are applicable to the new grade level. To provide an increased Stafford loan amount to a student who becomes eligible for the higher Stafford annual loan limits due to a grade level change, a school may request an increase in the amount of the current Stafford loan (see Section 6.20). Alternately, a school may certify a new loan for a loan period that includes only the term(s) during which the student qualifies for the higher annual loan limits. The new Stafford loan amount must not exceed the higher grade level annual loan limits, minus the amount of the first Stafford loan. A school may choose instead to cancel an undelivered Stafford loan disbursement(s) from the first loan that is intended for a term(s) in which the student qualifies for the higher Stafford annual loan limits. In that case, the new Stafford loan amount must not exceed the amount of the canceled disbursement(s) plus the additional amount for which the student is eligible due to the grade level change.

A school may not certify the higher annual loan limits associated with the next grade level until the student completes both the minimum number of weeks of instructional time and the minimum number of credit or clock hours in the program's defined academic year if the student is enrolled in any one of the following programs:

- A clock-hour program.
- A non-term-based credit-hour program.
- A credit-hour program with nonstandard terms that are *not* SE9W, i.e., the terms are not substantially equal in length, or each term is not at least nine weeks of instructional time in length.
- A credit-hour program with a combination of standard terms and nonstandard terms that does not qualify to use an SAY.[2]

1. Policy 1106 (Batch 158), approved April 16, 2009

2. Policy 1093 (Batch 157), approved March 19, 2009

A school may not certify a new loan for any amount that will cause the borrower to again exceed the annual or aggregate loan limit.

6.11.F Prorated Loan Limits

~~A school also is responsible for determining whether prorated loan limits are applicable and how annual loan limits must be prorated. An undergraduate Stafford loan borrower is subject to certain prorated loan limits if he or she is~~ A school must calculate prorated, i.e., reduced, Stafford annual loan limits when the school knows in advance that an undergraduate Stafford loan borrower will be enrolled in a program of study that meets either of the following criteria:

- The program's duration is shorter than the statutory minimum for an academic year (see Section 6.1 for information about defining an academic year). See Figure 6-4 for information about the proration calculation for a program of study of less than a full academic year.
- The program's duration is equal to or longer than the statutory minimum for an academic year, but the borrower is completing ~~the remainder of the program~~ a final period of study in a period of enrollment that is shorter than an academic year. See Figure 6-4 for information about the proration calculation for a final period of study that is shorter than an academic year. The following concepts apply when determining whether a final period of study is shorter than an academic year:
  – In a credit-hour program that uses standard terms or nonstandard terms that are substantially equal *and* at least nine weeks of instructional time in length (SE9W), a final period of study is shorter than an academic year if it contains fewer terms than the number of terms in the program's academic year. For a program that uses a scheduled academic year (SAY), the number of terms in the school's academic year does not include a summer term that is designated as a header or trailer (see Subsection 6.1.B).
  – In a clock-hour program, a non-term-based credit-hour program, a credit-hour program that uses nonstandard terms that are *not* SE9W (i.e., the terms are not substantially equal, or each term is not at least nine weeks of instructional time in length), or a credit-hour program with a combination of standard terms and nonstandard terms that does not qualify to use an SAY, a final period of study is shorter than an academic year if it consists of fewer clock or credit hours than in the program's academic year.
  – In any program, a school may establish an academic year that is greater than the statutory minimum in clock or credit hours or instructional weeks (see Section 6.1). For such a program, the school must use its academic year definition for the program—not the statutory minimum for an academic year—to determine whether a final period of study is shorter than an academic year.

[§682.204(a) and (d); 08-09 FSA Handbook, Volume 3, Chapter 5, pp. 3-100 and 3-101]

~~Loan proration is not required for a student completing coursework necessary for a professional credential or certification from a state if that credential or certification is required for employment as a teacher in an elementary or secondary school, or for a student completing preparatory coursework necessary for admission into either an undergraduate or a graduate program of study. (For information on Stafford annual loan limits for these categories of students, see Subsection 6.11.A.)~~

If a ~~student~~ borrower who received a prorated loan amount because ~~the remainder of his or her program~~ his or her final period of study was less than a full academic year changes the number of hours for which the ~~student~~ borrower is enrolled, the school need not recalculate the amount of the loan. However, the following principles apply:

- If the ~~student~~ borrower drops hours after the loan has been certified, the ~~student~~ borrower must continue to be enrolled at least half time to be eligible for the loan.
- If the ~~student~~ borrower increases hours after the loan has been certified so that the ~~student~~ borrower is attending the full academic year, ~~the student~~ he or she may be eligible for additional loan funds. If the ~~student~~ borrower requests and is eligible for an increased loan amount, the school may certify the increased loan amount without requiring the student to complete a new Federal Stafford Loan Master Promissory Note (Stafford MPN). For more information on increased loan amounts, see Section 6.20.
  [§682.603(g)(4); DCL GEN-98-25; DCL GEN-99-9][1]

1. Policy 1095 (Batch 159), approved April 16, 2009

A borrower enrolled in a self-paced program, either a clock-hour program or a non-term-based credit-hour program, may successfully complete the number of credit or clock hours in the program's academic year in fewer than the number of weeks of instructional time in the program's academic year. If the self-paced program is more than an academic year in length and the subsequent Stafford loan period will be an undergraduate borrower's final period of study, the school must prorate the Stafford annual loan limits. For example, a borrower is enrolled in a program of 1800 clock hours and 52 weeks of instructional time in which the academic year is defined as 900 clock hours and 26 weeks of instructional time. The borrower completes the 900 clock hours in the program's academic year upon completion of 22 weeks of instructional time. The borrower must complete an additional 4 weeks of instructional time for a total of 26 instructional weeks before he or she may receive another Stafford loan for the final period of study. (For more information about the frequency of Stafford annual loan limits, see Subsection 6.1.B.) Upon completion of 26 weeks of instructional time, the borrower has successfully completed 1040 clock hours. Since the borrower's final period of study consists of fewer clock hours (760) than in the program's academic year (900), the school must prorate the borrower's Stafford annual loan limits.
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-103]

When Proration of Stafford Annual Loan Limits Is Not Applicable

In some instances, a school is not required to prorate the Stafford annual loan limits and in other instances, the school is not permitted to prorate the Stafford annual loan limits, as follows:

- A school is not permitted to prorate the Stafford annual loan limits for a graduate or professional Stafford loan borrower.
  [08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-99]

- A school is not permitted to prorate the Stafford annual loan limits for any undergraduate Stafford loan borrower who enrolls:

  – In coursework necessary to for a professional credential or certification from a state if that credential or certification is required for employment as a teacher in an elementary or secondary school (see Subsection 6.11.A).
    [08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-99]

  – In preparatory coursework necessary to for admission into either an undergraduate or a graduate program of study (see Subsection 6.11.A).
    [08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-99]

  – At least half time but less than full time.
    [08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-99]

  – For a period of less than a full academic year that is not a final period of study.
    [08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-99]

  – In an undergraduate credit-hour program that uses standard terms or nonstandard terms that are SE9W during a final period of study that contains the number of terms in the program's academic year and includes a term(s) in which the borrower is enrolled less than half time. For example, an undergraduate borrower is enrolled in a quarter term-based, credit-hour program that uses an SAY of three quarter terms—fall, winter, and spring. For the final period of study, the borrower enrolls full time for fall, less than half time for winter, and full time for spring. The school does not prorate the borrower's Stafford annual loan limits because the final period of study equals the number of terms in the program's academic year. However, the borrower is ineligible to receive, or receive the benefit of, a loan for the term in which he or she is enrolled less than half time.
    [08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-103]

- A school is permitted, but not required, to retroactively prorate the Stafford annual loan limits for an undergraduate borrower who originally enrolls for a final period of study that is a full academic year in length and who completes the program early in less than a full academic year.
  [08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-100][1]

1. Policy 1095 (Batch 159), approved April 16, 2009

A borrower enrolled in a self-paced program, either a clock-hour program or a non-term-based credit-hour program, may successfully complete the number of credit or clock hours in the program's academic year in fewer than the number of weeks of instructional time in the program's academic year. If the self-paced program is an undergraduate program that is *exactly* one academic year in length, a school is not required to prorate the Stafford annual loan limits for the occasional borrower who successfully completes the program in fewer weeks of instructional time than the average student. For example, a borrower enrolls in a program that is exactly one academic year in length, e.g., 900 clock hours and 26 weeks of instructional time. However, the borrower successfully completes the program's 900 clock hours in 22 weeks of instructional time. If the average student enrolled in such a program successfully completes the program in 26 weeks, the school is not required to prorate the Stafford annual loan limits for the occasional borrower who successfully completes the program in less than 26 weeks. [08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-83][1]

6.11.G Effects of a Consolidation Loan on New Stafford Loan Eligibility

When certifying a new Stafford loan, the financial aid administrator (FAA) must consider the effects, if any, that a student's Consolidation loan will have on his or her eligibility for the new loan. Portions of a Consolidation loan that are attributed to subsidized and unsubsidized Stafford loans must be included when calculating the student's aggregate loan balance. The FAA should use the National Student Loan Data System (NSLDS) or loan records provided by the student to determine the portion of the Consolidation loan that should be applied to the subsidized Stafford loan limit and the portion that should be applied to the unsubsidized Stafford loan limit. [§682.204(j)]

The NSLDS identifies the underlying loans of the Consolidation loan and uses those loan amounts to allocate the current outstanding principal balance between subsidized Stafford, unsubsidized Stafford, and combined aggregate Stafford amounts, excluding Perkins and PLUS loans from the aggregate computations. The NSLDS then subtracts the total of the calculated subsidized and unsubsidized outstanding balance amounts from the actual outstanding balance of the Consolidation loan. Any remaining balance is considered to be "unallocated." Unallocated amounts occur when, with the information that has been provided by data providers, the NSLDS is unable to account for the full amount of the outstanding balance of the Consolidation loan. The NSLDS does not include unallocated amounts when calculating aggregate combined subsidized and unsubsidized outstanding principal balances. However, the NSLDS will report aggregate subsidized amounts, unsubsidized amounts, combined subsidized and unsubsidized amounts, and unallocated amounts on Web pages and on Institutional Student Information Reports (ISIRs).

Unallocated amounts may represent any of the following:

- Capitalized interest that is included in the Consolidation loan. Capitalized interest does not count toward a borrower's aggregate limits.
- An underlying Health and Human Services (HHS) loan that is included in the Consolidation loan. HHS loans are not reported to the NSLDS and are not, therefore, automatically excluded from the aggregate calculations.
- An underlying loan that is from the borrower's spouse that is included in the Consolidation, in the case of a joint Consolidation loan.
- An underlying FFELP or FDLP loan that has not yet been added to the NSLDS because of an edit condition that occurred when the information was sent to the NSLDS, but that is included in the Consolidation loan.

A school is responsible for the financial aid history information that is available from the NSLDS at the time it certifies a loan for a student. The FAA is not required to investigate whether an unallocated amount of a Consolidation loan might impact a student's eligibility for additional Stafford loan funds unless the FAA has information that conflicts with the data reported in the NSLDS. The FAA must resolve any conflicting information prior to certifying the eligible loan amount and, if it has received conflicting financial aid information between the date the loan was certified and the date the loan funds are delivered, the school must resolve any conflict prior to delivering the loan funds. The school must include the result of that resolution in the school's certification of the student's eligible loan amount. If the school receives written documentation that confirms that a student is eligible for additional aid, the school may deliver the aid without waiting for the NSLDS to be updated. [§668.16(f); DCL GEN-96-13, Q&A #13 and #14; DCL GEN-03-12, Q&A #20; *NSLDS Newsletter* Number 11, February 2006]

1. Policy 1095 (Batch 159), approved April 16, 2009

6.12
Determining the Eligible Loan Amount

The maximum loan amount a school may certify for each academic year is the lesser of:

- The amount certified by the school—whether that amount is calculated as the estimated cost of attendance (COA) minus any estimated financial assistance (EFA) (and, for a subsidized Stafford loan, minus the expected family contribution [EFC]) or a reduced eligibility amount determined by the school. [§682.603(d)(2)]

- The applicable annual loan limit for the loan type, program length, and grade level. [§682.603(d)(1)]

- The remaining eligibility under the applicable aggregate loan limit. [§682.603(d)(1)]

- The loan amount requested by the borrower. [§682.206(c)(2)]

A lender may, at its discretion, approve a loan amount that is less than the amount for which the borrower might otherwise qualify.

6.13
Determining the Loan Amount at Schools with Credit-Hour Programs

A school must apply the appropriate formula (see Subsection 4.1.C) to determine the amount of Stafford funds that a student who is enrolled in the program is eligible to receive. Based on this calculation, the school must determine whether the student's educational program constitutes a full academic year, at least two thirds of an academic year, at least one third of an academic year, or less than one third of an academic year (see Subsection 6.3.D). The school must then calculate the loan amount that reflects the length of the student's educational program.

The PLUS program does not require loans to be reduced based on the length of a student's educational program. If the school determines that the student is enrolled in an eligible program, no further action is necessary. If, however, the student is enrolled in a program the school determines is not eligible, the school cannot deliver any loan proceeds.

See Subsection 4.1.C for more information on the clock-hour/credit-hour conversion requirement for certain schools.
[§668.8(k) and (l); §668.9; 07-08 FSA Handbook, Volume 2, Chapter 4, pp. 2-47 to 2-48]

6.14
Determining a Student's Eligibility for Interest Subsidy on Stafford Loans

Before certifying a Stafford loan, a school must determine the student's eligibility for interest subsidy on that loan.
[§682.603(b)(2)]

6.14.A
Subsidized Stafford Loans

A subsidized Stafford loan made for the certified amount or less—subject to the applicable Stafford annual and aggregate loan limits—is eligible for federal interest subsidy. The Department pays accruing interest on behalf of the borrower to the lender on a subsidized Stafford loan during the student's in-school, grace, deferment, and, if applicable, post-deferment grace periods (see Appendix A). The borrower is generally responsible for paying the interest that accrues during all other periods. However, if a borrower qualifies for income-based repayment (IBR) and the monthly payment amount during the period of the borrower's partial financial hardship (PFH) is not sufficient to pay the interest accruing on a subsidized Stafford loan, the Department pays the accrued interest that exceeds the scheduled monthly PFH payment during a consecutive 3-year period beginning on the established repayment period start date when each loan enters IBR. This 3-year period excludes any period during which the borrower receives an economic hardship deferment.
[§683.315(b)(4); §682.300(b)(1)][1]

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

A school may certify a subsidized Stafford loan only for a borrower who demonstrates financial need. A borrower is not eligible to receive a subsidized Stafford loan that exceeds his or her unmet financial need, regardless of the amount of that need.
[§682.301(a)(1)]

1. Policy 1119 (Batch 159), approved April 16, 2009

6.15.A
Preventing Overawards

A school must develop procedures to ensure that it does not certify and each Stafford borrower does not receive a loan exceeding the applicable annual and aggregate loan limits (see Section 6.11). In addition, the school must ensure that the total aid received for a loan period does not exceed the student's cost of attendance (COA). After a school certifies a Stafford or PLUS loan, any changes in the type or amount of the student's awards may result in an "overaward." For more information on overawards, see Section 8.6.
[§668.164(d)(1); §682.603(e)]

6.15.B
Stafford Loan Certification

A school may certify a Stafford loan only if the student borrower meets the eligibility criteria outlined in Subsections 5.1.A and 5.1.B, and Section 5.11.

Before certifying a Stafford loan for an undergraduate student, a school that participates in the Federal Pell Grant Program must determine the student's eligibility for a Pell grant. If the student is eligible for a Pell grant, the amount that he or she is eligible to receive must be included in the student's estimated financial assistance (EFA) when determining the student's Stafford loan eligibility. If the student applies for a Pell grant and receives notification that the funds will not be available, the school may disregard the student's Pell grant eligibility in assessing the student's financial need.

Before certifying an unsubsidized Stafford loan, a school must determine a student's eligibility for a subsidized Stafford loan. If the student is eligible for a subsidized Stafford loan in an amount that exceeds $200, the school must certify a subsidized Stafford loan prior to certifying an unsubsidized Stafford loan. If the student is eligible for a subsidized Stafford loan in an amount of $200 or less, the school is not required to certify an application for the subsidized Stafford loan prior to certifying the unsubsidized Stafford loan. In such cases, the school may include the amount of subsidized Stafford eligibility in the unsubsidized Stafford loan. Although the $200 tolerance does not exist for an unsubsidized Stafford loan, the school may refuse to certify the student's eligibility for an unsubsidized Stafford loan if the student has a nominal amount of eligibility and the lender has a minimum loan amount that exceeds the student's eligibility.
[07-08 FSA Handbook, Volume 3, Chapter 7, p. 3-115]

The school must document in the student's file the reason it did not certify a Stafford loan.
[HEA §428(b)(1)(A) and (B); §682.201(a)(1) and (2)]

Use of Professional Judgment for a Student Whose Parent(s) Ceases Financial Support and Refuses to Complete FAFSA

A financial aid administrator (FAA) is permitted to use his or her professional judgment to certify an unsubsidized Stafford loan for a dependent undergraduate student if the student's parent(s) has ended financial support and refuses to complete the parental section of the FAFSA. In this situation, providing financial support includes not only payment of educational costs, but also providing the student other cash or non-cash support, such as room and/or board. (Note that this authority does not permit the FAA to perform a dependency override for such a student. For information on dependency overrides, see Section 6.8.)

If the FAA exercises this authority, the dependent student is eligible to receive only an unsubsidized Stafford loan and may not receive any other Title IV aid. The maximum annual unsubsidized Stafford loan amount that a dependent student may receive under this authority is the "base" limit for a dependent student applicable to the student's grade level plus the additional unsubsidized amount of $2,000 (see Figure 6-4).

Also, a student's parent(s) who has ended financial support is not eligible to apply for a PLUS loan on the student's behalf. However, if the student's parents are separated or divorced, the parent whose financial information would not have been included on the FAFSA may apply for a PLUS loan on the student's behalf. If this parent is subsequently unable to obtain a PLUS loan, the student is not eligible for the additional unsubsidized Stafford loan funds typically available to dependent students whose parents are unable to obtain a PLUS loan.

The FAA must verify that the parent(s) has ceased financial support and refuses to complete the parental section of the FAFSA. The student is not permitted to self-certify this information. The FAA must obtain a signed and dated statement from one of the student's parents specifically stating each of the following:

- The parent(s) has stopped providing financial support to the student. The statement must include the date when the financial support stopped.
- The parent(s) will not provide financial support in the future.[1]

1. Policy 1126 (Batch 159), approved April 16, 2009

- The parent(s) refuses to complete the parental section of the FAFSA.

If the student's parent(s) will not provide the required verification statement, the FAA must obtain alternative documentation from a third party (e.g., a teacher, counselor, clergy member, or court) prior to certifying the unsubsidized Stafford loan. The alternative documentation must describe the student's relationship with his or her parents. In addition, the FAA may, but is not required to, determine how the student intends to support himself or herself financially without parental support.
[HEA §479(a); DCL GEN-08-12/FP-08-10][1]

6.15.C PLUS Loan Certification

PLUS loans are available both to parent borrowers who wish to borrow on behalf of their dependent undergraduate students, and to graduate and professional student borrowers. A school that participates in the Federal PLUS Loan Program and offers both undergraduate and graduate or professional programs must offer PLUS loans both to parents and to the school's graduate and professional students. Schools are not permitted to exclude either category of borrower from participation in the Federal PLUS Loan Program.
[DCL FP-06-05]

Parent Borrowers

A school may certify a parent PLUS loan only if both the parent borrower and the student for whom the loan is being obtained meet the eligibility criteria outlined in Subsection 5.1.A. In addition, the student must meet the eligibility criteria outlined in Subsection 5.1.B and Section 5.11 and the parent borrower must meet the eligibility criteria outlined in Subsection 5.1.C.

A school determines a parent borrower's maximum eligibility for a parent PLUS loan by subtracting from the cost of attendance (COA) the student's estimated financial assistance (EFA) ~~that both the student, and the parent on behalf of the student, are expected to receive~~ for the loan period. There is no annual or aggregate loan limit for a parent PLUS loan.
[§682.204(h); DCL GEN-92-21; 07-08 FSA Handbook, Volume 3, Chapter 5, pp. 3-78 and 3-90]

A school is not required to perform need analysis to determine a parent's eligibility for a PLUS loan. Likewise, a school is not required to determine a student's eligibility for a Pell grant or a subsidized or unsubsidized Stafford loan prior to certifying a parent PLUS loan or disbursing parent PLUS loan funds. A parent may choose to borrow the entire amount of the COA minus the EFA for an eligible dependent student regardless of whether the student is eligible to receive other Title IV aid—including a Pell grant, a subsidized Stafford loan, or an unsubsidized Stafford loan. However, if the student is seeking such aid, the school must include that aid in the EFA when determining the parent's PLUS loan eligibility.
[07-08 FSA Handbook, Volume 3, Chapter 5, pp. 3-115 to 3-118]

Graduate and Professional Student Borrowers

A school may certify a Grad PLUS loan for a graduate or professional student only if the student meets the eligibility criteria for both a student and a PLUS loan borrower. These eligibility criteria are outlined in Subsections 5.1.A, 5.1.B, and 5.1.C, and Section 5.11.

A school determines a student borrower's maximum eligibility for a Grad PLUS loan by subtracting from the cost of attendance (COA) the student's estimated financial assistance (EFA) ~~that the student is expected to receive~~ for the loan period. There is no annual or aggregate loan limit for a Grad PLUS loan.
[§682.204(h); DCL GEN-92-21; 07-08 FSA Handbook, Volume 3, Chapter 5, pp. 3-78 and 3-90][2]

Before applying for a Grad PLUS loan, a student is required to submit a completed Free Application for Federal Student Aid (FAFSA). Before certifying a Grad PLUS loan, the school must determine the student's maximum eligibility for subsidized and unsubsidized Stafford loan funds in the program (FFELP or Direct) in which the school is participating for Stafford loan purposes. If the student has not requested the maximum Stafford loan amount for which he or she is eligible, the school must notify the student of his or her maximum Stafford loan eligibility, and provide the student the following information on each loan type (Stafford and PLUS):

- The maximum interest rate.
- The periods during which interest that accrues must be paid by the borrower.
- The point at which the loan enters repayment.

The school must then provide the student with an opportunity to request the maximum Stafford loan funds for which he or she is eligible. However, the student may

1. Policy 1126 (Batch 159), approved April 16, 2009

2. Policy 1057 (Batch 151), approved September 18, 2008

7.6
Borrower Disclosures

Certain information must be disclosed to:

- The borrower by the lender in an initial disclosure at or before the first disbursement of the loan (see Subsections 7.6.A and 7.6.B).

- The lender by the guarantor when the loan is guaranteed (see Subsection 7.6.C).

7.6.A
General Initial Disclosure Requirements

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

- A statement prominently and clearly displayed and in bold print that the borrower is receiving a loan that must be repaid.

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

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

- The principal balance.

- The amount of any charges, including the federal origination fee and federal default fee ~~(formerly guarantee fee)~~ and an explanation of whether those charges will be collected by the lender before or at the time of each disbursement of the loan, ~~if applicable, and an explanation of whether those charges are being~~ deducted from the loan proceeds, ~~or~~ paid separately by the borrower, or paid by the lender.

- The actual interest rate.

- A statement of the cumulative outstanding balance of loans the borrower owes to the lender, including the loan ~~applied for~~ being disbursed, and an estimate of—or information that will allow the borrower to estimate—the projected monthly payment amount based on the cumulative outstanding balance.

- A separate statement, ~~written in plain English~~ in simple and understandable terms, that summarizes the borrower's rights and responsibilities with respect to the loan and the consequences of defaulting on the loan. The lender must provide the borrower with either the Borrower's Rights and Responsibilities statement or, in the case of each subsequent loan made using the multi-year feature of the Master Promissory Note, the Plain Language Disclosure, in order to meet the required disclosure of the following information:

  – The annual and aggregate maximum loan amounts that may be borrowed (loan limits).

  – A statement that information on the loan, including the date of disbursement and amount of the loan, will be reported to ~~a national credit bureau~~ all consumer reporting agencies.

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

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

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

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

  – A description of the types of repayment plans that are available for the loan (see Section 10.8 for repayment plans).[1]

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

1. Policy 1108 (Batch 158), approved April 16, 2009

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

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

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

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

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

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

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

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

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

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

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

If the loan amount, interest rate, or fee amount changes, the lender must provide the corrected information to the borrower. A guarantor may assist the lender with making corrected disclosures by providing a corrected guarantee disclosure to the lender to forward to the borrower.
[HEA §433(a); §682.205(a) through (c) and (e) through (~~g~~h)][1]

7.6.B Income-Sensitive and Income-Based Repayment Disclosure Requirements

The lender must also provide the borrower, in a written or electronic format, the initial disclosure information on the availability of income-sensitive repayment and, except for a parent PLUS borrower or for a Consolidation borrower whose Consolidation loan paid one or more parent PLUS loans, the availability of income-based repayment. By providing the borrower with the promissory note and associated materials approved by the Department, the lender meets the requirements to disclose the following information (issued together or separately):

- A statement that the borrower is eligible, including through loan consolidation, for income-sensitive repayment, and may be eligible for income-based repayment~~, including through loan consolidation~~.

- Procedures by which the borrower may choose income-sensitive or income-based repayment.

- Where and how the borrower may obtain more information on income-sensitive and income-based repayment.
[§682.205(h)][2]

1. Policy 1108 (Batch 158), approved April 16, 2009
2. Policy 1119 (Batch 159), approved April 16, 2009

10.6 Establishing Repayment Terms

In establishing a borrower's repayment terms, the lender should consider the borrower's ability to pay. However, in all cases, the lender must establish terms that retire the debt in a reasonable manner and satisfy the repayment requirements specified by federal regulations. The borrower is entitled to prepay or accelerate the repayment of his or her loan without penalty.
[§682.205; §682.209]

10.6.A Determining the Borrower's Indebtedness

A lender must accurately determine and disclose the amount of principal a borrower must repay. This amount should reflect any canceled disbursements, Title IV funds returned by the school, prepayments made by or on behalf of the borrower, accrued unpaid interest that has been capitalized (added to the principal balance), and changes to the interest rate of the loan.

The lender also must project the borrower's finance charge (the interest to be paid over the life of the loan). In all cases in which the capitalization of accrued unpaid interest is authorized, the lender may calculate the finance charge based on the new principal balance, which includes the capitalized interest.
[§682.205(c)]

10.6.B Length of the Repayment Period

The maximum allowable repayment period is calculated from the date on which the first payment is due. Generally, a borrower is allowed at least 5 but no more than 10 years from the date the first payment is due to repay each Stafford, SLS, and PLUS loan. However, the repayment period on a Stafford, SLS, or Grad PLUS loan may be greater than 10 years under an income-based repayment (IBR) plan. For a Consolidation loan, the repayment period may not exceed 30 years depending on the initial balance of the loan (see Subsection 15.5.C for information on Consolidation loan repayment provisions). In addition, a "new borrower" on or after October 7, 1998, may select an extended repayment schedule that allows for a repayment period of up to 25 years (see Subsection 10.8.E).
[§682.200; §682.209(a); §682.215(b)(8)][1]

Effect of Deferment and Forbearance

Periods of authorized deferment and forbearance are excluded from the maximum repayment period. As a result, granting a deferment or forbearance extends the overall length of time the borrower may have to repay the loan.

> EXAMPLE
> First Payment Due Date: March 1, 2001
> Number of Payments: 120
> Last Payment Date: February 1, 2011
>
> If a borrower obtains an in-school deferment from August 25, 2001, to May 25, 2002, the 120-month repayment period is extended by the length of the deferment (9 months). The new repayment period is 129 months, and the last payment due date is extended 9 months to November 1, 2011.

Depending on the type of repayment option selected by the borrower, the repayment schedule may not retire the full debt within the prescribed maximum repayment period. For information on repayment options, see Subsection 10.6.C. A lender may provide the borrower with a period of forbearance to permit the loan payments to continue beyond the statutory maximum repayment period. A lender, under certain repayment options, is required to grant forbearance. For more information on forbearance, see Section 11.20.
[§682.209(a)(6)(viii)(D)]

Deferments and forbearances do not extend the period of repayment during which the interest on an 8%/10% Stafford loan accrues or is capped at 8%. Deferments and forbearances are included in the 4-year time frame for which the 8% interest rate is applicable on these loans.

> EXAMPLE
> A borrower with a loan that accrues at an 8%/10% interest rate enters repayment on July 1, 1994. The borrower makes payments for 24 months, then defers the loan for 24 months. When repayment resumes, the loan will have aged to the 49th month of repayment, at which time the loan would normally change to the 10% rate. The interest rate will change based on requirements to convert certain fixed-rate loans to a variable rate, but the loan retains an interest rate cap of 10%.

A borrower is not entitled to the minimum 5-year repayment period if paying the required minimum annual payment amount (generally $600 per year) would result in the loan being paid in full in less than 5 years.
[§682.209(c)]

1. Policy 1119 (Batch 159), approved April 16, 2009

Less Than 5-Year Repayment Period

A lender may provide repayment terms that will cause a loan to be repaid in less than 5 years if the borrower requests those terms before the beginning of the repayment period. The borrower may, at any time during the remainder of the repayment period, request that the lender extend the repayment period to a minimum of 5 years unless the remaining balance on the loan can be completely repaid in less than 5 years at the minimum annual payment amount. [§682.209(a)(7)(iv)]

10.6.C Repayment Options

A borrower has three options for repaying a loan:

- Pay the outstanding balance (unpaid principal and accrued interest) in full.

- Pay any part of the outstanding balance in a lump sum payment and the remaining balance in regular (monthly or quarterly) principal and interest installments.

- Make regular installments on the entire outstanding balance.

The borrower may prepay all or a portion of the loan without penalty at any time.

10.6.D Minimum Payment Requirements

Federal regulations outline specific requirements for the minimum annual amount the borrower must pay on a loan. Unlike the maximum repayment period, which is loan-specific, a minimum annual payment amount applies to all of the borrower's loans. The ~~M~~minimum annual payment amount~~s~~ ~~vary~~ varies according to when the loan was first disbursed or the repayment schedule that the borrower selects:

- For loans first disbursed on or after October 1, 1981, the minimum annual payment amount for all of a borrower's loans during any year of repayment must be the lesser of $600 or the outstanding balance of the loans including interest.

- For all loans first disbursed before October 1, 1981, the minimum annual payment amount for all of a borrower's loans during any year must be the lesser of $360 or the outstanding balance of the loans including interest.

- For loans in repayment on or after July 1, 2009, the minimum annual payment amount under an income-based repayment (IBR) plan by a borrower with a partial financial hardship (PFH) is $0 (see Subsection 10.8.E for additional information regarding the loans that qualify and borrower eligibility criteria for IBR).

Because minimum annual payment amounts apply to a borrower instead of to each loan, a lender may prorate a minimum payment across all of a borrower's loans. As a result, the monthly payment on an individual loan may be less than $50 or $30 (the monthly equivalent of the $600 and $360 annual minimums, respectively). Except in the case of payment under IBR, ~~T~~the lender may round the borrower's payment(s) to the next highest whole dollar amount that is a multiple of $5 (when the payment amount is not a multiple of $5). For information on the $5- and $10-rule under IBR, see Subsection 10.8.E. [§682.209(a)(8)]

Payments Smaller Than Minimum

A lender may permit a borrower to make smaller payments than otherwise required if the reduced scheduled monthly payment amount equals at least the amount of interest due on the loan. This option may be provided only on a short-term basis, and a lender should ensure that the reduced payments do not cause subsequent repayment schedules to require any single payment amount to exceed any other payment amount by more than three times in cases where this is prohibited (see subheading "Three-Times Rule" later in this subsection). In the case of IBR, a payment may be less than the monthly accruing interest.[1]

If the borrower and lender agree, the borrower may pay less than the minimum annual amount as long as the loan(s) will be repaid fully within the maximum repayment period. The lender must document the terms and conditions of the revised agreement in the borrower's file or servicing history. If the reduced payment amount will result in the repayment period extending beyond the allowable maximum, the lender must grant a reduced-payment forbearance and obtain the borrower's signature on the forbearance agreement (see Subsection 11.22.A). [HEA §428(b)(1)(L)(i)]

1. Policy 1119 (Batch 159), approved April 16, 2009

Three-Times Rule

In all cases where a graduated or income-sensitive repayment schedule is established, federal regulations require that no single installment be more than three times greater than any other installment (the "three-times rule"). When a lender establishes the minimum payment amount on a loan under an income-sensitive repayment schedule, a lender must consider the borrower's ability to pay, without violating the "three-times rule." In the case of IBR, the three-times rule does not apply.
[§682.209(a)(6)(ii)]

Interest Payments

For loans that are repaid under a graduated, income-sensitive, income-based, or extended repayment schedule, the $360 and $600 annual payment requirements do not apply. ~~However~~ Except in the case of an IBR plan, in no instance may the payment amount be less than the amount of interest due and payable. Under an IBR plan, the borrower's monthly payment amount may be insufficient to pay accrued interest and principal due or to repay the loan within the 25-year repayment period for loan forgiveness.
[HEA §428(b)(1)(L)(i); §682.209(a)(6)(iv) and (c)][1]

10.6.E Adjusting the Borrower's Repayment Terms

In some cases, the lender may be required to adjust the borrower's repayment terms. Typically, this may occur in any of the following cases:

- The interest rate changes on a variable rate loan or an 8%/10% Stafford loan after it has been converted to the variable rate.
- The interest is capitalized.
- The borrower selects an income-sensitive repayment schedule (see Subsection 10.8.C).
- The borrower requests a change in his or her repayment schedule (see Section 10.8). A lender must comply with an eligible borrower's request to revise his or her choice of repayment schedule at least once every 12 months.

For more information on changing a borrower's installment amount in response to a change in the variable interest rate, see Section B.2.

In adjusting the borrower's repayment terms, the lender generally has two options:

- Keep the number of installments the same and change the borrower's installment amount.
- Keep the installment amount the same and change the borrower's repayment period.

An increase in the variable interest rate of a Stafford, PLUS, or SLS loan may result in the loan not being fully repaid within the maximum repayment period, unless the lender increases the borrower's installment amount by an amount that violates the "three-times rule." In such cases, the lender may delay increasing the borrower's installment amount immediately to allow for future rate fluctuations that result in lower interest rates.

For a borrower with a standard or graduated repayment schedule (see Subsections 10.8.A and 10.8.B, respectively), the lender must grant a mandatory administrative forbearance to the borrower (or endorser, if applicable) for a period of up to 3 years of payments in cases where the effect of a variable interest rate would result in a loan not being repaid within the maximum repayment period allowed.
[§682.209(a)(6)(i)(B)]

In cases where the effect of decreased installment amounts paid under income-sensitive terms would result in a loan not being repaid within the maximum repayment period allowed, the lender must grant a mandatory administrative forbearance to the borrower (or endorser, if applicable) for a period of up to 5 years.
[§682.209(a)(6)(viii); §682.211(i)(5)(ii)]

10.7 Disclosing Repayment Terms

The lender must disclose repayment information in simple and understandable terms, in a statement provided to the borrower at or before the beginning of the repayment period. To satisfy this requirement, the lender must send the borrower (at no cost to the borrower) a repayment disclosure during the time frames specified by regulation and outlined in detail in Subsection 10.7.A.

1. Policy 1119 (Batch 159), approved April 16, 2009

A lender must offer the borrower the ~~a~~ choice of a standard, a graduated, an income-sensitive, an income-based, or, if applicable, an extended repayment plan ~~schedule~~. The lender must also inform the borrower that he or she is eligible for an income-sensitive repayment plan (including through loan consolidation), or may be eligible for an income-based repayment plan (except for a parent PLUS loan borrower or a Consolidation loan borrower whose Consolidation loan includes one or more parent PLUS loans). The lender must also provide information regarding the process~~dures~~ by which the borrower can choose an income-sensitive or income-based repayment plan, and where and how the borrower may obtain more information on the income-sensitive and income-based repayment plans ~~may be obtained~~. If a lender chooses to include repayment choices with the repayment notification, the lender must ensure that the timing of this notice also meets the requirements of Subsection 10.7.A.
[HEA §428(b)(9); §682.205(h)][1]

Undeliverable Repayment Disclosures

The lender must convert the loan to repayment even if a borrower does not acknowledge the repayment disclosure. If the lender fails to provide disclosure information, this failure does *not*:

- Relieve a borrower of the obligation to repay the loan.
- Provide a basis for a claim for civil damages.
- Void the insurance or reinsurance obligation.
  [HEA §433(c)]

If the repayment disclosure for a Stafford or SLS loan borrower is returned to the lender as undeliverable, the lender is encouraged to resend the disclosure to the borrower in care of the borrower's parent(s) or legal guardian (if the address is known).

The lender also is encouraged to initiate skip tracing procedures at the time any Stafford, SLS, or PLUS loan repayment disclosure is returned undeliverable—rather than wait for the loan to become delinquent, at which point skip tracing is mandatory if not completed previously. See Sections 12.7 and 12.8 for more information on skip tracing requirements.

Repayment Disclosure Formats

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

- The lender's or servicer's name and the address to which correspondence and payments should be sent.
- A telephone number accessible at no cost to the borrower from within the U.S., and, at the lender's option, an electronic address from which the borrower can obtain additional loan information.
- The scheduled date the repayment period begins or the deferment period ends on a PLUS loan, if applicable.
- The estimated balance, including the estimated amount of interest to be capitalized, that is owed by the borrower as of the date the repayment period begins or the deferment period ends on a PLUS loan, if applicable. ~~date of the disclosure, whichever is later.~~
- The actual interest rate on the loan.
- Information on any special loan repayment benefit offered for the loan(s), if applicable, including:
  - Eligibility for an interest rate reduction if the borrower repays the loan by automatic payroll or checking account deduction or if the borrower makes a specified number of on-time payments, and any other loan repayment benefits that could reduce the total repayment amount or the length of the repayment period.
  - Any limitations on the special loan repayment benefit, including, but not limited to:
    (1) Explicit information on the reasons the borrower may lose eligibility for the benefit.
    (2) For an interest rate reduction benefit, examples of the impact the interest rate reduction has on the length of the borrower's repayment period and the total repayment amount, and upon the request of the borrower, the effect the change would have with respect to the borrower's total payoff amount and length of the repayment period.
    (3) Whether and how the borrower can regain eligibility for a loan repayment benefit if the borrower loses the benefit.[2]

1. Policy 1128 (Batch 159), approved April 16, 2009

2. Policy 1109 (Batch 158), approved April 16, 2009

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

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

- The borrower's repayment schedule, including the due date of the first installment and the number, amount, and frequency of payments, based either on a standard repayment plan or the repayment plan selected by the borrower. In the disclosure to a PLUS or an unsubsidized Stafford loan borrower, the lender may provide, in lieu of projected monthly payment amounts, sample projections of monthly payment amounts that assume different levels of borrowing and interest accrued during the student's in-school status. If the lender provides sample projections, the disclosure must also include the borrower's cost if the borrower authorizes the lender to capitalize the accrued interest or if the borrower pays the interest as it accrues. [HEA 433 (b) and (d); DCL GEN-08-12/FP-08-10]

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

- The estimated total amount of interest to be paid on the loan, assuming payments are made in accordance with the repayment schedule and the amount of interest already paid by the borrower, if applicable. The lender is not required to provide the interest estimate if it previously provided a PLUS or unsubsidized Stafford loan borrower with the projected monthly payment amounts.

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

- A description of the options by which the borrower may avoid default or bring his or her loan out of default, including any relevant fees associated with such options.

- Additional resources, including nonprofit organizations, advocates, and counselors of which the lender is aware, where borrowers may receive advice and assistance on loan repayment. These resources include the Department's Student Loan Ombudsman.[1]

For a PLUS or SLS loan, the lender is not required to provide the estimated total amount of interest to be paid on the loan if the lender provides the borrower with sample projections of monthly repayment amounts assuming different levels of borrowing and interest accruals resulting from capitalization of interest while the student is in school. Sample projections must disclose the cost to the borrower of principal and interest, interest only, and capitalized interest. In the case of a PLUS loan, the lender may rely on the PLUS promissory note and associated materials approved by the Department for purposes of meeting this requirement.

The repayment disclosure may contain a space for the borrower's signature and the date signed. However, the borrower is not required to sign and return the repayment disclosure.

In all instances, the initial repayment disclosure or any subsequent disclosure of the borrower's repayment terms must notify the borrower of capitalized interest, including the new principal balance and other changes in repayment terms (such as the monthly payment amount) resulting from the capitalization.

After the initial repayment disclosure is made, the lender may use any suitable format to redisclose subsequent repayment information to the borrower. [HEA §433(b) and (c); §682.205(c) and (d)]

10.7.A Time Frame for Disclosure

A lender must provide repayment disclosure to a borrower within a time frame applicable to the borrower's loan type.

Stafford Loans

The lender must notify a Stafford loan borrower of repayment terms no less than 30 days, and no more than ~~240~~ 150 days, before the first payment due date.[2] Guarantors recommend that the lender send a repayment reminder letter to the borrower at least 90 days before the grace period expiration date. Establishing solid contact with the borrower before repayment starts is critical to default prevention. Notifying the borrower during this 90-day time frame also gives the borrower the opportunity to do one of the following:

- Provide the lender with documentation that he or she has returned, or will return, to school before the expiration of the grace period.

1. Policy 1109 (Batch 158), approved April 16, 2009

2. Policy 1097 (Batch 157), approved March 19, 2009

- Make alternative repayment arrangements—such as graduated repayment or forbearance—if necessary.

Sending the repayment reminder letter may assist the lender in default prevention and reduce the administrative burden caused by prematurely converting the borrower's loan to repayment and then returning it to an in-school or grace status.

PLUS Loans

~~For a PLUS loan, the lender must disclose the repayment terms at or before the beginning of the repayment period.~~ The lender must notify a PLUS loan borrower of repayment terms no less than 30 days, and no more than 150 days, before the first payment due date. ~~For PLUS loans, the repayment period begins on the date of the last disbursement. The disclosure must be sent to the borrower—even if the loan will be placed into immediate deferment. The repayment disclosure may be sent with the initial disclosure outlined in Subsection 7.6.A. The lender does not satisfy this disclosure requirement by merely stating that payments will be deferred while the borrower or dependent student, as applicable, is in school—or by providing a repayment schedule that covers only interest payments to be made while the borrower's loan is deferred.~~See Section 10.7 for repayment disclosure requirements.

~~The lender should indicate to the borrower that the repayment information provided is based on the loan amount when fully disbursed and, if the loan enters an immediate deferment status, the deferment end date (such as the anticipated graduation date), the amount of interest to be capitalized between the first and final disbursement and the first payment due date. The lender is not required to redisclose this information if changes occur in the future disbursement dates or amounts or in the borrower's repayment or deferment status. A lender is encouraged to advise the borrower of any substantive changes made in the borrower's repayment obligation.~~[1]

SLS Loans

A lender must notify an SLS loan borrower of the payment amount and actual first payment due date no less than 30 days, nor more than 240 days, before the date on which the first principal payment is due. The lender may disclose the repayment terms with other disbursement disclosures at the time of the first disbursement.

The lender must clearly indicate to the borrower that the repayment information provided is based on the loan amount when fully disbursed and, if the loan enters an immediate deferment status, the deferment end date (such as the anticipated graduation date), the amount of interest to be capitalized between the first and final disbursement and the first payment due date. The lender is not required to redisclose this information if changes occur in disbursement dates or amounts or in the borrower's repayment or deferment status. A lender is encouraged to advise the borrower of any substantive changes made in the borrower's repayment obligation.

It is not sufficient to provide a statement that payments are deferred while the borrower is in school or to provide a repayment schedule covering only the interest payments that are to be made while the borrower is in school. [§682.205]

If repayment on an SLS loan is postponed to correspond with repayment on a Stafford loan, the lender should ensure that it provides the repayment disclosure in the required time frame.

10.7.B Dispute of Loan Terms

If a borrower disputes the terms of a loan in writing, and the lender does not resolve the dispute, the lender must provide the borrower with information regarding an appropriate guarantor contact for the resolution of the dispute. [§682.208(c)(3)(i)]

10.8 Establishing a Repayment Schedule

If the borrower elects to repay the loan through regular installments (see Subsection 10.6.C for repayment options), the lender must offer the borrower a choice of the following:

- A standard repayment schedule.
- A graduated repayment schedule.
- An income-sensitive repayment (ISR) schedule.
- An income-based repayment (IBR) schedule.[2]
- An extended repayment schedule, if applicable.

1. Policy 1097 (Batch 157), approved March 19, 2009

2. Policy 1119 (Batch 159), approved April 16, 2009

Lenders must offer all borrowers their choice of ~~a standard, graduated, or income-sensitive~~ repayment schedule no more than 6 months before the first payment due date. ~~In addition, lenders must offer an extended repayment schedule to borrowers who are considered "new borrowers" on or after October 7, 1998, and who have more than $30,000 in outstanding principal and interest in FFELP loans. This extended repayment schedule must provide a repayment period of no more than 25 years.~~ Details regarding repayment schedule options are outlined in Subsections 10.8.A through 10.8.E. For more information on Consolidation loan repayment, see Section 15.5.

A borrower must select a repayment schedule within 45 days of the lender's notification and advise the lender of that choice. If a borrower does not respond within 45 days—or selects an ~~income-sensitive repayment schedule~~ ISR or an IBR schedule but does not provide the required documentation—the lender must establish a standard repayment schedule. A borrower also may request a change in his or her repayment schedule. A lender must comply with an eligible borrower's request to revise his or her choice of repayment schedule at least once ~~every 12 months~~ annually, except that a borrower may request IBR at any time.[1]

A lender must combine, to the extent practicable, all FFELP loans owed by a borrower to the lender into a single account to be repaid under a single repayment schedule. For loans serviced in this manner, the word "loan" in this section means all of the borrower's loans that are combined by the lender into that account. However, for National Student Loan Data System (NSLDS) reporting, the Department requires that a lender maintain repayment records for each loan—even though the lender combined the loans into a single repayment schedule.
[§682.209(a)(6)(xi)]

10.8.A Standard Repayment Schedule

When a lender establishes a standard repayment schedule, the lender should schedule the borrower's payment amounts to be one of the following:

- An installment amount that is the same amount for each installment payment made during the repayment period, except that the borrower's final payment may be slightly more or less than the other payments.
- An installment amount that will be adjusted to reflect annual changes in the loan's variable interest rate.

The lender must require the borrower to repay the loan under a standard repayment schedule if the borrower meets either of the following criteria:

- The borrower does not select an income-sensitive, income-based, graduated, or extended (if applicable) repayment schedule within 45 days after being notified by the lender to choose a repayment schedule.
- The borrower chooses an income-sensitive repayment schedule or an income-based repayment schedule but does not provide the documentation requested by the lender within the time period specified by the lender. [§682.209(a)(6)(v) and (vi)][2]

10.8.B Graduated Repayment Schedule

When a lender establishes a graduated repayment schedule, the amount of the borrower's installment payment is scheduled to change (usually increasing) over the repayment period. When establishing these payment amounts, a lender must ensure that no single installment is more than three times greater than any other installment.

A lender is not required to have a separate payment agreement with the borrower if the graduated repayment schedule provides for the borrower to pay less than the minimum annual payment amount.
[§682.209(a)(6)(vii)(B)]

10.8.C Income-Sensitive Repayment Schedule

If a borrower selects an income-sensitive repayment schedule, the borrower must provide the lender with information on the expected total monthly gross income the borrower receives from all sources. Except for a spousal Consolidation loan, expected total monthly gross income from all sources does not include income earned or received by a borrower's spouse.

To ensure the income information is current, the borrower cannot provide the income information any earlier than 90 days before the first payment due date. If the borrower's loan entered repayment without the lender's knowledge, the lender may obtain the income information earlier than 90 days before the first payment due date.

The lender will determine whether the borrower qualifies for an income-sensitive repayment schedule based on the borrower's expected total monthly gross income. If the

1. Policy 1119 (Batch 159), approved April 16, 2009

2. Policy 1119 (Batch 159), approved April 16, 2009

borrower reports income the lender considers insufficient to establish a monthly payment that will repay the loan within the maximum applicable repayment period, the lender must request documentation showing the amount of the most recent total monthly gross income from employment and other sources received by the borrower. This can include, if applicable, pay statements from employers and documentation of any income received by the borrower from other parties. When establishing these payment amounts, a lender must ensure that no single installment is more than three times greater than any other installment. [§682.209(a)(6)(ii)]

The lender must collect and review the borrower's income documentation annually and adjust the borrower's payment amount accordingly. To ensure income information is current, the borrower cannot provide the information any earlier than 90 days before the payment is scheduled to be adjusted.

The lender must inform the borrower that the loan must be repaid within the maximum repayment period allowed. However, the lender must grant a forbearance to the borrower—or endorser, if applicable—for a period of up to 5 years in cases where the effect of decreased installment amounts paid under an income-sensitive repayment schedule would result in a loan not being repaid within the maximum repayment period (see Section 11.23). [§682.209(a)(6)(viii)]

10.8.D Income-Based Repayment Schedule

Beginning on July 1, 2009, a borrower may request to repay an eligible loan under an income-based repayment (IBR) plan. Eligible FFELP and Direct loans include the outstanding balances on all loans except:

- A defaulted loan.
- A FFELP or Direct parent PLUS loan.
- A FFELP or Direct Consolidation loan that repaid a FFELP or Direct parent PLUS loan.

If a borrower selects IBR, the lender must determine if the borrower has a partial financial hardship (PFH) for the initial year and annually for each subsequent year that the borrower selects this repayment plan. A PFH exists if the borrower has an annual payment amount, calculated under a standard repayment schedule and based on a 10-year repayment period on all eligible FFELP and Direct loans outstanding when the borrower initially entered repayment on each loan (a.k.a. *standard-standard*), that exceeds 15% of the difference between the borrower's adjusted gross income (AGI) and 150% of the poverty guideline for the borrower's family size. The poverty guideline refers to the income by state and family size as published annually by the U.S. Department of Health and Human Services (DHHS). If a borrower is not a resident of a state listed in the poverty guidelines, the lender uses the DHHS poverty guideline for the 48 contiguous states.

To enable the lender to make this determination, the borrower must provide the lender with written consent for the disclosure of the applicable adjusted gross income and other tax return information from the Internal Revenue Service. The borrower provides this consent by signing a consent form and returning the form to the lender. For a married borrower filing jointly, adjusted gross income includes both the borrower's and the spouse's income. For a married borrower filing separately, adjusted gross income includes only the borrower's income. However, if the borrower's adjusted gross income is not available or if the lender believes that the borrower's adjusted gross income does not reflect the borrower's current income, the lender may use other documentation, provided by the borrower, to verify income.

The borrower must provide a self-certification of family size to the lender. If the borrower fails to certify family size, the lender must assume a family size of one. Family size includes the following:

- The borrower and the borrower's spouse.
- The borrower's children, including unborn children who will be born during the year for which the borrower certifies family size, if the borrower provides more than half of the children's support.
- Other individuals who, at the time the borrower certifies family size, live with the borrower and receive more than half of their support from the borrower and will continue to receive this support from the borrower for the year being certified. Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, and payment of college costs.[1]

1. Policy 1119 (Batch 159), approved April 16, 2009

Payment Amount Calculation

The borrower's maximum annual payment to determine PFH is limited to no more than 15% of the amount by which the borrower's annual adjusted gross income exceeds 150% of the DHHS poverty guideline for the borrower's family size. The result is divided by 12 to obtain the monthly payment amount.

PFH Eligibility and Payment Amount Calculation Example:

A borrower has an AGI of $50,000, a family size of 5, total loans of $25,000, and is a resident of Virginia.

Step 1: Obtain the DHHS poverty guideline for the family size and state. For this example, the applicable U.S. Department of Health and Human Services poverty guideline is $25,790.

Step 2: Multiply the DHHS poverty guideline by 150% or $25,790 x 1.5 = $38,685.

Step 3: Subtract the result in step 2 from the borrower's AGI or $50,000 – $38,685 = $11,315.

Step 4: Calculate the borrower's maximum annual payment amount by multiplying the result of step 3 by 15% or $11,315 x .15 = $1,697.25.

Step 5: Determine the annual payment amount on the total of the borrower's loans based on a standard 10-year repayment schedule and the applicable interest rate. In this example, the borrower's total loan amount is $25,000 at an interest rate of 6.8% which results in an annual payment amount of $3,452.40.

Step 6: Since the annual payment amount in Step 5, $3,452.40, is greater than the maximum annual payment amount in Step 4, $1,697.25, the borrower has a partial financial hardship.

Step 7: To calculate the borrower's monthly payment amount, divide the result of Step 4 by 12 or $1,697.25/12 = $141.44.

If the lender does not hold all of the borrower's eligible loans, the borrower's monthly PFH payment amount is multiplied by the percentage of the borrower's total outstanding principal amount of eligible loans that are held by the lender making the determination of eligibility. For this calculation, the lender may access NSLDS to determine the outstanding principal amount of the borrower's eligible loans that are held by other lenders. If the result of this calculation is less than $5.00 at the lender level, then the borrower's monthly PFH payment amount is $0. If the result of the calculation is equal to or greater than $5.00 but less than $10.00 at the lender level, then the borrower's monthly PFH payment amount is $10.00.

If a borrower selects an IBR plan, the lender must—unless the borrower requests otherwise—require that all eligible loans held by the lender be repaid under the IBR plan. If the borrower has multiple lenders and wants to repay all eligible loans under the IBR plan, the borrower must request IBR from each lender.

The lender must recalculate the monthly payment amount for a borrower when any of the following occurs:

- The borrower ceases to have a PFH or chooses not to make PFH payments but remains in the IBR plan.
- The borrower fails to renew or withdraws consent for income verification from the Internal Revenue Service.

To recalculate the borrower's monthly payment amount under either of the two preceding bullets, a lender uses a standard repayment schedule for a 10-year repayment period based on the borrower's outstanding loan balance at the time that the borrower began repayment under the IBR plan. This monthly payment amount (a.k.a. *permanent-standard*) may result in a repayment period that exceeds 10 years.

If a borrower chooses to leave IBR, a lender recalculates the borrower's monthly payment amount by using a standard repayment schedule for the time remaining on a 10-year repayment period based on the borrower's outstanding loan balance at the time the borrower elects to leave IBR (a.k.a. *expedited-standard*). For a Consolidation loan, the monthly payment amount is recalculated, based on the time remaining up to a maximum of 30 years. (See Subsection 15.5.C for information on applicable repayment periods.)

~~10.8.D~~
~~Extended Repayment Schedule~~

10.8.E
Extended Repayment Schedule[1]

The extended repayment schedule is limited to "new borrowers" on or after October 7, 1998, with an outstanding balance of principal and interest in FFELP loans totaling more than $30,000. The lender may schedule the borrower

1. Policy 1119 (Batch 159), approved April 16, 2009

for standard or graduated installments over a period not to exceed 25 years.
[HEA §428(b)(9)(A)(iv); §682.209(a)(6)(ix)]

A "new borrower" on or after October 7, 1998, may qualify for an extended repayment schedule if the borrower has multiple lenders with an aggregate FFELP loan amount totaling more than $30,000. A lender must retain a record of the basis for determining a borrower's eligibility for an extended repayment schedule, if the total loan amount it holds is not more than $30,000.

10.9 Interest Charges

If a borrower's loan is a subsidized Stafford loan, the federal government pays the interest that accrues during the in-school, grace, and authorized deferment periods. If a borrower's monthly partial financial hardship (PFH) payment amount under an income-based repayment (IBR) plan is not sufficient to pay the interest accruing on a subsidized Stafford loan, the Department pays the accrued interest that exceeds the scheduled monthly PFH payment amount during a consecutive 3-year period beginning with the repayment period start date when each loan enters IBR. This 3-year period excludes any period during which the borrower receives an economic hardship deferment.
[§682.215(b)(4)][1]

If the loan is an unsubsidized or a nonsubsidized Stafford loan, a PLUS loan, or an SLS loan, the borrower is responsible for paying all interest that accrues on the loan from the first disbursement date—including interest that accrues during deferment periods. For information on the interest charges applicable to Consolidation loans, see Subsection 15.3.D and Section 15.6.
[§682.202; §682.300]

10.9.A Annual Variable Interest Rate Charges

When servicing a variable-rate Stafford, SLS, or PLUS loan, a lender must adjust the interest rate annually on July 1 in accordance with interest rates established by the Department. The variable interest rate for a loan is based on the type of loan and the disbursement date. For more information on how a loan's variable interest rate is determined, see Sections 7.4 and 7.5.

The adjustment to the variable interest rate on a loan may affect the monthly payment amount and the borrower's overall repayment terms. Refer to Subsection 10.6.E for more information on adjusting the borrower's repayment terms.

Guarantors recommend that the lender inform the borrower of the variable interest rate change. The lender must inform the borrower of any changes in the payment amount.

For more information on current and past variable interest rates, refer to Appendix H.

10.9.B Reduced Interest Rates

If the borrower qualifies under Section 207 of the Servicemembers Civil Relief Act (SCRA) and requests an interest rate reduction in writing, the lender is required to charge the borrower an interest rate that does not exceed 6% for the period of the borrower's qualifying military service on or after August 14, 2008. For purposes of this provision, interest includes service charges, renewal charges, fees, or any other charges (except for actual insurance) with respect to the loan. A borrower may qualify for the 6% rate if all of the following criteria are met:

- The borrower has an outstanding Stafford, PLUS, or Consolidation loan that was made prior to the date that the servicemember entered active duty mililtary service.
- The borrower is the only borrower, a comaker on the loan, or an endorser on an outstanding PLUS loan.
- The borrower, comaker, or endorser requests the reduced interest rate in writing and provides to the lender a copy of his or her initial military orders and any orders that extend military service.
- The borrower provides the written request and documentation not later than 180 days following the last date of the borrower's qualifying military service.

The reduced interest rate applies to an endorser if the endorser is an eligible servicemember and the lender is actively collecting the loan from the endorser.
[HEA §428(d); DCL GEN-08-12/FP-08-10][2]

~~A~~ Also, a lender may choose to charge a borrower an interest rate that is lower than the maximum interest rate permitted by statute (statutory rate). If the lender charges a

1. Policy 1119 (Batch 159), approved April 16, 2009

2. Policy 1096 (Batch 157), approved March 19, 2009

and parents of September 11, 2001, victims discharge determination or *(b)* the receipt of documentation of a death, disability, closed school, false certification, unpaid refund, or spouses and parents of September 11, 2001, victims claim or discharge request.

- The period during which the loan was held by the guarantor due to a claim purchase. The capitalization may include interest accrued from date of claim payment through the repurchase date. The lender must document that the capitalization was a result of a repurchase. If the repurchase is due to the loan's loss of guarantee, see Subsection 13.3.D.

10.10.B Capitalization Frequency

To determine when the lender may capitalize interest, the lender should refer to the following instructions.

For a loan in repayment under an income-based repayment (IBR) plan, unpaid interest is capitalized if the borrower ceases to have a partial financial hardship (PFH) or leaves IBR and is placed on the expedited-standard repayment schedule.
[§682.215(b)(5)][1]

Subsidized and Unsubsidized Stafford Loans First Disbursed on or after July 1, 2000

The lender may capitalize unpaid interest only as follows:

- When the loan enters repayment.
- When a deferment ends.
- When a forbearance ends.
- When the loan defaults.
  [§682.202(b)(4)(ii)]

Unsubsidized Stafford Loans First Disbursed October 7, 1998, to June 30, 2000, Inclusive

The lender may capitalize unpaid interest only as follows:

- When the loan enters repayment.
- When the grace period ends.
- When a deferment ends.
- When a forbearance ends.
- When the loan defaults.
  [HEA §428H(e)(2)]

Subsidized Stafford Loans First Disbursed Prior to July 1, 2000, Unsubsidized Stafford Loans First Disbursed Prior to October 7, 1998, and All PLUS and Consolidation Loans

A lender may capitalize the interest that accrues during in-school, grace, deferment (except in-school deferment for Consolidation loans), and forbearance periods no more frequently than quarterly, and again when repayment is scheduled to begin or resume. A lender may capitalize interest that accrues during the following periods only on the date repayment of principal is scheduled to begin:

- During the period from the date the first disbursement was made to the beginning date of the in-school period.
- During the period from the date the first installment payment was due to the date it is made.
- During a period when the borrower's loan was in repayment, but the borrower made no payments because:
  - The lender received late notification that the borrower withdrew or ceased to be enrolled on at least a half-time basis, as applicable, from the school before the lender's projected deferment end date, out-of-school date, or date on which the loan is fully disbursed.
  - The lender learned after the fact that the borrower or a dependent student (based on whose status a PLUS loan borrower obtained the deferment) did not maintain in-school deferment eligibility.
    [§682.202(b)]

Consolidation Loans with In-school Deferments

Unsubsidized interest that accrues on a Consolidation loan during an in-school deferment may only be capitalized at the end of the deferment period.

Guarantors strongly encourage a lender to capitalize a borrower's outstanding accrued interest in all cases in which capitalization is permitted in order to prevent delinquency.

1. Policy 1119 (Batch 159), approved April 16, 2009

10.10.C
Capitalization of Delinquent Interest Payments

If a borrower with an unsubsidized or a nonsubsidized FFELP loan fails to fulfill an agreement to make interest-only payments during the in-school, grace, deferment, or forbearance period, the lender:

- Must notify the borrower that he or she has 30 days to remit the delinquent interest payment unless the notification was provided to the borrower on the promissory note, repayment schedule, deferment or forbearance form, or other written notification provided to the borrower in the course of servicing the loan.
- May capitalize the accrued interest for the in-school, grace, deferment, or forbearance period, if the borrower does not pay the interest within the 30-day period. The lender may continue to capitalize interest no more frequently than quarterly during the balance of the in-school, grace, deferment, or forbearance period.

In most cases, a lender may not file a default claim solely due to delinquent interest. See Subsection 13.6.A for more information on allowable interest-only default claims.

If the lender cannot notify the borrower of the interest payment delinquency because of an unresolved bad address, the lender may capitalize the delinquent interest without notification if that payment remains outstanding and unpaid for a period of 30 days.

10.11
Applying Borrower Payments and Funds Returned by the School

A lender must ensure that all payments made by a borrower and any funds returned by the school are posted accurately and promptly to the borrower's loan in accordance with the requirements of this section.

10.11.A
Applying Regular Borrower Payments

Except for payments made under an income-based repayment (IBR) plan, a ~~A~~ lender may apply a payment received first to any accrued late charges or permissible collection costs, then to outstanding interest, and finally to outstanding principal. Under IBR, a lender must apply a payment received first to accrued interest, then to collection costs and late charges, and finally to outstanding principal. Permissible collection costs may include charges incurred by the lender in collecting a missed payment, including court costs and attorneys' fees. The lender may not apply a borrower's payment to "normal" collection costs, such as those associated with preparing and mailing notices and letters, personal contacts, and telephone calls.

Regardless of how ~~those~~ these monies are applied with respect to principal, interest, late charges, or collection costs, any payment received during a period when a borrower is required to make payments that equal or exceed the borrower's scheduled payment amount must be used to advance the borrower's due date. Under an IBR plan, a borrower may have a monthly payment amount of zero. Even though the borrower is not required to make a payment, the lender acknowledges that the borrower is fulfilling the monthly payment obligation by advancing the due date to the next month. If a borrower with a payment amount of zero pays an amount greater than zero, the lender acknowledges that the borrower is fulfilling a single monthly payment obligation by advancing the due date to the next month. For example, a borrower has a monthly payment amount of $0 and a due date of the 15th. Each month on the 15th, the borrower's payment is deemed to be satisfied. When appropriate, any amount (except a payment that exceeds a monthly payment amount of $0 under an IBR plan) that exceeds the borrower's scheduled payment amount should be applied as a prepayment, as outlined in Subsection 10.11.B.
[§682.209(b); §682.215(c)][1]

The lender may advance the due date on the loan if the borrower makes a payment that is within $5 of the amount due or of the regularly scheduled payment amount if the application of a $5 tolerance will prevent a paying borrower from becoming delinquent or prevent a delinquent borrower from defaulting. The determination of whether to apply a $5 tolerance and whether the tolerance is based on the regularly scheduled payment amount or on the total amount due must be based on the lender's established policy. However, regardless of the lender's $5 tolerance policy, any time the lender receives an amount that equals or exceeds the regularly scheduled payment amount, the lender must advance the due date for the number of full regularly scheduled payments received. The lender must apply its policy for advancement of due dates consistently.
[§682.202(f) and (g); §682.411; DCL 96-L-186/96-G-287, Q&A #46, and May 1996 supplement to the DCL]

1. Policy 1119 (Batch 159), approved April 16, 2009

10.11.B Applying Prepayments

A borrower may prepay his or her loan in full or in part at any time, without penalty and without liability for unearned interest. The lender may credit the entire prepayment amount first to any late charges accrued or collection costs, then to any outstanding interest, and then to outstanding principal. However, if the prepayment amount is intended for a loan being repaid under an income-based repayment (IBR) plan, the lender must apply the prepayment received first to accrued interest, then to collection costs and late charges, and finally to outstanding principal. [§682.209(b); §682.215(c)]

If the outstanding principal balance of the borrower's loan is calculated under the Rule of 78s method and the borrower makes a prepayment, the borrower may be entitled to a rebate of unearned interest already paid.

A prepayment is a payment that is received:

- For a subsidized Stafford loan or a Consolidation loan eligible for interest benefits, during a period when the borrower is not responsible for making payments of either principal or interest (during in-school, grace, and authorized deferment periods).
- During a period when the borrower is responsible for paying only accruing interest (such as during a period of deferment or forbearance) and for which the borrower has previously authorized the lender to capitalize the accruing interest.
- During a period when the borrower is responsible for making payments of both principal and interest and the payment received is greater than the amount of the borrower's regular installment.
- During a bankruptcy proceeding if the borrower is not responsible for making loan payments.
- For the entire ineligible portion of a loan that the borrower has repaid in response to a final demand letter—if the borrower is only partially ineligible for the loan (see Section 5.16).

Unless the borrower requests otherwise, a prepayment received during a period when regular payments are due must be applied to future installments if the payment received equals or exceeds the regularly scheduled payment amount. A prepayment received on a loan being repaid under an IBR plan with a monthly payment amount of $0 must not be applied to future installments. The lender must notify the borrower that the prepayment has been used to satisfy future installments in one of the following ways:[1]

- Notifying the borrower *in advance* using a prominent statement in the borrower's coupon book or billing statement that any additional full payment amounts submitted to the lender without instructions will be applied to advance the due date on the loan.
- Notifying the borrower *after* the prepayment has been applied of how the payment was applied and the borrower's next scheduled payment due date.

If the borrower makes a prepayment during a period of enrollment, grace, deferment, or forbearance and provides no instruction regarding application of the prepayment, the lender may use that payment to advance the payment due date. If a prepayment is applied during these periods, the lender is encouraged to provide notice to the borrower of the way in which the prepayments are applied. [§682.209(b)]

The loan's servicing history must reflect any borrower's request regarding the application of prepayments and the manner in which the prepayments were applied. The lender is not required to maintain payment coupons or submit documentation with a claim to validate the prepayments. However, the guarantor may require the lender to provide documentation of any borrower request regarding the application of payments as part of a program review or to substantiate a claim in the event of a borrower dispute.

10.11.C Changing the Borrower's Payment Due Date

Once a lender establishes a borrower's payment due date and the borrower begins making payments, the lender may—at its discretion or at the borrower's request—reschedule the payment due date for a different day of the month. The lender may advance the date up to one calendar month without a forbearance agreement with the borrower. For example, on a loan for which a payment is due February 25, the lender may advance the due date to March 24.

If a change in the borrower's payment due date would bring the loan current (by eliminating any delinquency that exists on the loan) or require the lender to forego due diligence activities, a forbearance agreement with the borrower is required.

1. Policy 1119 (Batch 159), approved April 16, 2009

10.12
Lender Disclosures During Repayment

A lender must provide a borrower in repayment a bill or statement that corresponds to each installment period for which a payment is due and that includes, in simple and understandable terms, each of the following:

- The original principal amount of the borrower's loan.
- The borrower's current balance, as of the time of the bill or statement.
- The interest rate on the loan.
- The total amount the borrower has paid in interest on the loan.
- The aggregate amount the borrower has paid on the loan, including all the interest and fees paid, and the amount paid against the balance.
- A description of each fee charged for the most recent preceding installment period.
- The payment amount, the due date for the payment to avoid additional fees, and the amount of any such fees.
- The lender's or loan servicer's address and toll-free phone number for payment and billing error purposes.
- A reminder of the borrower's option to change repayment plans, a listing of the repayment plans available to the borrower, a link to the Department's Website for more information on the repayment plans, and directions to the borrower on how to request a change in repayment plan.

[HEA §433(e)(1); DCL GEN-08-12/FP-08-10]

Required Lender Disclosure for a Borrower Having Difficulty Making Payments

If a borrower notifies the lender that he or she is having difficulty making scheduled payments, the lender must provide, in simple and understandable terms, a description of each of the following:

- The repayment plans available to the borrower, including how the borrower can request a change in repayment plan.
- The requirements for obtaining a forbearance on a loan, including costs associated with the forbearance.
- The other options available to the borrower to avoid default, including any fees or costs associated with those options.

[HEA §433(e)(2); DCL GEN-08-12/FP-08-10]

~~10.12~~
~~Paid-in-Full Loans~~

10.13
Paid-in-Full Loans[1]

When a loan is paid in full by the borrower, the lender must either return the original or a true and exact copy of the promissory note to the borrower or notify the borrower that the loan is paid in full.

A lender must retain loan records for a period of not less than:

- 3 years after the date the corresponding loan is paid in full by the borrower.
- 5 years after the date the lender receives payment in full from any other source.

For more information on lender recordkeeping requirements for paid-in-full loans, see Subsection 3.4.A.

The lender must report to the guarantor all loans that are paid in full. For information on reporting paid-in-full loans to the guarantor, see Subsection 3.5.H.

1. Policy 1129 (Batch 159), approved April 16, 2009

If a claim has been filed on the loan, the lender may be required to recall or repurchase the claim, as appropriate (see Subsection 13.2.B and Section 13.5, respectively).
[§682.210(a)(8)]

11.1.H Post-Deferment Grace Period

If any of a borrower's loans were first disbursed before October 1, 1981, the borrower is entitled to defer principal payments during a 6-month post-deferment grace period on those loans. The post-deferment grace period begins on the first day after an authorized deferment ends (when the borrower's deferment eligibility or the maximum time limit for the deferment expires). The post-deferment grace period expires on the day that is 6 consecutive months from the date it began. The repayment period of the loan resumes or begins on the day after the post-deferment grace period expires.
[§682.210(a)(2)(i)]

An eligible borrower may receive a post-deferment grace period after each deferment period or combination of periods—except after unemployment deferments. A borrower may receive a post-deferment grace period only once following a period of unemployment deferment. The borrower may waive in writing any or all of his or her post-deferment grace. That post-deferment grace may not be used later.
[§682.210(a)(2)(i)]

A borrower that is eligible for interest benefits during a period of deferment is eligible for that subsidy during the post-deferment grace period.
[§682.210(a)(3)]

A lender may encounter a situation in which some—but not all—of a borrower's loans qualify for the post-deferment grace period. If the borrower does not waive the post-deferment grace period on the eligible loans, or if the loans will not enter repayment at the same time for other reasons (such as different repayment start dates), the lender may grant forbearance to align the repayment start dates of the loans. The borrower must authorize the forbearance in writing, which is accomplished when the borrower signs any new common deferment form.

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

11.1.I Establishing Repayment after Deferment

A borrower's first payment after deferment must be due no later than 60 days—plus the permissible 30-day extension in the case of a Stafford or SLS loan, as outlined in Subsections 10.5.A and 10.5.C—after the date on which an authorized deferment period ends, unless the borrower makes payments during the deferment period. For information on payments made during deferment, see Subsection 10.11.D.

A lender may grant an administrative forbearance to resolve any delinquency that exists before a borrower's deferment period begins or that remains after the borrower's deferment period ends. If the lender grants an administrative forbearance, the loan should enter repayment after the deferment or administrative forbearance period with a next payment due no later than 60 days after the deferment or administrative forbearance period end date. For information on deferment of delinquent loans, see Subsection 11.1.F. For information on granting an administrative forbearance for a period of delinquency before or after a deferment, see Subsections 11.21.G and 11.21.H.

The borrower must be notified of interest capitalized as a result of the deferment, including the new principal balance and any other repayment term changes (such as a new monthly payment amount) that result from the capitalization. The lender may develop its own format for disclosing the information or use the guarantor's repayment schedule and disclosure statement.
[§682.202(b)(6)]

11.1.J Disclosure When Granting a Deferment on an Unsubsidized Stafford Loan

When granting an in-school, graduate fellowship, unemployment, military, or economic hardship deferment on an unsubsidized Stafford loan, a lender must provide information to the borrower to assist the borrower in understanding the impact of the capitalization of interest on the borrower's loan principal and the total amount of interest to be paid over the life of the loan.
[HEA §428(b)(1)(Y)(iii)][1]

1. Policy 1130 (Batch 159), approved April 16, 2009

11.20.I Borrower Contact during Forbearance

When a lender grants a forbearance, the lender must provide to the borrower or the endorser, as applicable, information to assist the borrower or endorser in understanding the effect of interest capitalization on the loan's principal balance, and the total amount of interest to be paid over the life of the loan.

If the lender and borrower or endorser agree verbally to a discretionary forbearance, the lender must record the forbearance terms in the borrower's file and send, within 30 days of that agreement, a notice to the borrower or endorser confirming the terms of the forbearance agreement.

~~Whenever granting forbearance involves postponing all payments,~~ During the forbearance period, the lender must contact the borrower or endorser not less than once every 180 days ~~at least once every 6 months during the forbearance period~~. The lender must inform the borrower or endorser of all the following ~~information in each such contact~~:

- The obligation to repay the loan.
- The outstanding balance of principal and interest on the loan.
- That interest will accrue on the loan for the entire forbearance period.
- The amount of interest accrued since the last interest accrual information was provided to the borrower.
- The amount of interest that will be capitalized on the loan and the date that the capitalization will occur.
- The borrower's option to pay the interest before it is capitalized.
- That the borrower or endorser may opt to discontinue the forbearance at any time.

This notification requirement does not apply to the postponement of interest payments during a deferment period. ~~, a period of forbearance for an internship or residency, or a period of mandatory administrative forbearance. (See Subsection 11.24.B for information regarding required notification for internship and residency forbearance. See Section 11.22 for information regarding required notification for mandatory administrative forbearance.)~~
[HEA §428(c)(3); §682.211(e); DCL GEN-08-12/FP-08-10][1]

11.20.J Establishing Repayment after Forbearance

A borrower's first payment due date after an authorized forbearance generally must be no later than 60 days after the date that the forbearance expires. For a Stafford loan, federal regulations permit the lender to extend the first due date an additional 30 days beyond the standard 60-day limit, if the extension is necessary to permit the lender to comply with requirements that the repayment disclosure be sent to the borrower no less than 30 days before the first payment on the loan is due.

A borrower must be notified of any interest capitalized due to the forbearance. The notice should include the new principal balance and any other repayment term changes (such as a new monthly payment amount) resulting from the interest being capitalized. The lender may develop its own format for disclosing such information or may use a repayment schedule and disclosure form provided by a guarantor. For more information on disclosure of repayment terms, see Section 10.7.
[§682.205(c); §682.209(a)(3)(ii)(B)]

1. Policy 1131 (Batch 159), approved April 16, 2009

Forbearance Eligibility Chart

Figure 11-2

TYPE	LENGTH
Discretionary	
Financial difficulties due to personal problems when the borrower is unable to make regularly scheduled payments[1]	The period established in the terms of the forbearance agreement (not to exceed 12-month increments); no maximum
Reduced-Payment Forbearance[1]	
Mandatory	
Medical or Dental Internship/Residency[2, 3]	12-month increments (or a lesser period equal to actual period during which the borrower is eligible); no maximum
Department of Defense Student Loan Repayment Programs[3]	
National Service[2, 3]	
Active Military State Duty[2, 3, 9]*	
~~Child Care Provider Loan Forgiveness[2, 9]—*Note: Contingent upon funding by Congress.*~~	~~Period while borrower maintains forgiveness eligibility. 12-month increments~~†
Debt Exceeds Monthly Income[4, 5]	12-month increments; 3 years maximum
Teacher Loan Forgiveness[2, 3]	Period while borrower maintains forgiveness eligibility. 12-month increments
Mandatory Administrative	
Local or National Emergency[7]	Period specified by the Department or guarantor plus 30 days following the period
Military Mobilization[8]	
Designated Disaster Area[7]	
Repayment Accommodation	3-year maximum for variable interest rate; 5-year maximum for income-sensitive repayment
Death	Date lender receives reliable notification of death to date lender receives death certificate or other acceptable documentation, not to exceed 60 days
Teacher Loan Forgiveness[2, 6]	The period while the lender is awaiting a completed loan forgiveness application, not to exceed 60 days
	Date lender receives a completed loan forgiveness application to date lender receives either a denial or the loan forgiveness amount from the guarantor
Administrative	
Borrower Ineligible for Deferment[6]	Beginning date to ending date of the ineligible deferment
Delinquency before a Deferment or Certain Forbearances[6]	First date of overdue payment to the day before the beginning date of deferment or other forbearance type
Forgiveness under Income-Based Repayment[6]	60 days for lender to collect and process documentation to determine a borrower's eligibility‡
Late Notification of Out-of-School Dates[6]	Date borrower should have entered repayment to date first or next payment was established
Bankruptcy Filing[6]	The earlier of the first date of overdue payment or receipt of reliable information that the borrower has filed bankruptcy to date of discharge determination or repurchase
Total and Permanent Disability[6]	Date lender receives physician's written request for additional time to date lender receives a complete, certified loan discharge application or other form(s) approved by the Department, if the borrower submits the certification to the lender within 90 days of the date the physician certified the application, not to exceed 60 days
	For a non-disabled comaker, the earlier of the date that the lender receives the loan discharge application or the date the lender receives notice from the guarantor that one comaker is totally and permanently disabled, to the date that the lender receives notice of the final discharge determination.

TYPE	LENGTH
Spouses and Parents of September 11, 2001, Victims[6]	60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination
Repurchase of a Non-Bankruptcy Claim[6]	The period that the loan was held by the guarantor due to a claim purchase
Death	Date after mandatory administrative forbearance due to reliable notification of death ends to date lender receives death certificate or other acceptable documentation, not to exceed 60 days
Closed School	Period of unofficial closure notice as specified by guarantor
Closed School or False Certification[6]	60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination
False Certification—Identity Theft[6]	Date eligibility requirements sent to individual to date request and documentation returned, not to exceed 60 days; and from date guarantor receives documentation to date of determination
Delinquency after Deferment or Mandatory Forbearance[6]	Deferment or mandatory forbearance end date to establishment of next payment due date
Documentation Collection and Processing[6]	Date borrower requests deferment, forbearance, change in repayment plan, or loan consolidation to date supporting documentation is processed by lender, not to exceed 60 days
Unpaid Refund Discharge	60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination
	The period during guarantor review and ending on the date lender receives the guarantor's determination for a borrower who requests a review of a denial determination
Unpaid Refund[6]	End date of initial 60-day mandatory administrative forbearance to receipt of completed discharge request, and during period of determination of discharge eligibility
New Out-of-School Dates after Conversion[6]	Original repayment start date to adjusted start date
Loan Sale or Transfer[6]	First date of delinquency to date loan is sold or transferred, if the loan is less than 60 days delinquent
Ineligible Summer Bridge Extension[6]	Day after expiration of borrower's last in-school deferment to the 30th day after fall classes begin
Cure[6]	Date of earliest unexcused violation to date lender receives a full payment or new signed repayment agreement
Natural Disasters, Local or National Emergency, Military Mobilization[6]	From date borrower affected, not to exceed 3 months for each occurrence
Repayment Alignment-SLS/Stafford[4]	First payment due date to last day of the longest applicable Stafford loan grace period

* Policy 1101 (Batch 157), approved March 19, 2009
† Policy 1080 (Batch 156), approved February 19, 2009
‡ Policy 1119 (Batch 159), approved April 16, 2009

Note: For detailed information about each forbearance situation, refer to the applicable subsection.

[1] Lender must document the borrower's request, the reason for the forbearance, and the terms of the forbearance agreement.

[2] For borrowers only.

[3] A request and supporting documentation from the authorized official(s) indicating the beginning and ending dates, and a verbal or written agreement are required.

[4] A request is required.

[5] A request and supporting documentation of monthly income and monthly payments on Title IV education loan obligations, and a verbal or written agreement are required.

[6] Lender must notify the borrower (or individual or endorser, if applicable) and document the beginning and ending dates and reason for the forbearance in borrower history record.

[7] Notice from the Department or guarantor is required.

[8] Documentation showing borrower is subject to a military mobilization is required.

~~[9] A request and a completed FFELP Child Care Provider Loan Forgiveness Forbearance Form are required.~~[1]

[9] For military service that begins on or after October 1, 2007, or includes that date.[2]

1. Policy 1080 (Batch 156), approved February 19, 2009

- A mandatory administrative forbearance granted due to exceptional circumstances—a military mobilization, a local or national emergency, or a designated disaster area (see Subsection 11.23.B).
[§682.211(f)(2); §682.211(f)(12); §682.211(i)(2)]

11.21.H Delinquency after a Deferment or Mandatory Forbearance

A lender may grant an administrative forbearance for a period of delinquency that may remain after a borrower ends a period of deferment or mandatory forbearance. The administrative forbearance may be applied to resolve any delinquency that exists on the date the deferment or mandatory forbearance ends, regardless of when the delinquency originally occurred, and may be extended until the date the borrower's next payment is due. For example, if the lender properly grants a borrower's request for a deferment or mandatory forbearance where the end date is in the past or if the borrower will still have a period of delinquency at the conclusion of a deferment or mandatory forbearance, a lender may process an administrative forbearance to resolve the outstanding delinquency. The lender may apply the administrative forbearance concurrently with the application of the deferment or mandatory forbearance and need not wait until the deferment or mandatory forbearance ends before applying the administrative forbearance.
[§682.211(f)(10)]

11.21.I Documentation Collection and Processing

The lender may grant a forbearance for a period not to exceed 60 days if the lender determines it is warranted in order to collect and process supporting documentation following a borrower's request for a deferment, forbearance, change in repayment plan, or loan consolidation. A new administrative forbearance period for each occurrence may be granted by the lender. The lender must document the reasons for granting each forbearance in the borrower's loan history.
[§682.211(f)(11)]

The lender must not capitalize interest accrued during this period of administrative forbearance unless it receives documentation or information that results in the granting of a deferment or other forbearance type that would be concurrent with this period in which case capitalization is permitted.
[HEA §428(c)(3)(D); HEA §428H(e)(7)]

11.21.J Forgiveness under Income-Based Repayment (IBR)

The lender may grant a forbearance for a period not to exceed 60 days in order to collect and process documentation in order to determine a borrower is eligible for loan forgiveness under the income-based repayment plan. If so granted, the lender must notify the borrower that the requirement to make payments on the loan(s) for which forgiveness was requested has been suspended pending approval of forgiveness by the guarantor on each loan. For information on forgiveness under IBR, see Subsection 13.9.D.
[§682.211(f)(13)]

~~11.21.J Late Notification of Out-of-School Dates~~

11.21.K Late Notification of Out-of-School Dates[1]

If the lender receives information that the borrower's loan has entered or reentered repayment, and the information is received after the date on which the repayment period began, the lender must treat the loan as though it were in forbearance. The forbearance extends from the first date of the repayment period through the date on which the first or next payment on the loan is scheduled to be due.
[§682.211(f)(3)]

~~11.21.K Loan Sale or Transfer~~

11.21.L Loan Sale or Transfer

The lender may grant the borrower a forbearance for a period of delinquency existing at the time the loan is sold or transferred, if the borrower or endorser is less than 60 days delinquent on the loan at the time of the loan sale or transfer.
[§682.211(f)(9)]

1. Policy 1119 (Batch 159), approved April 16, 2009

~~11.21.L Natural Disasters, Local or National Emergency, or Military Mobilization~~

11.21.M Natural Disasters, Local or National Emergency, or Military Mobilization

If the lender determines that the ability of the borrower or endorser to make payments is adversely affected by a natural disaster, a local or national emergency (declared by the appropriate government agency), or a military mobilization, the lender may grant an administrative forbearance for a period not to exceed 3 months. The lender must document the reason it granted the forbearance in the borrower's loan file. Continuation of the forbearance beyond the 3-month period based on the same situation requires supporting documentation and an agreement with the borrower or endorser.
[§682.211(f)(12); Disaster Letter 99-28]

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

~~11.21.M New Out-of-School Dates after Conversion to Repayment~~

11.21.N New Out-of-School Dates after Conversion to Repayment

If a Stafford, PLUS, SLS, or Consolidation loan is in repayment, and the lender receives a new out-of-school date or deferment end date showing that the borrower should have entered repayment earlier than was previously reported, the lender may apply an administrative forbearance between the original repayment start date and the adjusted date. The lender may not use administrative forbearance to resolve a delinquency that existed on the loan before the information was received. After the lender's adjustments, the loan should retain the status that was applicable before the new information was received; further, due diligence must continue on the loan.

~~11.21.N Repayment Alignment~~

11.21.O Repayment Alignment[1]

A borrower with one or more Stafford loans that have not entered repayment and one or more SLS loans is eligible to have the repayment period start dates on these loans aligned. A borrower's request for aligned repayment may be made verbally or in writing. A separate request is unnecessary when the borrower has signed the Stafford loan Master Promissory Note, which authorizes the lender to align repayment of the borrower's Stafford and SLS loans.

If repayment alignment is requested by an eligible borrower, the lender must align the repayment of the borrower's SLS loan(s). If the SLS loan is not eligible for deferment, the lender must apply an administrative forbearance to postpone repayment until the end of the grace period on the borrower's Stafford loan. If the borrower has multiple Stafford loans that have not yet entered repayment and those loans have grace periods that are different in length, the lender must postpone repayment of the SLS loan(s) until the end of the longest applicable Stafford loan grace period. In addition, a lender may apply an administrative forbearance to a Stafford loan(s) that has entered repayment in order to align the repayment of all the borrower's Stafford and SLS loans.

For more information on aligning the repayment of Stafford and SLS loans and on required borrower notifications, see Subsection 10.4.C.
[§682.209(a)(2)(iii); DCL 96-L-186/96-G-287, Q&As #19 and #24]

~~11.21.O Repurchase of a Non-Bankruptcy Claim~~

11.21.P Repurchase of a Non-Bankruptcy Claim

In the case of a repurchase, the lender may administratively forbear the loan during the period the loan was held by the guarantor due to a claim purchase. The capitalization may include interest accrued from the date of the claim payment through the repurchase date. The lender must document

1. Policy 1119 (Batch 159), approved April 16, 2009

that the capitalization was the result of a repurchase. If the repurchase is due to the loan's loss of guarantee, see Subsection 13.3.D.

~~11.21.P~~
~~Spouses and Parents of September 11, 2001, Victims~~

11.21.Q
Spouses and Parents of September 11, 2001, Victims

If a lender receives information from a borrower or a borrower's representative that the borrower claims to qualify for discharge under the spouses and parents of September 11, 2001, victims (September 11, 2001) discharge provisions, the lender must grant a forbearance for the borrower, or any endorser as applicable, on the borrower's eligible loan(s). The lender must advise the borrower, or the borrower's representative, to submit a Loan Discharge Application: Spouses and Parents of September 11, 2001, Victims form and all required documentation.
[§682.407(c)(2)]

If the lender determines that the borrower does not qualify for a discharge, or the lender does not receive the required documentation within 60 days of the notification that the borrower claims to qualify for the discharge, the lender must resume collection. The lender is considered to have exercised forbearance from the date of the borrower's notification. The lender may capitalize any interest accrued and not paid during the forbearance period.
[§682.407(c)(3)]

If the lender receives the required documentation and determines that the borrower qualifies for a discharge, the lender must file a discharge claim with the guarantor and the lender must continue the forbearance until the date that the guarantor makes the discharge determination.
[§682.407(c)(7)]

~~11.21.Q~~
~~Total and Permanent Disability~~

11.21.R
Total and Permanent Disability[1]

If the lender receives information indicating that a borrower has become totally and permanently disabled, the lender must continue collection activities until it receives either the certification of total and permanent disability from a physician or a letter from a physician stating that the borrower has requested the certification and that the physician needs additional time to determine if the borrower is totally and permanently disabled.

If the lender receives a written request from the borrower's physician (who is a doctor of medicine or osteopathy and is legally authorized to practice in a state) that additional time is needed either to determine if the borrower is totally and permanently disabled or to complete the borrower's discharge documentation, the lender must grant an administrative forbearance to the borrower and, if applicable, the endorser. This period of required administrative forbearance cannot exceed 60 days from the date the lender receives the physician's request for additional time. The lender may not require the borrower to submit a request for the forbearance. For more information on the suspension of collection activities in the event of the total and permanent disability of a borrower, see Subsection 13.8.G.
[§682.402(c)(5)(i)]

If a comaker of a joint Consolidation loan or PLUS loan applies for a total and permanent disability loan discharge, the lender must continue servicing the loan for the non-disabled comaker. The lender must protect the status of the loan during the conditional discharge period so that the loan does not become delinquent or more delinquent. The lender may apply an administrative forbearance on the entire loan if the non-disabled comaker is not eligible for or does not choose another repayment option, deferment, discretionary forbearance, or reduced-payment forbearance. The administrative forbearance may not begin prior to the date the lender receives the disabled comaker's loan discharge application, or the date the lender receives the notification from the guarantor that one comaker is totally and permanently disabled, whichever is earlier. The forbearance ends on the date that the lender receives notice of the disabled comaker's final discharge determination.

1. Policy 1119 (Batch 159), approved April 16, 2009

~~11.21.R~~
~~Unpaid Refund Discharge~~

11.21.S
Unpaid Refund Discharge[1]

If a guarantor or the Department notifies a lender, or the lender receives reliable information from another source (such as a telephone call or letter from the borrower) that a borrower may be eligible for an unpaid refund loan discharge, the lender must grant an administrative forbearance on any affected loan. If an unpaid refund loan discharge may be applicable to any underlying loan(s) of a Consolidation loan, the lender must suspend collection activity and grant this forbearance on the entire Consolidation loan. A lender must forbear payments of principal and interest that are delinquent or that would be due during all of the following periods.

- The period beginning on the date the lender or guarantor sends the borrower an unpaid refund loan discharge application and ending on either of the following:
  - The date that the lender receives the guarantor's determination, if the borrower returns the discharge application within 60 days from the date the lender or guarantor sent the application.
  - The 60th day, if the borrower does not return the discharge application within 60 days from the date the lender or guarantor sent the application. See below for more information about forbearance a lender may grant when the lender receives a completed discharge application after this initial 60-day period.
- The period beginning on the date the lender receives notification from the guarantor of the borrower's request for a review of a denial determination and ending on the date that the lender receives the guarantor's determination.

If the lender receives the borrower's unpaid refund discharge application more than 60 days from the date on which the lender or guarantor sent the discharge application to the borrower, the lender may grant an additional administrative forbearance on any affected loan. This forbearance may cover the period from the end of the initial 60-day administrative forbearance to the receipt of the completed discharge application.

In addition, after the lender receives the discharge application, the lender may grant another administrative forbearance to cover the period needed by the guarantor to determine the borrower's eligibility for an unpaid refund discharge.

The lender must notify the borrower or endorser that a forbearance was granted for any of the above periods. See Subsection 13.8.H for more information on unpaid refund discharges.
[§682.402(l)]

11.21.T
Repayment Plan Change

The lender may grant an administrative forbearance to cover a period of delinquency that exists at the time a borrower chooses a different repayment plan— for example, from standard to income-based.
[§682.211(f)(14)][2]

11.22
Discretionary Forbearance

A lender is encouraged to grant a discretionary forbearance to assist a borrower or endorser in fulfilling the repayment obligations on the loan and to help prevent default. The lender may grant forbearance based on either a written or verbal agreement with the borrower. (See Subsection 11.20.B for more information about a lender's responsibilities when a forbearance is based on a verbal agreement.) Situations in which the lender may choose to grant forbearance include, but are not limited to:

- The borrower has personal problems (such as economic hardship) are temporarily affecting the borrower's or endorser's ability to make scheduled payments.
- The borrower is unemployed but has already received the maximum unemployment deferment.
- The borrower has had poor health or a prolonged illness or disability but does not meet applicable disability deferment criteria.

1. Policy 1119 (Batch 159), approved April 16, 2009

2. Policy 1132 (Batch 159), approved April 16, 2009

- The borrower is attending school or is a full-time volunteer in an organization and the school or organization does not meet the appropriate deferment criteria.

- The borrower or endorser wants to change the payment amount or payment due date on a loan that requires the lender to bring the loan current first or forgo some due diligence activities (see Subsection 10.11.C for information on changing due dates).

If the discretionary forbearance is based on a verbal agreement, the lender must send, within 30 days of that agreement, a notice to the borrower or endorser confirming the terms of the forbearance.

11.22.A Reduced-Payment Forbearance

One type of discretionary forbearance a lender may grant is a reduced-payment forbearance. Under this type of discretionary forbearance, the borrower or endorser and the lender agree to establish temporary payment terms for the duration of the forbearance that may be inconsistent with the minimum annual payment amount. This agreement may be verbal or written.

When establishing the temporary payment terms for the period of forbearance, the lender and borrower or endorser may agree to a payment amount that is greater than, equal to, or less than the amount of accruing interest.

As with other types of discretionary forbearance, a lender must obtain a signed forbearance agreement that establishes the terms of the forbearance or document the terms of any verbal agreement. If the reduced-payment forbearance agreement is verbal, the lender must document the borrower's request, the reason for the forbearance, and the terms of the forbearance agreement. The lender must also send, within 30 days of the agreement, a notice to the borrower or endorser confirming the terms of the forbearance agreement. In addition to other applicable forbearance notification requirements (see Section 11.20), the lender must provide the following information regarding the reduced-payment forbearance in its notification to the borrower or endorser:

- The required payment amount during the reduced-payment forbearance.

- The address to which payments must be sent.

- The consequences, if any, of delinquency on the payments required during the forbearance period.

If a borrower or endorser fails to fulfill his or her agreement to make payments during the reduced-payment forbearance, the lender must comply with the terms of the forbearance agreement and, if included in the terms and if applicable, perform collection activities and file a claim. For more information on due diligence activities during a reduced-payment forbearance, see Section 12.4.

11.23 Mandatory Administrative Forbearance

A lender must grant a mandatory administrative forbearance when applicable. This type of forbearance does not require the borrower's request or a forbearance agreement between the lender and the borrower. As soon as feasible, the lender must notify the borrower or endorser that the lender has granted a forbearance and indicate the date that payments should resume. See Subsection 11.20.I for information regarding the notices that the lender must send when granting a forbearance and during the forbearance period. ~~The lender's notification must state that the borrower or endorser:~~

- ~~May decline the forbearance and continue to be obligated to make scheduled payments.~~

- ~~Consents to make payments in accordance with the lender's notification if the forbearance is not declined.~~[1]

Any outstanding delinquency that precedes the beginning date of a mandatory administrative forbearance period cannot be resolved by the mandatory administrative forbearance. See Subsections 11.20.G and 11.21.G for more information about resolving a delinquency that precedes a mandatory administrative forbearance. [HEA §428(c)(3); §682.211(i)(1) and (2)]

1. Policy 1131 (Batch 159), approved April 16, 2009

11.23.D
Teacher Loan Forgiveness

If a guarantor notifies a lender, or the lender receives reliable information from another source (such as a telephone call or letter from the borrower) that a borrower may be eligible for teacher loan forgiveness, the lender must grant a mandatory administrative forbearance on any affected loan for payments of principal and interest that are delinquent or that would be due during the following periods:

- For a period not to exceed 60 days while the lender is awaiting a completed Teacher Loan Forgiveness Application from the borrower.
- For the period beginning on the date that the lender receives a completed Teacher Loan Forgiveness Application and ending on the date the lender receives a denial of the forgiveness application or the forgiveness amount from the guarantor. [§682.215(e)(1)(ii) and (iii)]

If teacher loan forgiveness may be applicable to any Stafford loan(s) that was paid in full by a Consolidation loan, the lender must grant this forbearance on the entire Consolidation loan.

See Subsection 13.9.A for more information about teacher loan forgiveness.

11.24
Mandatory Forbearance

Upon receiving a borrower's request and documentation required to support the borrower's eligibility, a lender must grant a forbearance in any of the situations listed below. A lender and the borrower may agree to the terms of the forbearance verbally or in writing. A lender that grants a forbearance based on a verbal agreement with the borrower must record the forbearance terms in the borrower's file and send a notice to the borrower confirming the terms of the forbearance agreement.

11.24.A
Debt Exceeds Monthly Income

The lender must grant forbearance in increments of up to one year, for periods that collectively do not exceed three years, if the borrower or endorser is currently obligated to make payments on Title IV loans and the amount of those payments each month—or a proportional share, if the payments are due less frequently than monthly—is collectively equal to or greater than 20% of the borrower's or endorser's total monthly income.

Before granting a forbearance to a borrower or endorser, in this case, the lender must require the borrower or endorser to submit at least the following documentation:

- Evidence of the amount of the most recent total monthly gross income received by the borrower or endorser from employment and other sources.
- Evidence of the amount of the monthly payments owed by the borrower or endorser to other entities for the most recent month for the borrower's or endorser's Title IV loans. [§682.211(h)(2) and (3)]

11.24.B
Internship or Residency

A lender must grant forbearance to a qualified borrower who meets either of the following criteria:

- The borrower has exhausted his or her eligibility for internship/residency deferment.
- The borrower's promissory note does not provide for an internship/residency deferment.

Eligibility and documentation requirements are the same as for a borrower who has requested an internship/residency deferment (see Section 11.7). A lender must grant forbearance in 12-month increments unless the actual period during which a borrower is eligible is less than 12 months. See Subsection 11.20.I for information regarding notices that the lender must send when granting a forbearance and during the forbearance period.[1]

For a medical or dental internship or residency, the forbearance must cover one of the following:

- The length of time remaining in the borrower's medical or dental internship or residency that must be successfully completed before the borrower may begin professional practice or service.

1. Policy 1131 (Batch 159), approved April 16, 2009

Chapter 12 identifies the minimum due diligence requirements to which lenders must adhere in order to retain the guarantee on the loan. Due diligence is the term used to describe the required activities and timelines applicable to the collection of FFELP loans.

Compliance with due diligence requirements is crucial; failure to meet these requirements within their respective time frames may result in an inability to collect the loan, rejection of a lender's claim, cancellation of the guarantee on the loan, or a reduction of the interest that would normally be paid at the time of claim purchase. Except as detailed in Subsection 12.4.B and as noted otherwise throughout this chapter, due diligence requirements described in this chapter are for loans with monthly repayment obligations. Lenders with loans with repayment obligations less frequent than monthly should contact their guarantor with questions regarding the unique servicing requirements for these loans. (See Section 1.5 for guarantor contact information.)

The lender must adhere to the federal requirements to ensure prompt collection of any delinquent loan payments and to preserve the guarantee on the loan. These requirements preempt any state law—including state statutes, regulations, or rules—that would conflict with or hinder a lender's satisfaction of the requirements or frustrate the purposes of these requirements. However, these requirements do not preempt the provisions of the Fair Credit Reporting Act (FCRA) that provide relief to a borrower while a lender determines the legal enforceability of a loan after receiving a valid identity theft report or notification from a credit bureau of an alleged identity theft. [§682.411(o)]

Any reference to a borrower in this chapter also refers to any applicable comaker—one of two PLUS borrowers who are jointly and severally liable for repayment (as applicable to a PLUS loan made prior to April 16, 1999) or one of two Consolidation loan borrowers who are jointly and severally liable for repayment (as applicable to a Consolidation loan made from an application received by the consolidating lender prior to July 1, 2006). Therefore, due diligence activities required for the borrower are also required for the comaker. For example, if the lender is required to send a letter at a certain point of delinquency, it must send the same letter to both borrowers. Failure to perform collection activities on one or both comakers is a violation of due diligence provisions and will result in interest penalties or the loss of the loan's guarantee. [§682.507(a)(2)]

Endorser requirements differ from those for borrowers and comakers, and are identified in each applicable section and highlighted in Subsection 12.4.E.

12.1 Collection Philosophies, Goals, and Minimum Standards

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

12.1.A Lender Disclosure Requirements

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

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

[HEA §433(e)(3)][1]

[1] Policy 1110 (Batch 158), approved April 16, 2009

A lender also may schedule a borrower or endorser for a reduced-payment forbearance. Under this agreement, a borrower's or endorser's scheduled payment amount is temporarily reduced for a time period specified in the forbearance agreement. If a borrower or endorser fails to fulfill his or her agreement to make the reduced payments, the lender must comply with the terms of the forbearance agreement and, if included in the terms of the agreement, perform collection activities and file a claim as applicable.

Collection activities performed in accordance with a reduced-payment forbearance agreement must require payment based on the reduced-payment amount due during the forbearance period. If the loan remains delinquent at the expiration of the reduced-payment forbearance, any collection activities that follow must be based on the applicable monthly payment amounts.

12.4.A Due Diligence Requirements for Loans with Monthly Repayment Obligations

If a lender has a valid address and telephone number for a borrower with a monthly repayment obligation, the lender must perform—at a minimum—the following due diligence activities within the noted time frames. In at least one of the collection activities, the lender must inform the borrower of the availability of the Department's Student Loan Ombudsman's office (see Appendix D).
[§682.411(b)(3)]

In all cases, the lender must ensure that no gap in collection activity of greater than 45 days (60 days in the case of a loan sale or transfer) occurs through the 270th day of delinquency. See Subsection 14.1.D for a definition of what constitutes a gap in collection activity and information on violations due to gaps in collection activity.
[§682.411(b)(2); §682, Appendix D]

If the borrower's address or telephone number is unknown, the lender must follow the skip tracing requirements described in Sections 12.7 and 12.8.

1–15 days delinquent

The lender must send the borrower at least one written notice or collection letter informing the borrower of the delinquency and urging the borrower to make payments sufficient to eliminate the delinquency. The notice or collection letter sent during this period must include, at a minimum, lender/servicer contact information and a telephone number (e.g., the name and telephone number of the customer service department). It also must include a prominent statement informing the borrower that assistance may be available if he or she is experiencing difficulty in making a scheduled repayment.
[§682.411(c)]

16–180 days delinquent

If there is no rolling delinquency and no special occurrences exist on the account, the lender must perform the following activities:

- Make at least four diligent efforts (each consisting of one successful contact or at least two ~~unsuccessful~~ attempts) to contact the borrower by telephone. At least one diligent attempt to contact the borrower by telephone must occur on or before the 90th day of delinquency, and another must occur after that date (see Subsection 12.4.D).
[§682.411(d)(1); §682, Appendix D, Q&A #1; DCL 96-L-186/96-G-287, Q&A #53][1]

- Send the borrower at least four written notices or collection letters informing the borrower of the delinquency and urging the borrower to make payments. The required notices or collection letters sent during this period must include, at a minimum, information regarding deferment, forbearance, income-sensitive repayment, income-based repayment, loan consolidation, and other available options to avoid default. At least two of the collection letters must warn the borrower that if the loan is not paid *(a)* the loan may be assigned to the guarantor, which would result in a default being reported to all national credit bureaus, and *(b)* the guarantor may offset the borrower's state and federal tax refunds and other payments made by the federal government to the borrower, garnish the borrower's wages, or assign the loan to the federal government for litigation against the borrower.
[§682.411(d)(1) and (2)][2]

Default Aversion Assistance Request Period

The lender must request default aversion assistance from the guarantor no earlier than the 60th day and no later than the 120th day of the borrower's delinquency (see Section 12.5). The lender must request default aversion assistance regardless of the status of the borrower's address (valid, invalid, unknown, etc.). If the default aversion assistance request is canceled and then the borrower's loan again ages to the level at which default aversion assistance is required

1. Policy 1059 (Batch 151), approved September 18, 2008
2. Policy 1119 (Batch 159), approved April 16, 2009

12.4.B Due Diligence Requirements for Loans with Repayment Obligations Less Frequent Than Monthly

If a lender has a valid address and telephone number for a borrower with a delinquent account scheduled for repayment in installments less frequent than monthly (such as quarterly), the lender must perform—at a minimum—the following due diligence activities within the noted time frames. In at least one of the collection activities, the lender must inform the borrower of the availability of the Department's Student Loan Ombudsman's office (see Appendix D).
[§682.411(b)(3)]

In all cases, the lender must ensure that no gap in collection activity of greater than 45 days (60 days in the case of a loan sale or transfer) occurs through the 330th day of delinquency. See Subsection 14.1.D for a definition of what constitutes a gap in collection activity and for information on violations due to gaps in collection activity.
[§682.411(b)(2); §682, Appendix D; DCL FP-04-08]

If the borrower's address or telephone number is unknown, the lender must follow the skip tracing requirements described in Sections 12.7 and 12.8.
[§682.411(g) and (h)]

1–15 days delinquent

The lender must send the borrower at least one written notice or collection letter informing the borrower of the delinquency and urging the borrower to make payments sufficient to eliminate the delinquency. The notice or collection letter sent during this period must include, at a minimum, lender/servicer contact information and a telephone number (e.g., the name and telephone number of the customer service department). It also must include a prominent statement informing the borrower that assistance may be available if he or she is experiencing difficulty in making a scheduled repayment.
[§682.411(c)]

16–240 days delinquent

If there is no rolling delinquency and no special occurrences exist on the account, the lender must perform the following activities:

- Make at least four diligent efforts (each consisting of one successful contact or at least two ~~unsuccessful~~ attempts) to contact the borrower by telephone. At least one diligent effort to contact the borrower by telephone must occur on or before the 120th day of delinquency, and another must occur after that date (see Subsection 12.4.D).
  [§682.411(d)(1); §682, Appendix D, Q&A #1; DCL 96-L-186/96-G-287, Q&A #53][1]

- Send the borrower at least four written notices or collection letters informing the borrower of the delinquency and urging the borrower to make payments. The required notices or collection letters sent during this period must include, at a minimum, information regarding deferment, forbearance, income-sensitive repayment, income-based repayment, loan consolidation, and other available options to avoid default. At least two of the collection letters must warn the borrower that if the loan is not paid *(a)* the loan may be assigned to the guarantor, which would result in a default being reported to all national credit bureaus, and *(b)* the guarantor may offset the borrower's state and federal tax refunds and other payments made by the federal government to the borrower, garnish the borrower's wages, or assign the loan to the federal government for litigation against the borrower.
  [§682.411(d)(1) and (2)][2]

Default Aversion Assistance Request Period

The lender must request default aversion assistance from the guarantor no earlier than the 60th day and no later than the 120th day of the borrower's delinquency (see Subsection 12.5.A). The lender must request default aversion assistance regardless of the status of the borrower's address (valid, invalid, unknown, etc.). If the default aversion assistance request is canceled and then the borrower's loan again ages to the level at which default aversion assistance is required by the guarantor, the lender must submit a new request for default aversion assistance.
[§682.411(i)]

1. Policy 1059 (Batch 151), approved September 18, 2008
2. Policy 1119 (Batch 159), approved April 16, 2009

strongly encouraged to file a default claim on or after the 360th day of delinquency and may not file a default claim before the 331st day of delinquency.

The last day a lender may file a default claim and remain within the timely filing guidelines for a loan with monthly installments is the 360th day of delinquency. For a delinquent account scheduled for repayment in installments less frequent than monthly (e.g., quarterly), the lender must file the default claim by the 420th day of delinquency. Failure to submit a default claim by the 360th day, or 420th day if applicable, will result in a timely filing violation and the cancellation of the guarantee on the loan.
[§682.406(a)(5)]

A lender may attempt to cure a timely filing violation; if successful, the lender is entitled to resubmit the claim (see Subsection 14.5.D). However, the claim will be subject to an interest penalty, and the lender will be required to repay all interest benefits and special allowance payments for amounts received or otherwise payable after the 330th day of delinquency.

13.6.B
Ineligible Borrower Claims

A loan for which the borrower is ineligible due to the borrower's or student's error (see Subsection 5.16.A) is treated as a default if the borrower fails to repay the full amount due within 30 days after the final demand letter is mailed.
[§682.412(e)]

A lender must file an ineligible borrower claim for the entire outstanding loan amount on or after the 30th day, and no later than the 120th day, after the date it mailed the final demand letter.
[§682.412(e)(2)]

Because a loan for which a borrower is determined to be ineligible loses eligibility for interest benefits, the amount of interest refunded to the Department becomes borrower accrued interest and may be capitalized. For claim payment purposes, this interest is treated like any other delinquent interest.
[§682.412(e)(1)]

For information on claim documentation, see Subsection 13.1.D.

If an ineligible borrower claim is filed after 120 days from the date a timely final demand letter is mailed, the guarantor will purchase the claim with an interest penalty.

13.7
Rehabilitation of Defaulted FFELP Loans

To be eligible to rehabilitate a defaulted FFELP loan, a borrower must enter into a rehabilitation agreement with the guarantor or a collection agency acting on its behalf. A borrower who receives loan funds for which he or she is ineligible due solely to his or her error may not rehabilitate the ineligible funds or otherwise have his or her Title IV eligibility reinstated until the ineligible funds are repaid in full. A borrower may not include in a rehabilitation agreement a loan on which a judgment has been obtained or a loan on which the borrower has been convicted of, or has pled *nolo contendere* or guilty to, a crime involving fraud in obtaining Title IV funds. ~~There are no federal restrictions that prohibit a loan from being rehabilitated more than once.~~ A loan may be rehabilitated only once. Any loan included in a rehabilitation agreement on or after August 14, 2008, may not be included in a future rehabilitation agreement. A borrower may include in a rehabilitation agreement another defaulted loan that has not previously been rehabilitated on or after August 14, 2008.
[HEA §428F(a)(5); §682.405(a)(1); DCL GEN-08-12/FP-08-10 ~~*Dear Guaranty Agency Director Letter* July 30, 1993~~][1]

▲ Contact the guarantor for information about its rehabilitation program. See Section 1.5 for contact information.

To rehabilitate a FFELP loan, a borrower must make nine, on-time (i.e., received within 20 days of the due date), full monthly payments to the guarantor or its contracted vendor during a period of 10 consecutive months. Payments must be made voluntarily by the borrower and must be equal to or greater than the amount determined to be reasonable and affordable. Payments obtained by state offsets or federal Treasury offsets, wage garnishment, trustee payments, or income or asset execution will not satisfy requirements for rehabilitation.
[HEA §428F(a)(1)(A); §682.405(a)(2)]

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

The nine payments must be received during the 10-month period immediately preceding the rehabilitation of the defaulted loan. Payments will be considered voluntary if made directly by the borrower. A lump sum prepayment of future installments cannot be used to satisfy the requirement that the borrower make nine payments during

1. Policy 1111 (Batch 158), approved April 16, 2009

a period of 10 consecutive months. If the borrower fails to send nine payments on time during the 10-month period in which payments are required for rehabilitation, he or she must begin the entire cycle again. A new cycle will begin from the time a new, on-time, voluntary, reasonable and affordable payment is received—regardless of any prepayments of future installments the borrower may have made.

The guarantor will make the determination of what constitutes a reasonable and affordable payment based on each borrower's financial circumstances. Factors to be considered include the borrower's monthly income (and that of his or her spouse, if applicable), the monthly expenses of the borrower and any spouse or dependents, and the unpaid balance on all FFELP loans held by other holders. If the borrower's reasonable and affordable payment is determined to be less than $50 or the amount of the accruing interest on the borrower's loan(s), the guarantor will document the basis for the determination and retain it in the borrower's file, which will be forwarded to the purchasing lender.
[§682.405(b)]

A guarantor will assist a borrower in securing the purchase of each defaulted loan by an eligible lender only after:

- The borrower satisfies his or her obligation to make nine payments during a period of 10 consecutive months, as prescribed above.
- The borrower authorizes the guarantor to capitalize collection costs.
- The borrower requests assistance in obtaining a rehabilitation repurchase.
- The guarantor determines that the borrower is a good candidate for rehabilitation. A borrower may not be considered a good candidate for rehabilitation if he or she will be required to make monthly payments after the rehabilitation that are considerably higher than the amount determined to be reasonable and affordable for the borrower.

If the guarantor is unable to secure a lender, the borrower will be responsible for obtaining an eligible lender to purchase his or her defaulted loan(s).

The guarantor or its contracted vendor acting on its behalf will notify the borrower of repayment terms, including what has been determined to be the reasonable and affordable payment amount. If the borrower's financial circumstances change after the determination, the borrower may request that the repayment terms be adjusted. The borrower must include documentation substantiating his or her request for a recalculation of the reasonable and affordable payment amount previously established.
[§682.405(b)(1)(iii)]

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

▲ Contact the guarantor for information about its process for lender notification of a rehabilitated loan. See Section 1.5 for contact information.[1]

A lender that purchases a rehabilitated loan must immediately establish a repayment ~~schedule~~ period with the borrower that meets the requirements applicable to other FFELP loans of the same type as the rehabilitated loan, and must allow the borrower to choose any repayment schedule that is available for that loan type.[2] The lender must permit the borrower to choose any repayment schedule available, including the income-based repayment (IBR) plan. The schedule must be sent to the borrower no more than 60 days, and the first payment due date must be no more than 75 days after the lender considers the repurchase to be complete (e.g., the date the repurchase check is sent to the guarantor, the date the lender receives the loan file from the guarantor, or the date the lender receives collateral from the guarantor).
[§682.405(b)(4)][3]

1. Policy 1112 (Batch 158), approved April 16, 2009
2. Policy 1103 (Batch 157), approved March 19, 2009
3. Policy 1119 (Batch 159), approved April 16, 2009

Except for IBR, ~~T~~the[1] lender must consider the first payment made under the nine monthly payments required for rehabilitation as the first payment under the applicable maximum repayment period for the loan type. ~~(f~~For example, a Stafford loan borrower with a 10-year maximum repayment period would have ~~a maximum repayment period of~~ 9 years and 3 months remaining, ~~on a loan with a 10-year repayment period~~ because the nine monthly payments are considered the first 9 months of the repayment period.~~, and~~ For another example, a Consolidation loan borrower with a balance greater than $60,000 and a 30-year maximum repayment period would have ~~a maximum repayment period of~~ 29 years and 3 months remaining, because the nine monthly payments are considered the first 9 months of ~~a~~ the repayment ~~term~~ period~~)~~.[2] Under IBR, the nine monthly payments under a rehabilitation plan are considered payments on a defaulted loan and, therefore, are not qualifying payments toward the 25-year IBR forgiveness period. If a borrower was repaying under IBR before default and if the borrower qualifies for partial financial hardship after rehabilitation, the rehabilitated loan may return to IBR and would resume the 25-year period; i.e. only pre-default payments plus the payments made after rehabilitation are considered qualifying payments toward IBR forgiveness.
[§682.405(b)(4); §682.215(f)(5)][3]

When establishing the maximum repayment period on a rehabilitated Consolidation loan, the lender must use the loan's balance at the time the loan is rehabilitated (i.e., the amount paid to the guarantor to purchase the loan). ~~The initial repayment schedule for each rehabilitated loan must provide for monthly payments that are greater than or equal to the average of the nine monthly payments received by the guarantor.~~
[§682.405(b)(4)][4]

The guarantor will provide payment history information (such as payment amounts and dates when the loan was in a default status) with the loan documentation sent to the purchasing lender to assist in the accurate conversion to repayment. A rehabilitated loan retains the same interest rate and deferment provisions that were applicable when the loan was first disbursed and repayment terms and all other benefits applicable to other FFELP loans made under the same loan type.
[§682.405]

The borrower regains eligibility for deferment only to the extent that he or she has not already exhausted those deferment privileges before his or her initial default. For example, a borrower who was initially eligible for 24 months of unemployment deferment, and who used 12 months of that eligibility before his or her default, would be eligible to defer the rehabilitated loan for only 12 months due to any future unemployed status.

13.8 Discharge

A loan discharge is a release of a borrower's or any comaker's obligation to repay his or her loan, either in whole or in part. There are several circumstances under which a borrower's or comaker's loan may be discharged. Each of these circumstances and its corresponding borrower eligibility criteria are outlined in this section. In certain circumstances, a lender that discharges all or a portion of an eligible borrower's loan may be reimbursed by the guarantor by filing a claim. For information about claim filing procedures, see Section 13.1.

Partial Discharge of a Consolidation Loan

The lender of a Consolidation loan must submit to the guarantor of the Consolidation loan a request for partial discharge of the Consolidation loan for the portion that represents any underlying loans that are eligible for discharge due to disability (only for comade Consolidation loans), closed school, death, false certification, unpaid refund, or another discharge type. Upon approval of the discharge, the guarantor will process a payment for the discharged principal and interest portion of the Consolidation loan and forward the payment to the Consolidation loan lender.

▲ Lenders may contact the guarantor of the Consolidation loan for information on how to file the request for partial discharge.

Request for Reimbursement Due to Partial Discharge of a Federal Consolidation Loan Form

The Request for Reimbursement Due to Partial Discharge of a Federal Consolidation Loan form is designed to be used by a lender to request a partial discharge of the Consolidation loan for the portion that represents any underlying loans that are eligible for discharge due to disability (only for comade Consolidation loans), closed school, death, or false certification discharge.

1. Policy 1119 (Batch 159), approved April 16, 2009
2. Policy 1103 (Batch 157), approved March 19, 2009
3. Policy 1119 (Batch 159), approved April 16, 2009
4. Policy 1103 (Batch 157), approved March 19, 2009

13.8.G
Total and Permanent Disability

A total and permanent disability discharge request based on a determination by the U.S. Department of Veterans Affairs (VA) has different eligibility criteria than one that is not based on a VA determination, as outlined below.

Discharge Requests Based on VA Determinations

A borrower is eligible for loan discharge due to total and permanent disability if the borrower provides documentation from the VA showing that the VA has determined the borrower to be unemployable due to a service-connected condition, and this documentation is acceptable to the U.S. Department of Education (the Department). The borrower is not required to provide additional documentation to support the discharge; however, the borrower is required to complete the appropriate sections of the Discharge Application: Total and Permanent Disability. If the lender believes the borrower qualifies for discharge based on its review of the VA disability documentation, the lender must forward the loan discharge application and VA documentation to the guarantor for review. If the guarantor determines that the borrower meets the criteria for discharge based on its review of the VA documentation, the guarantor must forward the VA documentation and the loan discharge application to the Department for determination of the borrower's eligibility for loan discharge. The borrower is not subject to the 3-year conditional period. If the Department grants a final discharge based on a VA determination, it will notify the loan holder of the discharge. Any loan payments made after the effective date of the VA determination (that the borrower is unemployable due to a service-connected condition) are refunded to the borrower.
[HEA §437(a); DCL GEN-08-12/FP 08-10; Discharge Application: Total and Permanent Disability]

Discharge Requests Not Based on VA Determinations[1]

If any party to a loan claims to be totally and permanently disabled, the lender must request that party to provide certification of the disability from a physician who is a doctor of medicine or osteopathy and is legally authorized to practice in a state. An eligible party includes any one of the following:

- A borrower.
- One of two comakers on a PLUS or Consolidation loan.
- An endorser, if the lender is pursuing collection activities against the endorser.

The borrower's, comaker's, or endorser's representative may provide the physician's certification if the borrower, comaker, or endorser is unable to do so. The borrower, comaker, or endorser, or his or her representative, must submit a completed Loan Discharge Application: Total and Permanent Disability or other form(s) approved by the Department. The physician's certification must state that the borrower, comaker, or endorser is unable to work and earn money because of an injury or illness that is expected to continue indefinitely or result in death. The borrower must submit the certification to the lender within 90 days of the date that the physician completed and certified the discharge application. If the ~~lender receives~~ borrower submits the discharge application after this 90-day time frame, the borrower must have the physician complete a new application and ~~the borrower~~ must submit the new application to the lender within 90 days of the physician's new certification ~~of the new discharge application~~.
[§682.402(c)~~(2)~~][2]

Suspending Collection

If a lender receives information indicating that a borrower or one of two comakers on a PLUS or Consolidation loan has become totally and permanently disabled, the lender must continue collection activities until it receives the physician's certification—or until it receives a written request from the physician requesting additional time to determine whether the borrower or comaker is totally and permanently disabled. If the lender receives reliable information indicating that an endorser has become totally and permanently disabled, the lender may not apply an administrative forbearance to the PLUS loan.
[§682.402(c)(5)(i)]

If the lender receives a written request from the borrower's or comaker's physician requesting additional time to make a determination, the lender must suspend collection activity on the loan for up to 60 days or until the certification is received, whichever is earlier. If the lender determines that the borrower or comaker does not meet the definition of totally and permanently disabled, or if the lender does not receive the physician's certification of total and permanent disability within 60 days of the receipt of the physician's written request for additional time, the lender must resume collection activity and treat the loan as though forbearance had been granted during this period. A signed forbearance agreement is not required for this administrative forbearance period. The delinquency status, if any, that existed on the loan before the lender suspended its due diligence remains. The lender must resume due diligence

1. Policy 1133 (Batch 159), approved April 16, 2009

2. Policy 1068 (Batch 154), approved December 18, 2008

13.9 Forgiveness

Loan forgiveness is the release of a borrower's or any comaker's, as applicable, obligation to repay his or her loan, either in whole or in part~~, as a result of public service provided by the borrower or comaker~~.[1] Congress has authorized ~~two~~ programs[2] that provide loan forgiveness, as a result of public service, to qualified FFELP borrowers.[3] ~~Both of t~~These programs[4] and their corresponding borrower eligibility criteria are outlined in ~~this section.~~ Subsections 13.9.A and 13.9.B. Subsection 13.9.C provides eligibility criteria regarding loan repayment for civil legal assistance attorneys. Subsection 13.9.D outlines eligibility criteria and lender activities with regard to loan forgiveness under income-based repayment (IBR).
[§682.215(f)][5]

~~13.9.A Loan Forgiveness Demonstration Program for Child Care Providers~~

~~The Loan Forgiveness Demonstration Program for Child Care Providers is intended to bring more highly trained individuals into the early child care profession and to retain those providers for longer periods of time. Loan forgiveness under this demonstration program is contingent upon the availability of annual appropriations. Under this program, the Department repays up to 100% of a borrower's eligible Stafford loan obligations. For the purpose of this program, the term "child care services" is defined as activities and services provided for the education and care of children from birth through age 5.~~

~~A borrower must meet the following criteria to qualify for this forgiveness program:~~

- ~~The borrower must be a "new borrower" on or after October 8, 1998.~~
  ~~[HEA §428K(c)]~~
- ~~The borrower's eligible loan(s) must have been made before the beginning of the borrower's qualifying child care service.~~
- ~~The borrower must have received an associate's or bachelor's degree in early childhood education after October 7, 1998. This field is defined as education in the areas of early child education, child care, or any other educational area related to child care that the Department determines to be appropriate.~~
  ~~[HEA §428K(c)(1)]~~
- ~~The borrower must obtain employment in a child care facility, defined as a facility, including a home, that provides child care services and meets the applicable state or local government licensing, certification, approval, or registration requirements, if any.~~
- ~~The borrower must work full time as a child care provider in a low-income community for at least 2 consecutive years immediately preceding the year during which forgiveness is requested. A low-income community is defined as one in which at least 70% of households within the community earn less than 85% of the state's median household income.~~
  ~~[HEA §428K(c)(1) and (2)]~~

~~If the borrower qualifies, the Department will pay—on a first-come, first-served basis, subject to the availability of funds—a percentage of the total amount of all eligible loans (excluding PLUS and Consolidation Loans) at the rate of:~~

~~20% after completion of the 2nd year~~
~~20% after completion of the 3rd year~~
~~30% after completion of the 4th year~~
~~30% after completion of the 5th year~~

~~The Department will also pay a proportionate amount of the interest that accrues each year.~~
~~[HEA §428K(d)(1) and (3)]~~

~~If an individual not participating in this program returns to school, after initially graduating from school, to obtain an associate or baccalaureate degree in early childhood education, the student may apply to the Department for repayment under this forgiveness program of qualified loans received for a maximum of two academic years when the student returned to school. Repayment by the Department will be made in accordance with the preceding rate schedule.~~
~~[HEA §428K(d)(4)]~~

~~The Department will give loan repayment priority to borrowers who received forgiveness in the prior year. No borrower may, for the same service, receive a benefit under both this Loan Forgiveness Program for Child Care Providers and subtitle D of Title I of the National and Community Service Act of 1990.~~
~~[HEA §428K(c)(3)(B)]~~[6]

1. Policy 1119 (Batch 159), approved April 16, 2009
2. Policy 1080 (Batch 156), approved February 19, 2009
3. Policy 1119 (Batch 159), approved April 16, 2009
4. Policy 1080 (Batch 156), approved February 19, 2009
5. Policy 1119 (Batch 159), approved April 16, 2009
6. Policy 1080 (Batch 156), approved February 19, 2009

~~Qualified borrowers may request loan forgiveness at the end of the second and each subsequent year of eligible child care employment by submitting a completed Child Care Provider Loan Forgiveness Application to the Department and providing any supporting documentation the Department requires. The Department will determine the borrower's eligibility and notify the borrower of the amount that is being forgiven (see Appendix D for Department of Education contact information specific to this program).~~

~~During the period of eligible employment, a borrower may request a forbearance by submitting a completed Child Care Provider Loan Forgiveness Forbearance Form to the lender (see Subsection 11.24.C). The lender must grant the borrower a forbearance unless the borrower qualifies for a deferment.~~
~~[HEA §428K(d)(1) and (f)]~~

~~Receipt of a benefit under this program does not entitle the borrower to a refund of payments made on the loan.~~
~~[HEA §428K(d)(2); Federal Register dated August 29, 2002]~~

13.9.A Teacher Loan Forgiveness Program

~~13.9.B Teacher Loan Forgiveness Program~~[1]

The Teacher Loan Forgiveness Program is intended to encourage individuals to enter and continue in the teaching profession in certain eligible elementary and secondary schools that serve low-income families. The amount of loan forgiveness for which a borrower is eligible depends on all of the following criteria:

- When the borrower begins his or her qualifying teaching service.
- The borrower's qualifications.
- The subject area in which the borrower teaches.

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

A borrower who completes the qualifying teaching service may request loan forgiveness by completing a Teacher Loan Forgiveness Application and forwarding it to the lender or guarantor. The lender must forward the borrower's completed loan forgiveness application, including any supporting documentation, to the guarantor no later than 60 days after its receipt. The guarantor determines the borrower's eligibility for loan forgiveness and advises the lender of its determination. The lender must notify the borrower of the guarantor's determination within 30 days of receiving that determination. If loan forgiveness is granted and the borrower has an outstanding loan balance, the lender also must provide the borrower with information regarding any new repayment terms.
[§682.215(f)(2) and (4)]

Unless instructed otherwise by the borrower, the lender must apply a teacher loan forgiveness payment received on the borrower's behalf first to any outstanding unsubsidized Federal Stafford loan balances, next to any outstanding subsidized Federal Stafford loan balances, and then to any eligible outstanding Federal Consolidation loan balances.
[§682.215(f)(5)]

Receipt of a benefit under this program does not entitle the borrower to a refund of any payments made on the loan(s).
[§682.215(d)(3)]

Eligibility Criteria

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

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

[1] Policy 1080 (Batch 156), approved February 19, 2009

[2] Policy 1113 (Batch 158), approved April 16, 2009

- The borrower must have been employed as a full-time teacher for 5 consecutive, complete academic years at a qualifying school or location operated by an educational service agency (see definition of *qualifying school* and information regarding educational service agency locations below) or a combination of ~~qualifying schools~~ these entities, as certified by the chief administrative officer(s) at the school(s) or educational service agency. [HEA §428J(c)(3); DCL GEN-08-12/FP-08-10][1]

  - Any consecutive 5-year period of qualifying service may be counted for teacher loan forgiveness purposes.[2]

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

- If the school where the borrower is employed meets the eligibility criteria of a *qualifying school* for any year of the borrower's employment, all subsequent years continue to qualify the borrower even if the school does not meet the criteria. However, if the borrower is initially employed by a school that does not meet the criteria and the school later qualifies, the borrower's 5 qualifying years of service begin when the school meets the eligibility criteria.

- ~~At least one of the borrower's 5 years of qualifying service must be performed after the 1997-1998 academic year.~~[3]

- A borrower who is in default on a loan(s) for which the borrower seeks forgiveness must have made satisfactory repayment arrangements on the defaulted loan(s) to reinstate Title IV aid eligibility. See Subsection 5.2.D.

- The loan for which forgiveness is sought must have been made before the end of the 5th year of qualifying teaching service. [§682.215(a) ~~and (c)(8)~~][4]

Interruptions in Qualifying Teaching Service

A lender should not consider the time that a borrower is on active duty as a result of a military mobilization as an interruption in the borrower's qualifying teaching service. This applies to a borrower who is a member of a reserve component of the Armed Forces and is called or ordered to active duty for more than 30 days, and to a borrower who is a regular active duty member of the Armed Forces and is reassigned to a different duty station for more than 30 days.

Completion of one-half of an academic year is considered to be one academic year if the borrower's employer considers the borrower to have fulfilled his or her contract requirements for the academic year for the purposes of salary increases, tenure, and retirement, and the borrower is unable to complete the academic year due to any one of the following:

- A return to postsecondary education on at least a half-time basis in a program directly related to the borrower's teaching service.

- A condition covered under the Family and Medical Leave Act of 1993.

- An order to active duty status for more than 30 days as a member of a reserve component of the Armed Forces.

An interruption in the borrower's teaching service for any one of the above reasons (even if not counted as part of an eligible academic year for the purpose of the forgiveness), along with the time required to return to qualifying teaching service at the beginning of the next regularly scheduled academic year, is not considered an interruption in the required 5 consecutive years of service. [§682.215(c)(7)]

Loan Forgiveness Amounts

The total amount of loan forgiveness applicable to a borrower's outstanding eligible loans depends on when the borrower begins his or her period of teaching service and the type of teaching service the borrower performs.

For a borrower who begins a period of qualifying teaching service prior to October 30, 2004, the borrower may be eligible for loan forgiveness of a maximum of up to $5,000 if he or she is either:

- A full-time elementary school teacher who demonstrates knowledge and teaching skills in reading, writing, mathematics, and other areas of the elementary school curriculum.

- A full-time secondary school teacher teaching in a subject area that is relevant to his or her academic major.

1. Policy 1113 (Batch 158), approved April 16, 2009
2. Policy 1065 (Batch 153), approved November 20, 2008
3. Policy 1065 (Batch 153), approved November 20, 2008
4. Policy 1065 (Batch 153), approved November 20, 2008

A borrower may also complete the 5-year teaching service requirement by combining years of full-time service at qualifying elementary and secondary schools in order to qualify for teacher loan forgiveness, provided that he or she is otherwise eligible.

For a borrower who begins a period of qualifying teaching service prior to October 30, 2004, the borrower may be eligible for up to $17,500 in loan forgiveness (less any forgiveness amount received under the previous criteria) if the borrower has completed the period of qualifying teaching service as a highly qualified full-time mathematics or science teacher in a qualifying secondary school or as a highly qualified special education teacher.

For a borrower who began a period of teaching service on or after October 30, 2004, his or her loans may be eligible for loan forgiveness of either:

- A maximum of $5,000 for teaching as a highly qualified, full-time teacher in an eligible elementary or secondary school.
- A maximum of $17,500 for teaching as a highly qualified full-time mathematics or science teacher in an eligible secondary school or as a highly qualified special education teacher.

[§682.215(d); GEN-05-02/FP-05-02]

A borrower may also complete the 5-year teaching service requirement by combining years of full-time service at qualifying elementary and secondary schools in order to qualify for teacher loan forgiveness, provided that he or she is otherwise eligible.

Definitions Applicable to Teacher Loan Forgiveness

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

- A *qualifying school* is an elementary or secondary school operated by the Bureau of Indian Affairs (BIA) or operated on an Indian reservation by an Indian tribal group under contract with the BIA, or a school that meets all of the following criteria: [§682.215(c)(1)(iii)]
  - Is in a school district that qualifies for funds under Title I of the Elementary and Secondary Education Act of 1965, as amended. [§682.215(c)(1)(i)]
  - Has been selected by the Department based on a determination that more than 30% of the school's total enrollment is made up of children who qualify for services provided under Title I. [§682.215(c)(1)(ii)]
  - Is listed in the *Annual Directory of Designated Low-Income Schools for Teacher Cancellation Benefits*. (If this directory is not available before May 1 of any year, the previous year's directory may be used.) [§682.215(c)(1)(iii)]
- An *educational service agency* is a regional public multi-service agency authorized by state statute to develop, manage, and provide services or programs to local educational agencies. An otherwise eligible borrower may qualify for forgiveness if the borrower has performed qualifying teaching service at one or more locations that are operated by an educational service agency, but are not a school, and that have been determined by the Department, in consultation with the state, to be eligible locations for this purpose. [HEA §428J(c)(3) and §481(f); DCL GEN-08-12/FP-08-10][1]
- An *academic year* is one complete school year at the same school, two complete and consecutive half-years at different schools, or two complete and consecutive half-years from different school years, at either the same or different schools. Half-years exclude summer and generally fall within a 12-month period. For schools that have a year-round program of instruction, a minimum of 9 months is considered to comprise an academic year.
- A *highly qualified* teacher is a teacher in a public or nonprofit elementary or secondary school who has obtained a full state certification as a teacher (including certification obtained through alternative routes to certification) or passed the state teacher licensing examination and holds a license to teach in that state, except that, when used with respect to any teacher teaching in a public charter school, the term means that the teacher meets the requirements set forth in the state's public charter school law; and has not had certification or licensure requirements waived on an emergency, temporary, or provisional basis. In addition, the teacher must be one of the following:

1. Policy 1113 (Batch 158), approved April 16, 2009

Suspending Collection Activity

If the borrower requests a forbearance for the period during which he or she is performing the qualifying teaching service, the lender must grant the forbearance if the lender believes that the anticipated forgiveness amount will satisfy the outstanding loan balance at the time the borrower will complete the qualifying period of teaching service. Teacher loan forgiveness forbearance may be granted in 12-month increments during periods in which the borrower is performing qualifying teaching service if the borrower applies for the forbearance. See Subsection 11.24.C for more information regarding mandatory forbearance applicable to loans for which the borrower anticipates loan forgiveness.
[§682.215(e)(1)(i)]

If a guarantor notifies a lender, or the lender receives reliable information from another source (such as a telephone call or letter from the borrower) that a borrower may be eligible for teacher loan forgiveness, the lender must grant an administrative forbearance for a period not to exceed 60 days while waiting for the borrower to complete and return the Teacher Loan Forgiveness Application. If teacher loan forgiveness may be applicable to any Stafford loan(s) that was paid in full by a Consolidation loan, the lender must grant this forbearance on the entire Consolidation loan. The lender must place a mandatory administrative forbearance on the borrower's account for the period from which the forgiveness application is received until the forgiveness application is approved or denied by the guarantor. See Subsection 11.23.D for information regarding the mandatory administrative forbearance on loans for which the borrower is applying for loan forgiveness due to qualifying periods of teaching service.
[§682.215(e)(1)(ii) and (iii)]

Requirements Pertaining to Request for Payment

The lender must forward the borrower's completed loan forgiveness application, including any supporting documentation, to the guarantor no later than 60 days after its receipt of the documentation. If the lender files a request for payment later than 60 days after it receives the completed Teacher Loan Forgiveness Application and the guarantor approves the loan for forgiveness in whole or in part, the lender must repay all interest and special allowance received on the forgiven loan amount for periods after the expiration of the 60-day filing period. The lender is prohibited from collecting this interest from the borrower.
[§682.215(f)(2)]

FFELP Teacher Loan Forgiveness Request Form

The FFELP Teacher Loan Forgiveness Request form is designed to be used by a lender to request payment for all or a portion of the balance on a Stafford loan or a Consolidation loan with an eligible underlying Stafford loan(s) that is eligible for teacher loan forgiveness.

FFELP Teacher Loan Forgiveness Request Form Instructions

Figure 13-5 helps a lender determine what information must be provided on the FFELP Teacher Loan Forgiveness Request form. Detailed descriptions of these items are located in the Instructions for Completing the FFELP Teacher Loan Forgiveness Request form.[1]

1. Policy 1118 (Batch 159), approved April 16, 2009

Information to Be Provided on the FFELP Teacher Loan Forgiveness Request Form

Figure 13-5

Item Description, Sections A, B, and C	Required[1]
Date form is completed.	•
Servicer's name (if no servicer, provide lender name).	•
Lender's six-digit lender ID assigned by the Department.	•
Servicer's six-digit servicer ID assigned by the Department (if serviced).	•
The name of the guarantor of the loan.	•
Borrower's Social Security number (SSN).	•
Borrower's date of birth.	•
Borrower's name.	•
Date the Teacher Loan Forgiveness Application was received from the borrower.	•
Loan type for each loan included in request (e.g., SF=Subsidized Stafford, SU=Unsubsidized Stafford, CL=Consolidation).	•
Loan ID for each loan identified on the form (e.g., the loan identifier code, file number, guarantee date, or amount, as indicated by the guarantor).	•
Date of the first disbursement of each loan.	•
Current principal balance of each loan (for Consolidation loans, include only the outstanding portion of the loan that was used to repay an eligible Stafford loans).	•
Current interest rate of each loan.	•
Date through which interest was last paid for each loan.	•
Name of the person or unit responsible for answering questions relating to the information provided on the form.	•
Date completed.	•
Telephone number of person or unit.	•

1 Refers to information that the holder of the loan must provide on the Teacher Loan Forgiveness Request Form.[1]

1. Policy 1118 (Batch 159), approved April 16, 2009

Receipt of a benefit under this program does not entitle the borrower to a refund of payments made on the loan. In addition, no borrower may, for the same service, receive a reduction of the loan amount under both this loan repayment program and the Loan Forgiveness Program for Service in Areas of National Need Program or the Public Service Loan Forgiveness Program under the Federal Direct Loan Program.
[HEA §428L][1]

13.9.D Loan Forgiveness under the Income-Based Repayment (IBR) Schedule

Under IBR, a borrower who meets all eligibility requirements may have his or her outstanding principal balance and accrued interest forgiven on a qualifying FFELP loan. To be eligible for IBR loan forgiveness after 25 years, the borrower must have participated in the IBR plan and have made at least 300 monthly qualifying payments or equivalents on or after July 1, 2009, by satisfying any of the following conditions:

- Made monthly loan payments, equal to or greater than $0 dollars, based on a partial financial hardship (PFH).
- Made monthly loan payments under any repayment plan that were equal to or greater than the amount required under the standard repayment schedule with a 10-year repayment period (*standard-standard*).
- Made monthly loan payments, after the borrower no longer had a partial financial hardship or after the borrower stopped making income-based payments, under the standard repayment schedule based on a 10-year repayment period for the amount of the borrower's loans that were outstanding at the time the borrower selected the IBR plan (*permanent-standard*).
- Received an economic hardship deferment on eligible loans.

[§682.215(f)(1) and (2)]

The beginning date for the 25-year repayment period for forgiveness for a borrower with a PFH is the date that the borrower makes a qualifying payment or receives an economic hardship deferment on an eligible FFELP loan(s). A borrower may have loans with different beginning dates for the 25-year repayment period for loan forgiveness. Although the "begin" date(s) may be prior to the date(s) that the borrower qualified for the IBR plan, a "begin" date must not be prior to July 1, 2009. If a borrower satisfies the loan forgiveness requirements, the Department pays the outstanding balance and accrued interest on any eligible FFELP loan, including a rehabilitated loan for which the borrower qualified or re-qualified for IBR (see Section 13.7).
[§682.215(f)(3)and(4)]

Requirements Pertaining to Request for Payment

The lender must request payment from the guarantor not later than 60 days after the lender determines that a borrower qualifies for loan forgiveness. If the lender requests payment later than 60 days after determining that a borrower qualifies for IBR forgiveness, the lender must repay all interest and special allowance received on the forgiven loan amount for periods after the expiration of the 60-day filing period. The lender is prohibited from collecting this interest from the borrower.
[§682.215(g)(1) and (2)]

Borrower Notification Requirements

Within 30 days after notification by the guarantor that the borrower is eligible for IBR forgiveness, the lender must notify the borrower of the determination. The lender must also advise the borrower that the repayment obligation on the loan(s) for which IBR forgiveness was requested has been satisfied. The lender must also provide the borrower with information on the required processing of the amount forgiven. This includes information on the lender's understanding of the current tax treatment of the forgiven amount. The lender is also encouraged to refer the borrower to the Internal Revenue Service for additional information.
[§682.215(g)(4); *Federal Register* dated October 23, 2008]

Processing an Approved Forgiveness

If the guarantor determines that a borrower is eligible for IBR forgiveness, the lender must apply the proceeds of the forgiveness amount to satisfy the outstanding balance on the loan(s) for which IBR forgiveness was requested. If the forgiveness amount exceeds the outstanding balance on the eligible loan(s), the lender must refund the excess amount to the guarantor. The lender must promptly return to the sender any payment received on a loan after the guarantor pays the lender the amount of loan forgiveness.
[§682.215(g)(5) and (7)][2]

1. Policy 1089 (Batch 156), approved February 19, 2009

2. Policy 1119 (Batch 159), approved April 16, 2009

Denying Forgiveness

If the guarantor determines that the borrower is not eligible for IBR forgiveness, the lender may grant an administrative forbearance from the date that the borrower's repayment obligation was suspended until a new payment due date is established. The lender may capitalize any accrued or unpaid interest at the end of the forbearance, unless the denial of the request for payment resulted from a lender error.
[§682.215(g)(6)][1]

1. Policy 1119 (Batch 159), approved April 16, 2009

15.3
The Application Process

Neither the guarantor nor the lender may charge the borrower a federal default fee (or guarantee fee) or origination fee with the borrower's application for a Federal Consolidation loan. Federal regulations permit guarantors to charge lenders an administrative fee to cover the costs of increased or extended liability for Consolidation loans. This fee may not exceed $50 and may not be passed on to the borrower.
[§682.401(b)(12); §682.505(a)]

▲ Lenders may contact individual guarantors for further information on applicable fees. See Section 1.5 for contact information.

15.3.A
Providing Consolidation Loan Information

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

- For a borrower who is considering consolidating a FFELP or Federal Direct loan(s), whether consolidation would result in a loss of loan benefits, including loan forgiveness, cancellation, and deferment, through the FFELP or the Direct Loan Program.

- For a borrower who is considering consolidating a Federal Perkins loan(s), each of the following:

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

  – That the borrower will no longer be eligible for public service cancellation of all or a portion of the Federal Perkins loan.

  – The occupations that qualify for Federal Perkins loan cancellation.

- The repayment plans that are available to the borrower.

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

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

- The consequences of default on the Consolidation loan.

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

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

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

Explanation of Consolidation Benefits and Costs
An explanation of consolidation benefits and costs may include:

- The ~~B~~benefits of consolidation to the borrower.
- The ~~S~~special benefits the lender offers on Federal Consolidation loans, and the criteria for obtaining those benefits.
- Borrower eligibility requirements.
- The ~~T~~types of loans that may be consolidated.
- The ~~I~~interest rate calculation.
- ~~Repayment options available.~~
- ~~Effects of repayment schedule on the repayment period.~~
- Deferment options.
- ~~The borrower's potential loss of benefits on underlying loans when consolidated into a Consolidation loan.~~
- The borrower's cost for consolidation.
- An explanation of ~~T~~the consolidation process.[1]

1. Policy 1114 (Batch 158), approved April 16, 2009

Worksheet or Web Page
A Federal Consolidation loan worksheet or Web page can help the borrower:

- List all outstanding education loans.
- Select which loans are to be consolidated.
- Determine the maximum repayment period.
- Compute the interest rate.
- Calculate estimated monthly payments under standard, graduated, extended, ~~and~~ income-sensitive, and income-based repayment schedules.[1, 2]
- Compare the estimated payment with the total of payments for the same loans without consolidation.
- Calculate the total cost of repayment (including interest) over various repayment periods.

Instructions
The lender may include instructions for completing the Federal Consolidation Loan Application and Promissory Note~~,~~ and, if the note is available electronically, a link to the appropriate Website.[3]

15.3.B Completing the Application

The borrower must complete a Consolidation loan application and promissory note to apply for the consolidation of his or her eligible loans. The application must be submitted to the consolidating lender. [§682.102(d); §682.206(b)]

15.3.C Reviewing the Loan Verification Certificate

In general, prior to the disbursement of a Federal Consolidation loan, the consolidating lender must obtain certification from the holder of each loan to be consolidated. The common Loan Verification Certificate (LVC) form approved by the Department meets the requirements for loan certification. The consolidating lender may rely on the information from the certificate to build an accurate record of the borrower's current education loan obligations and to determine the payoff amount of the loan(s). If the holder is the consolidating lender, that party is not required to complete an LVC. However, the holder must retain adequate evidence to support the loan balance as of the date of the consolidation. This information may be requested in a borrower inquiry or during a program review. [§682.206(f)]

1. Policy 1114 (Batch 158), approved April 16, 2009
2. Policy 1119 (Batch 159), approved April 16, 2009
3. Policy 1114 (Batch 158), approved April 16, 2009

An LVC may be included with application materials or may be generated by the consolidating lender. The borrower's authorization for the release of information is included on the application form.

Certifying the LVC

When certifying the LVC, the holder must:

- Verify or complete the applicable information for each eligible loan.
- Calculate a loan payoff amount according to the *anticipated loan payoff date*.

The payoff amount should include outstanding accrued interest, late charges, and the outstanding principal balance for each loan. The payoff amount for defaulted loans may also include collection costs. However, collection costs exceeding 18.5% of the outstanding balance at the time of certification will not be guaranteed. [§682.401(b)(27)]

An authorized official of the holder must sign the LVC certifying that:

- The information on the form is accurate and complete.
- Each loan listed is a legal, valid, and binding obligation of the borrower.
- Each loan was made and serviced in compliance with all applicable laws and regulations.
- For Federal Stafford, Federal PLUS, Federal SLS, Federal Consolidation, and Federal Insured Student Loans, the insurance on each such loan is in full force and effect.
- The loan amounts confirmed include only unpaid principal, unpaid accrued interest for which the borrower is responsible, late charges, and eligible collection costs.

Circumstances That May Prevent the Loan Holder from Certifying the LVC

The holder of each loan to be consolidated must respond to the LVC within 10 business days from the date the LVC is received. If the holder is unable to certify to the matters described above, the holder must provide the consolidating lender and the guarantor(s) of the loan(s) listed on the form

A Consolidation loan is considered to be disbursed on the date of the first individual or master check, payment advice, or noncash transfer that transfers funds from the consolidating lender to the holder of the loans to be consolidated. For funds disbursed by EFT, the Consolidation loan is considered disbursed on the first date that funds are transferred. If the loan funds for multiple underlying loans are disbursed on multiple days, including funds issued through the end of the 180-day add-on period, those disbursements are considered "subsequent disbursements." The loan's first disbursement date, or the application receipt date, is used to determine its terms and conditions.[1]

The first disbursement date for the Consolidation loan, or the application receipt date, establishes the terms and conditions for every loan servicing record established under a single promissory note for the borrower. For loan guarantee purposes, the single Consolidation loan application and promissory note represents a single Consolidation loan. The lender must ensure that all servicing aspects for the multiple portions of the loan remain synchronized. Failure to establish and maintain a single repayment schedule, first and next payment due date, and to consistently apply deferment, forbearance, and loan discharge provisions may result in the loss of the entire loan's guarantee. (See Subsection 14.1.E "Violations and Cures Associated with Unsynchronized Servicing of a Consolidation Loan with Multiple Loan Records.")[2]

Upon receiving sufficient proceeds from the consolidating lender, the holder of each loan being consolidated must promptly apply the proceeds to pay the borrower's obligation in full. If proceeds disbursed by the consolidating lender are not sufficient to pay a loan in full, the holder should contact the consolidating lender to resolve the discrepancy.

The holder of a loan that is paid in full by a Consolidation loan must promptly make the following notifications:

- Notify the consolidating lender that the consolidating funds were received and provide certification that the underlying loan has been paid in full.
  [§682.209(h)(5)]

- Report the payment in full to at least one appropriate national credit bureau.
  [§682.208(b)(1)]

- Report to the loan's guarantor that the loan has been paid in full by consolidation.
  [§682.209(h)(5)]

15.5 Repayment

A Federal Consolidation loan enters repayment on the date the loan is disbursed. When establishing the repayment terms for a Consolidation loan, the lender must consider the borrower's financial ability to repay the loan and ensure that the terms meet the requirements described in this section.
[§682.102(e)(5); §682.209(a)(1); §682.209(h)(1)]

Lenders must offer Consolidation loan borrowers the choice of a standard, graduated, income-sensitive, income-based or, if applicable, an extended repayment schedule. See Section 10.8 and Subsection 10.6.D for more information on these repayment schedules and minimum payment requirements.
[§682.209(a)(6)][3]

15.5.A Establishing the First Payment Due Date

A lender must establish the first payment due date on a Consolidation loan that is no later than:

- 60 days after the date of the last disbursement that pays underlying loans in full.
  [§682.102(e)(5); §682.209(a)(1); §682.209(h)(1)]

- 60 days after the last day of a deferment or forbearance period, unless the borrower makes a prepayment during this period that advances the due date (see Subsections 10.11.B and 10.11.D). For more information about establishing repayment after a deferment or forbearance period, see Subsections 11.1.I and 11.20.J, respectively.
  [§682.209(a)(3)(ii)(B)]

1. Policy 991 (Batch 153), approved November 20, 2008
2. Policy 991 (Batch 153), approved November 20, 2008
3. Policy 1119 (Batch 159), approved April 16, 2009

A lender must establish a first payment due date that is no more than 60 days after the last day of a deferment period (see Subsection 15.5.A).
[§682.209(a)(3)(ii)(B)]

15.5.E Forbearance

Federal Consolidation loan borrowers remain eligible for all types of forbearance. Forbearance provisions for Consolidation loan borrowers are the same as those for Stafford, PLUS, and SLS loan borrowers (see Section 11.20).

A lender must establish a first payment due date that is no more than 60 days after the last day of a forbearance period (see Subsection 15.5.A).
[§682.209(a)(3)(ii)(B)]

15.5.F Delinquency, Claim Filing, Loan Forgiveness, and Discharge

The due diligence, and default and bankruptcy claim filing requirements for a Federal Consolidation loan are identical to those applicable for other FFELP loans. Loan forgiveness and discharge provisions, and discharge claim filing requirements, however, may be different for a Consolidation loan, as follows:

- For Consolidation loan discharge provisions due to closed school and false certification, see Subsections 13.8.B and 13.8.D, respectively.

- For Consolidation loan forgiveness due to teacher loan forgiveness, the Consolidation loan must not include a FFELP or FDLP loan that was first disbursed before October 1, 1998. See Subsection 13.9.A for teacher loan forgiveness provisions for Consolidation loans.

- For Consolidation loan forgiveness under the income-based repayment (IBR) plan, the Consolidation loan must not include a FFELP or Direct parent PLUS loan. See Subsection 13.9.D for information on loan forgiveness under IBR for Consolidation loans.[1]

- For Consolidation loan discharge provisions due to an unpaid school refund, see Subsection 13.8.H.

- For Consolidation loan discharge provisions due to the death of one spouse in the case of a joint Consolidation loan, or for the portion of a Consolidation loan attributable to an underlying PLUS loan that was made for a dependent student who dies, see Subsection 13.8.C.
[§682.402(a)(2) and (b)(6)]

- For Consolidation loan discharge provisions due to spouses and parents of September 11, 2001, victims discharge, see Subsection 13.8.F.

- For Consolidation loan discharge provisions due to total and permanent disability, the borrower must be considered totally and permanently disabled according to FFELP discharge criteria on all underlying loans included in the Consolidation loan—including any non-FFELP loans. The loan origination dates of the underlying loans will be used in determining a borrower's eligibility.

  If a Consolidation loan is made jointly to two spouses as comakers, the portion of the Consolidation loan attributable to one of the spouses may be discharged if that spouse becomes totally and permanently disabled. See Subsection 13.8.G for more information regarding the discharge of all or a portion of a Consolidation loan due to total and permanent disability.
  [§682.402(a)(2) and (c)(1)(iv)]

15.5.G Paid-in-Full Loans

When a Federal Consolidation loan is paid in full by the borrower, the lender must either return the original or a true and exact copy of the promissory note to the borrower, or notify the borrower that the loan is paid in full.
[§682.414(a)(5)(iii)]

Lenders must retain a copy of the promissory note and other key loan documents—as well as a copy of the loan servicing history—for a period of not less than 3 years after the date on which the loan is paid in full by the borrower and not less than 5 years after the date the lender receives payment in full from any other source. In addition, the lender must report to the guarantor the paid-in-full status of the loan. See Subsection 3.4.A for information on recordkeeping and Section 3.5 for information on lender reporting.
[§682.414(a)(2); §682.414(a)(5)]

1. Policy 1119 (Batch 159), approved April 16, 2009

15.6 Interest Benefits and Special Allowance

Interest Benefits

A Federal Consolidation loan is eligible for federal interest subsidy during periods of deferment if the loan was made from an application received by the lender between January 1, 1993, and August 9, 1993, inclusive, excluding any portions derived from HEAL loans.
[§682.301(a)(3)(i)]

A Federal Consolidation loan made from an application received by the lender between August 10, 1993, and November 12, 1997, inclusive, is eligible for interest subsidy during periods of deferment only if all underlying loans are subsidized Stafford loans.
[§682.301(a)(3)(ii)]

A Federal Consolidation loan made from an application received by the lender on or after November 13, 1997, is eligible for interest subsidy during authorized periods of deferment on any portion of the Consolidation loan that paid an underlying subsidized FFELP loan or an underlying subsidized Direct loan. The borrower is responsible for interest payment during periods of authorized deferment on all other portions of a Consolidation loan.
[§682.301(a)(3)(iii)]

On or after July 1, 2009, the subsidized portion of a Consolidation loan is eligible for federal interest benefits to pay accruing interest during a consecutive 3-year period if the borrower's scheduled monthly partial financial hardship (PFH) payment amount under the income-based repayment (IBR) plan is less than such accruing interest. This consecutive 3-year period begins on the established repayment period start date when each loan enters IBR and excludes any period during which the borrower receives an economic hardship deferment.
[§682.215(b)(4); §682.300(b)(1)(iv)][1]

See Appendix A for more information on interest benefits.

Special Allowance

The formula for calculating the applicable special allowance rate on a Federal Consolidation loan is determined based on when the loan was made or, as applicable, when the application was received by the consolidating lender. For example, a Consolidation loan made on or after October 1, 1992, from an application received by the consolidating lender before January 1, 2000, would be eligible for special allowance based on the applicable T-bill rate plus 3.10%. A Consolidation loan made from an application received by the consolidating lender on or after January 1, 2000, is eligible for special allowance based on the applicable 3-month commercial paper rate plus 2.64%. See Subsection A.2.A for more information on special allowance formula components and the factors that affect the calculation of special allowance for Consolidation loans.
[§682.302(c)]

The portion of a Consolidation loan attributable to a HEAL loan is not eligible for special allowance.
[HEA §428C(d)(3)(A)]

15.7 Interest Payment Rebate Fee

Each month, a holder must remit to the Department an interest payment rebate fee for all of its Federal Consolidation loans made on or after October 1, 1993. For loans made on or after October 1, 1993, from applications received prior to October 1, 1998, and after January 31, 1999, this fee is equal to 1.05% per annum of the unpaid principal and accrued interest of the loans. For loans made from applications received during the period beginning October 1, 1998, through January 31, 1999, inclusive, this fee is equal to 0.62% per annum of the principal and accrued interest of the loans.
[428C(f)]

Calculating the Fee

To calculate the monthly interest payment rebate fee for loans made on or after October 1, 1993, from applications received prior to October 1, 1998, and after January 31, 1999, the holder should multiply the sum of unpaid principal and interest balances of the applicable loans—as of the end of the month—by 0.0875% (0.000875).

To calculate the monthly interest payment rebate fee for loans made from applications received during the period beginning October 1, 1998, through January 31, 1999, inclusive, the holder should multiply the sum of unpaid principal and interest balances of the applicable loans—as of the end of the month—by 0.0517% (0.000517).

1. Policy 1119 (Batch 159), approved April 16, 2009

Chapter 16 provides an overview of the annual cohort default rates calculated by the Department for schools, lenders, and holders participating in the FFELP. Section 16.1 includes an overview of the cohort default rate process and definitions applicable to cohort default rates. Sections 16.2 through 16.5 cover in more detail default rate calculations; the process by which schools can challenge a draft cohort default rate, request an adjustment to an official cohort default rate, or appeal an official cohort default rate; and the consequences of official cohort default rates. The last section of this chapter, Section 16.6, addresses FFELP cohort default rates and appeals for lenders and holders.

Unless otherwise noted, each reference in the Manual to the cohort default rate pertains to the FFELP cohort default rate or the dual-program cohort default rate, as applicable.

16.1 Overview of Cohort Default Rates and Terminology

FFELP cohort default rates—and a series of increasingly stringent school requirements and limitations based on those rates—were added to federal regulations in 1989. These provisions were introduced to reduce the overall default rate in the federal student loan programs. FFELP cohort default rates for lenders and loan holders were introduced in the 1992 Reauthorization of the Higher Education Act of 1965, as amended. In addition, default rate provisions were expanded in the Omnibus Budget Reconciliation Act of 1993. The dual-program cohort default rate was implemented July 1, 1996, for schools with borrowers entering repayment in both the FFELP and FDLP. (See Section 16.3)

A school with a low official cohort default rate may qualify for specific regulatory exemptions, such as more flexible disbursement requirements. A school with persistently or excessively high official cohort default rates may lose FFELP or FDLP eligibility and may also become ineligible to participate in the Federal Pell Grant Program.

Some historically black colleges and universities (HBCUs), and tribally controlled and Navajo community colleges, may qualify for an exemption from the loss of FFELP, FDLP, or Federal Pell Grant Program eligibility based on cohort default rates in excess of applicable thresholds. For more information on these exemptions, contact the Department's Default Management Division. (See Appendix D.)

A school may challenge its draft cohort default rate, and may, in some cases, appeal or request an adjustment to its official cohort default rate. Detailed parameters for challenges, appeals, and adjustment requests are defined in federal regulations (subpart M of §668) and the Department's *Cohort Default Rate Guide*, and are also outlined in Sections 15.3 and 15.4 of this Manual.

Cohort Default Rate Terminology

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

- *Cohort*: The group of borrowers who enter repayment during the fiscal year for which the rate is calculated which is used to determine the default rate.
  [§668.182(a)]

- *Cohort default rate notification*: The process by which the Department notifies a school of its draft and official cohort default rates. The Department notifies a school of its cohort default rates as follows:

  – The Department uses an electronic cohort default rate (eCDR) process through the Student Aid Internet Gateway (SAIG) to notify a domestic school of its cohort default rates. All domestic schools must designate a SAIG destination point that will receive the school's eCDR notification packages. The designation of the eCDR destination point must be conducted through the SAIG enrollment process.

  – The Department notifies a foreign school of its cohort default rates via mail.
  [*Cohort Default Rate Guide*]

- *Days*: For all cohort default rate rules, days mean calendar days.
  [§668.182(c)]

- *Default:* A FFELP borrower is considered "in default" if the borrower defaults on a loan for which the claim is paid by the guarantor before the end of the fiscal year following the fiscal year in which the borrower entered repayment on the loan. For an FDLP borrower, default is defined under the parameters of that program. If a borrower defaults on a Federal Consolidation loan within that time frame, the default is counted on the applicable underlying loans that entered repayment during the cohort year.
  [§668.182(d); §668.183(c)][1]

[1] Policy 1115 (Batch 158), approved April 16, 2009

Beginning with the fiscal year 2009 cohort default rate calculations, an FFELP borrower is considered "in default" if the borrower defaults on a loan for which the guarantor pays the claim before the end of the second fiscal year following the fiscal year in which the borrower enters repayment. For an FDLP borrower, default is defined under the parameters of that program. If a borrower defaults on a Federal Consolidation loan within that time frame, the default is counted on the applicable underlying loans that entered repayment during that cohort year. [HEA §435(m); DCL GEN-08-12/FP-08-10][1]

- *Draft Cohort Default Rate*: The rate the Department issues for the school's review before the issuance of the official cohort default rate. The Department generally notifies schools of draft cohort default rates in February or March of each year.
  [§668.182(e)]

- *Fiscal Year*: A federal fiscal year begins on October 1 and ends on September 30 of the following year. The fiscal year is identified by the calendar year in which it ends.
  [§668.182(g)]

- *Loan Record Detail Report*: This report is issued by the Department and contains the detailed data used to calculate the school's draft or official cohort default rate.
  [§668.182(h)]

- *Official Cohort Default Rate*: The official rate is calculated and published by the Department after the school has an opportunity to review and challenge its draft cohort default rate. The Department generally publishes the official rate prior to September 30 each year.
  [§668.182(i)]

- *Participation Rate Index (PRI)*: The PRI is the percentage of a school's students who obtain FFELP or FDLP loans multiplied by the school's cohort default rate. (See Section 16.3) The calculation is accomplished as follows:
  [§668.195(b)(1)]

  Step 1—Select a 12-month period that ends no more than 6 months prior to the beginning of the fiscal year for which the cohort default rate is calculated.
  [§668.195(b)(1)(i)]

  Step 2—Determine the number of regular students enrolled on at least a half-time basis during any part of the selected 12-month period.
  [§668.195(b)(1)(ii)]

  Step 3—Of those students identified in *Step 2*, determine the number who received FFELP or FDLP loan funds to attend the school during a loan period that overlaps any part of the 12-month period selected in *Step 1*.

  Step 4—Divide the result of *Step 3* by the result of *Step 2* to determine the percentage of students who received loans.

  Step 5—Multiply the result of *Step 4* by the school's cohort default rate to obtain the PRI.
  [§668.195(b)(1)]

- *Repayment start*: Loans generally are considered to have entered repayment on the dates described in Section 10.4. However, there are some exceptions within the cohort default rate process, as follows:
  [§682.209(a)]

  – If a borrower obtained both an SLS loan and a Stafford loan for the same period of continuous enrollment, the SLS loan enters repayment at the same time the borrower enters repayment on his or her Stafford loan.
  [§668.182(f)(2)(i)]

  – If the borrower does not have Stafford loans for the same period of continuous enrollment, the SLS loan enters repayment on the day after the student ceases to be enrolled at any school at least half time.
  [§668.182(f)(2)(ii)]

  – A loan is considered to enter repayment if the loan is paid in full by the borrower before the loan would otherwise have entered repayment. In this case, the date on which the loan is paid in full becomes the new repayment begin date.
  [§668.182(f)(3)]

1. Policy 1115 (Batch 158), approved April 16, 2009

16.2
Calculation of School Cohort Default Rates

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

Beginning with fiscal year 2009, a cohort default rate is defined as the percentage of a school's student borrowers who enter repayment during a specific fiscal year on certain FFELP or FDLP loans and who default on those loans before the end of the second fiscal year following the fiscal year in which the borrower entered repayment (see Section 16.1). This includes borrowers who borrow any of the following types of loans:[1]

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

A TEACH grant that has been converted to an unsubsidized Direct Stafford loan is not considered for the purpose of calculating a school's cohort default rate.
[§668.183(b)(3)][2]

A FFELP cohort default rate is calculated for each school participating in the FFELP or FDLP at the beginning of the fiscal year, whether or not the school actually had student borrowers entering repayment on Stafford or SLS loans during that fiscal year.

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

Beginning with fiscal year 2009, an official cohort default rate will be calculated for a school according to the formulas that follow in Figure 16-2. Formula A will be used for schools that had thirty or more student borrowers who entered repayment during the fiscal year for which the rate is being calculated. Formula B will be used for schools that had fewer than thirty student borrowers who entered repayment during the fiscal year for which the rate is being calculated.
[HEA §435(m); DCL GEN-08-12/FP-08-10][3]

A dual-program cohort default rate is calculated when a school has student borrowers who entered repayment on both FFELP and FDLP loans in the same fiscal year. Although the same basic formulas are used to calculate FFELP, FDLP, and dual-program cohort default rates, slightly different definitions of default are used to determine which FFELP and FDLP student borrowers are included in the numerator of the formulas. For all schools, a FFELP loan is considered to be in default on the date the guarantor pays a default claim, and a FDLP loan is considered to be in default after 360 days of delinquency. For proprietary non-degree-granting schools only, the definition of default also includes student borrowers with FDLP loans that are in repayment for at least 360 days under the income-contingent repayment plan with scheduled payments that are less than $15 per month and less than the interest accruing on the loan. These conditions must have occurred before the end of the fiscal year following the year in which the loan entered repayment.
[§668.183(c)(i) and (ii)]

In some cases, the Department calculates an "unofficial cohort default rate" for a school. An "unofficial rate" is applicable if a school had fewer than thirty borrowers who entered repayment during the fiscal year for which the rate is being calculated, and no cohort default rate was calculated by the Department for the school for either or both of the two previous fiscal years. An "unofficial cohort default rate" cannot be used to determine sanctions or benefits for a school because it does not meet the definition of an official cohort default rate.
[*Cohort Default Rate Guide*]

1. Policy 1115 (Batch 158), approved April 16, 2009
2. Policy 1078 (Batch 155), approved January 15, 2009
3. Policy 1115 (Batch 158), approved April 16, 2009

Cohort Default Rate Formulas

Figure 16-1

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

Number of student borrowers who entered repayment during the specified fiscal year and defaulted ~~within~~ before the end of that fiscal year or the subsequent fiscal year

———————————————————— X 100

Number of student borrowers who entered repayment during the specified fiscal year

[§668.183(d)(1)]

Example
Student borrowers who entered repayment from October 1, ~~1998~~ 2005, through September 30, ~~1999~~ 2006, (inclusive), will be included in the denominator of the cohort default rate calculation for federal fiscal year ~~l999~~ 2006. If any of those student borrowers' loans defaulted by the end of the next fiscal year (September 30, 200~~0~~7), those student borrowers will be included in the numerator. Student borrowers who entered repayment during fiscal year ~~1999~~ 2006, but who defaulted after September 30, 200~~0~~7, will only be included in the denominator of the formula for the fiscal year ~~1999~~ 2006 default rate calculation.

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

Number of student borrowers who entered repayment during the specified fiscal year and the previous two fiscal years and who defaulted ~~by~~ before the end of the fiscal year immediately following the fiscal year in which ~~those student borrowers~~ the borrower entered repayment

———————————————————— X 100

Number of student borrowers who entered repayment during the specified fiscal year and the previous two fiscal years

[§668.183(d)(2)]

Example
For calculating the federal fiscal year 200~~5~~6 cohort default rate, the following periods are ~~applicable~~ included:

Borrower Entered Repayment	*Borrower Defaulted on or Before*
10/01/0~~5~~3 – 9/30/0~~6~~4	9/30/0~~7~~5
10/01/0~~6~~4 – 9/30/0~~7~~5	9/30/0~~8~~6
10/01/0~~7~~5 – 9/30/0~~8~~6	9/30/0~~9~~7

Student borrowers who entered repayment during these periods are included in the denominator of the formula. Student borrowers who subsequently defaulted in the periods specified above are included in the numerator.[1]

1. Policy 1115 (Batch 158), approved April 16, 2009

Cohort Default Rate Formulas Beginning with Fiscal Year 2009

Figure 16-2

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

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

Example

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

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

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

Example

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

Borrower Entered Repayment	*Borrower Defaulted on or Before*
10/01/06 – 9/30/07	9/30/09
10/01/07 – 9/30/08	9/30/10
10/01/08 – 9/30/09	9/30/11

Student borrowers who entered repayment during these periods are included in the denominator of the formula. Student borrowers who subsequently defaulted in the periods specified above are included in the numerator.[1]

1. Policy 1115 (Batch 158), approved April 16, 2009

Determining the Denominator

The denominator is the number of student borrowers who entered repayment during a fiscal year. This is determined by counting the number of different Social Security numbers present in all of the loan records for student borrowers who entered repayment on Federal Stafford or Federal SLS loans during that fiscal year. If a school had fewer than thirty borrowers who entered repayment in the fiscal year for which the rate is being calculated, the Department also identifies the borrowers in the cohorts for the two most recent prior fiscal years for inclusion in the current-year cohort calculation.
[§668.183(a)(1) and (b)]

There are several points to note about the calculation regarding student borrowers with multiple loans:

- A student borrower with two or more loans that entered repayment during the same fiscal year will be counted only once in a school's denominator.

- A student borrower with multiple loans that entered repayment in more than one fiscal year will be included in the cohort default rate calculation for each fiscal year in which the loans entered repayment.
[§668.183(b)(2)]

- A student borrower with two or more loans that entered repayment during a single fiscal year will be counted in more than one cohort default rate calculation only if he or she borrowed those loans to attend more than one school, and those loans entered repayment during the same fiscal year. Such a borrower's loans (and his or her subsequent repayment or default on those loans) are attributed to the school at which the borrower received the loan that entered repayment.
[§668.183(b)(2); *Cohort Default Rate Guide*]

For a student borrower whose loan was fully discharged due to death, disability, bankruptcy, closed school, false certification, unpaid refund, or teacher loan forgiveness provisions *prior* to the loan entering repayment, the borrower will be included in the denominator of the cohort default rate calculation based on the date on which the guarantor paid the applicable claim or discharged the loan. For a student borrower whose loan was fully discharged due to death, disability, bankruptcy, closed school, false certification, unpaid refund, or teacher loan forgiveness provisions *after* the loan entered repayment, the borrower will be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.
[*Cohort Default Rate Guide*]

If a student borrower paid a loan in full before the loan would otherwise have entered repayment, the borrower will be included in the denominator of the cohort default rate calculation based on the fiscal year in which the borrower paid the loan in full. If a student borrower requested and began repayment of a loan before the date on which the loan was scheduled to enter repayment, the borrower will be included in the denominator of the cohort default rate calculation based on the fiscal year in which the early repayment began.
[*Cohort Default Rate Guide*]

Determining the Numerator

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

Beginning with fiscal year 2009, the numerator will equal the number of student borrowers in the denominator who defaulted on any Federal Stafford, Federal SLS, or Federal Consolidation loan before the end of the second fiscal year following the fiscal year in which the loan or underlying loan entered repayment. If a school had fewer than thirty borrowers who entered repayment during the fiscal year for which the cohort default rate is being calculated, the Department identifies the school's student borrowers who entered repayment during the specified fiscal year and the two most recent prior fiscal years and who defaulted before the end of the second fiscal year following the fiscal year in which the loan or underlying loan entered repayment for inclusion in the numerator of the calculation for the specified year.
[HEA §435(m); DCL GEN-08-12/FP-08-10][1]

There are several points to note about the calculation regarding student borrowers with multiple loans:

- A student borrower who entered repayment during the same fiscal year on two or more loans that were borrowed to attend the same school, and then defaulted

1. Policy 1115 (Batch 158), approved April 16, 2009

16.3
School Draft Cohort Default Rates and Challenges

Generally, the Department notifies each school of its draft cohort default rate annually in February or March. The Department's notification to the school includes the loan record detail report that supports the draft cohort default rate calculation. The draft rate is not considered public information and is provided only to the school. A school may challenge its draft cohort default rate based on criteria specified in federal regulations and must use a format that is acceptable to the Department. The format for a cohort default rate challenge is detailed in the Department's *Cohort Default Rate Guide*. If the school's challenge does not comply with the requirements detailed in the Guide, the challenge may be denied.
[§668.185(a)(3) and (4)]

The following is a brief explanation of the basic steps of the draft cohort default rate process. A school that intends to challenge its cohort default rate should refer to the detailed instructions for these activities in federal regulations and in the Department's *Cohort Default Rate Guide*.

Draft Cohort Default Rates

The Department provides draft cohort default rates to schools to afford them an opportunity to review the cohort data and to ensure the accuracy of the information on which the official rates will be based. The draft rate is always based only on the number of student borrowers entering repayment in the fiscal year for which the rate is being calculated, regardless of the number of student borrowers entering repayment in that year. Draft rates will always be calculated using Formula A found in Section 16.2.
[§668.185(a)(2)]

Challenging Draft Cohort Default Rates

A school ~~can~~ may challenge its draft cohort default rate based on two general criteria: incorrect data and the school's participation rate index (PRI). Any challenge must be submitted ~~no later than~~ within 45 days ~~after the school receives its draft cohort default rate notification~~ of the time frame begin date. For domestic schools, the time frame begin date is defined as the sixth business day after the Department officially releases the draft cohort default rates. For foreign schools, the time frame begin date is the day after the school's draft cohort default rate notification is received. A detailed explanation of the structure and content of a valid challenge is included in the Department's *Cohort Default Rate Guide*. Schools should carefully note the time frames and criteria prescribed.[1]

Incorrect Data Challenge

For a challenge based on incorrect data, the school must provide the challenge to the guarantor (unless the disputed loans have been assigned to the Department) and must include specific information as defined in federal regulation. If the guarantor concurs that the draft rate is based on inaccurate information and the school's challenge is successful, the Department will use the corrected data to calculate the official cohort default rate. If the school does not challenge its draft cohort default rate under the incorrect data challenge, it will lose its right to later submit an appeal of its official rate due to uncorrected data.
[§668.185(b)]

Participation Rate Index (PRI) Challenge

A school can use the PRI challenge to put the overall federal fiscal impact of its cohort default rate into perspective based on the low percentage of its students receiving FFELP or FDLP loans. (See Section 16.1 for more information on the calculation of the PRI.) A school may submit a PRI challenge if its draft cohort default rate meets one of the following criteria:

- Exceeds 40% and the school's PRI for that cohort's fiscal year is less than or equal to 0.06015.
- Equals or exceeds 25% for the three most recent years for which rates have been calculated and the school's PRI for *any* of those fiscal years is less than or equal to 0.0375.

A school must send its PRI challenge directly to the Department within 45 days after the date on which the school receives its draft cohort default rate notification. If the draft cohort default rate was based on fewer than thirty borrowers entering repayment, the school may use either its draft cohort default rate or the cohort default rate calculated by using Formula B (see Section 16.2) in the PRI calculation.
[§668.185(c)]

The Department will notify the school of its determination regarding the PRI challenge prior to the publication of official cohort default rates. If the challenge is successful, the school will not lose eligibility to participate in the FFELP, FDLP, and Federal Pell Grant Program when its official cohort default rate is published, even if that rate exceeds the applicable regulatory threshold for participation in those programs. However, the successful challenge will not exempt the school from any other loss of eligibility.
[§668.185(c)(4) and (5)]

1. Policy 1116 (Batch 158), approved April 16, 2009

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

Summary: Challenges, Adjustments, and Appeals[1] Figure 16-3

Rate Type:	The following may be submitted:	If school is subject to:		When notified of provisional certification
		No Sanction	*Loss of eligibility*	
Draft Cohort Default Rate:	Incorrect Data Challenges [§668.185(b)]	•	*Sanctions are never based on draft cohort default rates.*	
	Participation Rate Index Challenges [§668.185(c)]	•		
Official Cohort Default Rate:	Uncorrected Data Adjustments [§668.190]	•	•	
	New Data Adjustments [§668.191]	•	•	
	Erroneous Data Appeals [§668.192]		•	•
	Improper Loan Servicing or Collection Appeals [§668.193]	•	•	
	Economically Disadvantaged Population Appeals [§668.194]		•	
	Participation Rate Index Appeals [§668.195]		•	
	Average Rates Appeals [§668.196]		•	
	Thirty-or-Fewer Borrowers Appeals [§668.197]		•	

1. Policy 1115 (Batch 158), approved April 16, 2009

Chapter 18 outlines the process under which the participation of an eligible school, lender, or servicer may be limited, suspended, or terminated. A guarantor is required to establish and publish standards regarding limitation, suspension, and termination (LS&T) proceedings, as prescribed in the Higher Education Act of 1965, as amended (the Act), and federal regulations.

In this chapter, the word entity refers to schools, lenders, and secondary markets.

18.1 Actions to Limit, Suspend, or Terminate Participation

Federal law requires guarantors to vigorously enforce all federal and state laws applicable to the federal loan programs. Specifically, a guarantor is required to conduct compliance reviews of participating schools, lenders, and secondary markets—and to limit, suspend, or terminate participation in the event of noncompliance. If a guarantor finds indications of fraudulent or criminal activity, it must refer the matter to the appropriate law enforcement agencies. If the entity or its owner is convicted of, or pleads no contest or guilty to, unlawful activities with respect to FFELP funds, grounds for termination of an entity's eligibility to participate in the FFELP are established.
[§682.410(c); §682.706]

In fulfilling its responsibility as a regulator, a guarantor closely cooperates with licensing and accrediting agencies, the Department, and other appropriate organizations.

When an LS&T Action May Be Warranted

A guarantor may initiate a limitation, suspension, or termination action if it obtains reliable information demonstrating any of the following:

- An entity has failed to meet requirements applicable to its participation in the FFELP. These requirements are defined in federal and state law and regulations, guarantor policies and procedures, Department and guarantor agreements, and any previously imposed limitations.
- A participating entity no longer meets eligibility requirements for FFELP participation (for example, an entity loses its licensure or accreditation).
- One or more employees of the entity have misrepresented information or engaged in fraudulent activities.
[HEA §487(c)(1)(F)]

In any LS&T action concerning a lender, if the Department, its designee, or a Hearing Officer finds that a lender provided or offered any of the payments or activities that violate the inducement provisions (see Subsection 3.4.C under *Prohibited Activities*), the Department or Hearing Officer will apply a rebuttable presumption that the payments or activities were offered or provided to secure FFELP loan applications or FFELP loan volume. To reverse the presumption, the lender must present evidence that the activities or payments were provided for a reason unrelated to securing FFELP loan applications or FFELP loan volume.[1]

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

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

When the Department initiates an LS&T or emergency action, the school must prepare a teach-out plan and provide it to the school's accrediting agency or association. A "teach-out plan" is a written plan that provides for equitable treatment of students if a school ceases to operate before all students have completed their program of study; the plan may include, if required by the school's accrediting agency, an agreement between schools for a teach-out plan. The teach-out plan must be prepared in accordance with HEA §496(c)(3) (see Title I—General Provisions, Accreditation, and Operating Procedures) and any applicable Title IV regulations or accrediting agency standards.
[HEA §487(f); DCL GEN-08-12/FP-08-10][2]

Actions to Remove a Servicer's Eligibility

The U.S. Department of Education or a designated Department official may take action to remove a third-party servicer's eligibility to contract with a participating lender or school for an indefinite period of time.
[§682.701; §682.706]

1. Policy 1120 (Batch 159), approved April 16, 2009
2. Policy 1117 (Batch 158), approved April 16, 2009

unemployment deferment based on the borrower's self-certification of eligibility. In this deferment situation, the lender may begin billing the Department for interest benefits on the later of:
[§682.300(b)(1)(ii)]

- The first date the borrower qualifies for the deferment (as determined by the lender).
- The begin date requested by the borrower.
- Six months before the date the lender receives the required borrower request and documentation of eligibility for the deferment.
[§682.210(a)(3); §682.210(h)(1) and (2); §682.301(a)(3)]

For a subsidized Stafford loan or any portion of a Consolidation loan that is subsidized, the lender may bill the Department for interest benefits during a consecutive 3-year period if the borrower's scheduled monthly partial financial hardship payment amount under the income-based repayment (IBR) plan is not sufficient to pay the accruing interest. This consecutive 3-year period begins on the established repayment period start date when each loan enters IBR and excludes any period during which the borrower receives an economic hardship deferment.
[§682.300(b)(1)(iv)]

Ending Date

The Department's obligation to pay federal interest benefits ends on the earliest of the following dates, as applicable:

- The date the loan is fully repaid.
[§682.300(b)(2)(i)]
- The date the borrower defaults.
[§682.300(b)(2)(iii)]
- The date the lender receives notice of the guarantor's determination that the loan is eligible for discharge under closed school, false certification, spouses and parents of September 11, 2001, victims, or unpaid refund provisions. If only a portion of the loan is discharged, the remaining portion of the loan remains eligible for interest benefits.
[§682.300(b)(2)(viii)]
- The date the lender receives claim payment on the loan.
[§682.300(b)(2)(iv)]
- The date the loan is discharged by a bankruptcy court.
[§682.300(b)(2)(v)]
- The date the lender determines that the borrower has died or become totally and permanently disabled.
[§682.300(b)(2)(vi)]
- The date of disbursement for any portion of the loan for which a borrower is found to be ineligible (see Section 5.16).
[§682.300(b)(3)]
- The date the loan, or any portion of the loan, ceases to be guaranteed or loses its eligibility for reinsurance—regardless of whether the lender has filed a claim with the guarantor.
[§682.300(b)(2)(vii)]
- The date the lender determines the loan is legally unenforceable based on the receipt of a valid identity theft report. If, within 3 years of this date, a lender receives evidence that the loan was made as the result of the crime of identity theft, the lender may submit a claim and receive federal interest benefits and special allowance payments that would have accrued on the loan. See Subsection 13.8.E for more information on loan discharge as a result of the crime of identity theft.
[§682.208(b)(4); §682.300(b)(2)(ix)]
- The earlier of the date that the borrower's monthly payment amount under the IBR plan is sufficient to pay the accrued interest on the borrower's loan or on the qualifying portion of the borrower's Consolidation loan or the end of the consecutive 3-year period.[1]
- The date of disbursement, if a loan is unconsummated.
[§682.300(b)(2)]

For loans first disbursed on or after October 1, 1992, a lender may not bill for interest benefits on an unconsummated subsidized Stafford loan. A loan is considered unconsummated if it is disbursed, but the check is not cashed—or, in the case of funds disbursed by EFT or master check, the funds are not released to the borrower from the school's account—within 120 days of the date on which the check was cut or the EFT/master check funds were sent to the school. If a loan is unconsummated, the lender must discontinue its current billing on the loan and refund interest benefits that have already been paid.
[§682.300(c)]

1. Policy 1119 (Batch 159), approved April 16, 2009

A.2
Special Allowance and Excess Interest

A lender may receive special allowance payments on most FFELP loans. The Department pays special allowance on a loan for any quarter in which the applicable calculation for that type of loan yields a positive number.

Special allowance is not paid on the following:

- Unconsummated loans.
  [§682.302(b)(3)]

- Nonsubsidized Stafford loans first disbursed on or after October 1, 1981, for periods of enrollment beginning before October 1, 1992.
  [§682.302(b)(1)]

- Any portion of a Consolidation loan derived from an underlying HEAL loan.
  [HEA §428C(d)(3)(A)]

For a loan first disbursed on or after April 1, 2006, the Department will collect excess interest for quarters in which the applicable interest rate on the loan exceeds the special allowance support level (see Subsection A.2.A).

The formulas used to calculate special allowance and excess interest, which are exhibited on the following pages, are based on the maximum applicable interest rates specified in law for each category of loan. If a lender charges a borrower an interest rate that is less than the statutory maximum rate applicable to that loan, the lender must report the loan at the statutory rate for special allowance purposes.

Variable-rate PLUS or SLS loans first disbursed before July 1, 1994, and PLUS loans first disbursed on or after July 1, 1998, or on or after January 1, 2000, for any period prior to April 1, 2006, are eligible for special allowance only when the following criteria are met:

- The loan is accruing at the maximum interest rate specified in law for such a loan (also called the cap).

- The interest rate for each July 1 to June 30 period, as calculated prior to applying the interest rate maximum (or cap), exceeds the maximum interest rate for the loan.
  [HEA §438(b)(2)(I)(v); §682.302(b)(2)]

If the lender charges the reduced interest rate based on SCRA provisions, and the loan was first disbursed on or after July 1, 2008, then the lender may determine the applicable special allowance payment based on the loan's actual 6% interest rate. However, if the loan was disbursed prior to July 1, 2008, then the lender must continue to determine the special allowance payment based on the applicable (maximum) interest rate permitted in statute. See Subsection 10.9.B for more details regarding the parameters for granting the reduced interest rate.
[HEA 438(g)][1]

A.2.A
Special Allowance and Excess Interest Rates

Special Allowance Rates

Generally, ~~T~~the amount of special allowance that is payable on an eligible loan is determined by multiplying the average daily balance of principal and capitalized interest on the loan by the applicable special allowance rate. However, the lender also receives a special allowance payment based on the average daily balance of the unpaid accrued interest for a loan on which the borrower has a partial financial hardship (PFH) as determined under the income-based repayment (IBR) plan.
[§682.302(a)][2]

Special allowance rates are calculated and published quarterly by the Department. The formulas used to calculate these rates are exhibited on the following pages. The following factors are considered in the calculation of special allowance rates for a loan:

- The average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in the quarter (also called the 3-month commercial paper rate) for Stafford and PLUS loans first disbursed on or after January 1, 2000, and for Consolidation loans made from applications received by lenders on or after January 1, 2000.

- The average bond equivalent rate of the 91-day Treasury bills auctioned during the quarter (also called the T-bill rate) for Stafford and PLUS loans first disbursed prior to January 1, 2000, and for Consolidation loans made from applications received by lenders before January 1, 2000.

1. Policy 1096 (Batch 157), approved March 19, 2009
2. Policy 1119 (Batch 159), approved April 16, 2009

- A factor prescribed by law for each category of loans. This factor is added to the applicable T-bill rate or 3-month commercial paper rate for the quarter.

- The applicable statutory interest rate for the loan. However, the applicable interest rate for the unpaid accrued interest on a loan subject to IBR is zero. This rate is subtracted from the sum of the appropriate factor and the applicable T-bill rate or 3-month commercial paper rate.[1]

The special allowance factor for a loan first disbursed on or after October 1, 2007, is based on whether ~~or not~~ the lender qualifies as an eligible not-for-profit holder. As it relates to special allowance payments on loans first disbursed on or after October 1, 2007, a lender is considered to be an eligible not-for-profit holder if the lender is ~~was~~ an ~~active,~~ eligible lender ~~and~~ that requests special allowance payments from the Department and meets ~~met~~ any one of the following conditions ~~on September 27, 2007~~:

- The lender is a state, or a political subdivision, authority, agency, or other instrumentality of such, including those entities that are eligible to issue tax-exempt bonds, and that made or acquired a FFELP loan on or before September 27, 2007.

- The lender is a qualified scholarship funding corporation established by a state or one or more political subdivisions, that has not elected to cease status as a qualified scholarship funding corporation and that made or acquired a FFELP loan on or before September 27, 2007.
  [§150(d)(2) and (3) of the Internal Revenue Code of 1986]

- The lender is a tax-exempt organization as described in ~~Section~~ §501(c)(3) of the Internal Revenue Code of 1986 that made or acquired a FFELP loan on or before September 27, 2007.

- The lender is acting as an eligible lender trustee (ELT) on behalf of an entity (other than an eligible school lender) that is a state or nonprofit entity, or a special purpose entity for a state or nonprofit entity, and that was the sole beneficial owner of a loan eligible for special allowance payments on September 27, 2007,~~- political subdivision, authority, agency, instrumentality, or other entity, regardless of whether that entity is an eligible lender as defined by the Higher Education Act (HEA) of 1965, as amended~~.

  – A *state or nonprofit entity* is an entity as described in the bullets above, regardless of whether that entity is an eligible lender.

  – A *special purpose entity* is an entity established for the limited purpose of financing the acquisition of loans from (or at the direction of) a state or nonprofit entity, or for servicing and collecting such loans, and that is established by the state or nonprofit entity or from an established special purpose entity.

  – A special purpose entity is a *related special purpose entity* of a state or nonprofit entity if it holds any interest in loans acquired from (or at the direction of) the state or nonprofit entity or from an established special purpose entity.

  A lender may receive compensation for reasonable and customary fees for acting as an ELT on behalf of a state or nonprofit entity. Fees are considered reasonable and customary if either of the following applies:

  – The fees do not exceed the amounts the ELT received for similar services on similar loan portfolios of the state or nonprofit entity, or special purpose entity, that are not eligible for special allowance payments at the rate paid to an eligible not-for-profit holder.

  – The fees do not exceed an amount as determined by another method requested by the state or nonprofit entity and that the Department considers reliable.

  If an ELT receives fees in excess of the reasonable and customary fees on loans owned by a state or nonprofit entity, or related special purpose entity, those loans no longer qualify for special allowance payments at the rate paid to an eligible not-for-profit holder.

[HEA §435(p)(1); §682.302(f)(3)(i) – (iii) and (viii)~~, (ii) and (v)~~; DCL FP-07-12]

The state may waive the above requirements for a new eligible not-for-profit holder that it determines to be necessary to fill a public purpose of that state. A state may not waive any requirements for trustees.
[HEA §435(p)(2)(A)(ii); §682.302(f)(3)(iv); DCL FP-07-12][2]

1. Policy 1119 (Batch 159), approved April 16, 2009

2. Policy 1134 (Batch 159), approved April 16, 2009

A lender is not considered to be an eligible not-for-profit holder if any of the following conditions occur:

- The lender is a school lender.

- The ~~lender~~ state or nonprofit entity, or related special purpose entity, (directly or through an ELT ~~eligible lender trustee~~) is owned or controlled, in whole or in part, by a for-profit entity. A for-profit entity has ownership and control of a state or nonprofit entity or its related special purpose entity if any of the following occurs:

  - The for-profit entity is a member or shareholder of a state or nonprofit entity, or its special purpose entity, that is a membership or stock corporation, and the for-profit entity has sufficient power to control the state or nonprofit entity or its special purpose entity.

    - A for-profit entity has sufficient power to control a state or nonprofit entity or its special purpose entity if it possesses directly (or represents, alone or with other persons) under a voting trust, power of attorney, proxy, or similar agreement, one or more persons who hold a sufficient voting percentage of the membership interests or voting securities that direct or cause the direction of the management and policies of the state or nonprofit entity or its related special purpose entity.
      [§682.302(f)(3)(vi)(A)]

  - The for-profit entity employs or appoints individuals that together represent a majority of the state, nonprofit, or special purpose entity's board of trustees or directors, or a majority of that board's audit, executive, or compensation committee.

    - An individual is considered to be employed or appointed by a for-profit entity if the entity employs a family member of that individual [as defined in §600.21(f)], unless the Department determines that the specific nature of the family member's employment is not likely to affect the integrity of decisions made by the board or committee member.
      [§682.302(f)(3)(vi)(B)]

  - If a state, nonprofit, or special purpose entity does not have a board of trustees or directors, or associated committees, the for-profit entity is authorized by law, agreement, or otherwise to approve decisions by the entity regarding its audits, investments, hiring, retention, or compensation of officials unless the Department determines that the authority to approve those decisions is not likely to affect the integrity of the decisions.

  [§682.302(f)(3)(v)]

- The lender (directly or through an ELT ~~eligible lender trustee~~ or a special purpose entity) is not the sole owner of the beneficial interest in, and the income from a loan.

  - *Beneficial owner* (including *beneficial ownership* and *owner of a beneficial interest*) is the entity that has the rights to a loan or income from a loan that are normal occurrences of ownership. This includes the right to receive, possess, use, and sell, or otherwise exercise control over, a loan and the income from a loan. The ownership may be subject to any rights granted and limitations imposed in connection with or related to the granting of a security interest, and subject to any limitations on those rights as a result of the entity not qualifying as an eligible lender or holder.

  - *Sole owner* is the entity that has all the rights to a loan or the income from a loan subject to the rights and limitations above, excluding any other entity with respect to both a loan and the income from a loan.

[HEA §435(p)(2)(B) and (C); §682.302(f)(3)~~(iii)~~(v) and (vi); DCL FP-07-12]

A state or nonprofit entity that has sole ownership of the beneficial interest in and income from a loan will retain that ownership if the entity transfers the beneficial interest to its special purpose entity and no other party owns any beneficial interest or residual ownership interest in, or income from, the loan.[1]

1. Policy 1134 (Batch 159), approved April 16, 2009

A~~n eligible not-for-profit holder~~ state or nonprofit entity, its related special purpose entity, or an ELT~~, regardless of whether that entity is an eligible lender as defined by the HEA,~~ is not considered to be owned or controlled by a for-profit entity, and will not lose its status as sole owner of beneficial interest in and income from a loan by granting security interest in, or using a loan or income from a loan as collateral, to secure a debt obligation for which the not-for-profit holder is the issuer of the debt obligation.
[HEA §435(p)(2)(E); §682.302(f)(3)(~~vi~~ix); DCL FP-07-12]

If a special allowance rate calculation results in a negative number on a loan first disbursed prior to April 1, 2006, special allowance will not be paid for that loan type for that quarter. If a special allowance rate calculation results in a negative number on a loan first disbursed on or after April 1, 2006, the lender must remit the excess interest to the Department.

The amount of each quarterly special allowance payment will vary according to the type of loan, the date the loan was disbursed, the loan period, and, in some cases, the number of quarters for which the loan has been outstanding, or the loan's status.
[§682.302(c)]

If an eligible not-for-profit holder sells a loan to a lender that does not qualify as an eligible not-for-profit holder, the special allowance payment for that loan will be calculated using the special allowance factor prescribed for a lender that does not qualify as an eligible not-for-profit holder beginning on the date the loan is sold.
[HEA §435(p)(3); §682.302(f)(4); DCL FP-07-12]

Not-For-Profit Holder Designation

In order for a lender to be designated as a not-for-profit holder (directly or through an ELT ~~eligible lender trustee~~) for purposes of special allowance payments, two certifications must be submitted to the Department: a certification signed by the state or nonprofit entity's chief executive officer (CEO) and a certification or opinion signed by the state or nonprofit entity's external legal counsel or the office of the state's attorney general. For additional information on these certifications, refer to DCL FP-07-12 dated December 28, 2007.
[§682.302(f)(3)(x)]

Change in Not-for-Profit Holder Designation

If a state or nonprofit entity designated as an eligible not-for-profit holder (directly or through an ELT) becomes aware of a change that may cause loss of that eligibility, the state or nonprofit entity must, within 10 business days of becoming aware of the change, do each of the following:

- Submit the details of the change to the Department.
- Cease special allowance billing at the eligible not-for-profit holder rate from the date of the change to the date the Department determines that the state or nonprofit entity has not lost its eligibility due to the change. If the Department determines that there is no loss of eligibility, the eligible not-for-profit holder may bill for special allowance in the following quarter in an amount equal to the difference in the special allowance rate paid during the change period and the special allowance rate paid to an eligible not-for-profit holder.

[§682.302(xii)][1]

1. Policy 1134 (Batch 159), approved April 16, 2009

A

Ability-to-Benefit (ATB): ~~(ATB)~~ Basis on which a student without a high school diploma, ~~a~~ its recognized equivalent, or a General Education Development (GED) Certificate may qualify for federal student aid. A student who has passed an approved test or has satisfactorily completed at least six credit hours or equivalent coursework applicable toward a degree or certificate offered by the school may qualify for Title IV aid. ATB is a condition of student eligibility and the student must meet this condition by one of these two methods prior to the school's certification or award of any Title IV aid. The Department maintains a list of approved tests for measuring a student's ability to benefit from the educational program the student seeks. ~~The test must be administered before the school admits the student.~~ See Section 5.10.[1]

Academic Competitiveness Grant: (ACG) A federal need- and merit-based grant that is intended to encourage a student to complete a rigorous secondary school program of study. For more information about this program, see the FSA Handbook.[2]

Academic Period: A measured period of enrollment (e.g., a semester, trimester, quarter, or clock hours).

Academic Year: For the purposes of determining a borrower's Title IV aid eligibility, a period during which an undergraduate, full-time student is expected to complete either of the following:

- At least 30 weeks of instructional time and 24 semester or trimester hours, or 36 quarter hours in an educational program that measures program length in credit hours.
- At least 26 weeks of instructional time and 900 clock hours in an educational program that measures program length in clock hours.

Upon written request from a school, the Department may reduce the minimum number of weeks in an academic year to between 26 and 29 weeks of instructional time for a credit-hour program that leads to an associate degree or a bachelor's degree.

Accrediting Agency: An agency that sets educational standards for schools, evaluates schools, and certifies that schools have met these standards. A "nationally recognized accrediting agency" is one that the U.S. Department of Education has recognized to accredit or preaccredit a particular category of school or educational program according to §602 and §603. The agency grants accreditation status to schools.

The Department publishes a list of nationally recognized accrediting agencies that the Department has determined to be reliable authorities as to the quality of education or training offered. If the Department determines that there is no nationally recognized accrediting agency qualified to accredit schools in a particular category, the Secretary of Education shall appoint an advisory committee, composed of persons specially qualified to evaluate training provided by schools in such category, to prescribe the standards a school must meet in order to participate in Title IV programs and to determine whether an individual school meets those standards.

Accredited Institution: Any school that meets standards established by a nationally recognized accrediting agency, and for which that agency has provided documented acknowledgment of the school's compliance. (See also Preaccredited School.)

Act, the: The Higher Education Act of 1965, as amended. Title IV, Part B of the Act addresses FFELP loans.

Actual Interest Rate: The annual interest rate a lender charges on a loan, which may be equal to or less than the "applicable"—or statutory—interest rate on that loan.

Additional Unsubsidized Stafford Loan: The additional amount of a student's eligibility for unsubsidized Federal Stafford loans. This amount is available only to independent undergraduate students, graduate/professional students, and dependent undergraduate students whose parents are unable to obtain a PLUS loan. See Section 6.11 for more information.

Administrative Forbearance: A temporary suspension of, a reduction of, or an extension of time for making principal and/or interest payments on a Federal Stafford, SLS, PLUS, or Consolidation loan that is granted by the holder or lender, upon notice to the borrower or endorser, and that does not require a written request from the borrower or an agreement signed by the borrower before the forbearance is granted. See Chapter 11.

Administrative Wage Garnishment: Process by which a guarantor, under federal law, may intercept a portion of the wages of a borrower with a defaulted FFELP loan.

Aggregate Loan Limit: The borrower's maximum allowable unpaid principal amount throughout the student's academic career. Principal outstanding is calculated by adding the total outstanding amount guaranteed, after

1. Policy 1124 (Batch 159), approved April 16, 2009
2. Policy 1061 (Batch 152), approved October 16, 2008

- **Chapter 12**. Chapter 12 bankruptcy, which is similar to a Chapter 13 bankruptcy, applies only to certain farms and family farm operations with specific debt ceilings.

- **Chapter 13**. This is commonly referred to as the "wage earner" plan. A Chapter 13 bankruptcy allows individuals with regular incomes to satisfy their debts through a court-directed payment plan. Usually, the Chapter 13 debtor(s) has significant debts, but sufficient income to eventually pay the debts.

Base Stafford Loan Amount: The base amount of a student's eligibility for a subsidized and/or unsubsidized Federal Stafford loan(s). The base amount equals the loan limit applicable to a dependent undergraduate student. See Subsection 6.11.A for more information and examples.

Base Year: For need analysis purposes, the calendar year preceding the award year.

BBAY (and BBAY1, BBAY2, BBAY3): See Borrower-Based Academic Year

Blanket Endorsement: A separate form indicating the transfer of contract rights and ownership of a group of loans. If a blanket endorsement is used to indicate ownership change, a copy of the endorsement must be placed in the borrower file of each loan purchased by the lender or secondary market.

Borrower: An individual to whom a FFELP loan is made. See Chapters 5 and 15 for more information about borrower eligibility requirements and types and amounts of FFELP loans.

Borrower-Based Academic Year: (BBAY) An academic year that is individualized per borrower and generally "floats" with the borrower's attendance and progress of a student, or a group of students, in a program of study for the purpose of determining Stafford annual loan limit frequency. ~~There are significant differences between a BBAY for a standard term-based credit-hour program, and a BBAY for a clock-hour, non-term-based credit-hour, or nonstandard term-based credit-hour program.~~ There are three different types of BBAY, as follows:

- BBAY1: This type of BBAY may be used as an alternative to a scheduled academic year (SAY) for either of the following program types, provided the program is offered in a traditional academic year calendar, i.e., a fixed period of time that generally begins and ends at about the same time each calendar year:

  – A standard term-based credit-hour program.

  – A credit-hour program with nonstandard terms that are substantially equal *and* at least nine weeks of instructional time in length (SE9W). Nonstandard terms are considered substantially equal in length if no term in the loan period is more than two weeks of instructional time longer than any other term in the loan period.

  BBAY1 must include the same number of consecutive terms as in the program's SAY, excluding a summer term the school designates as a "header" or "trailer" to the SAY. A BBAY that is used as an alternative to a program with an SAY and that includes a summer term may include fewer than 30 weeks of instructional time or fewer credit hours than the minimum number required for an SAY.

- BBAY2: This type of BBAY must be used for a standard term-based credit-hour program or a credit-hour program with nonstandard terms that are SE9W that is not offered in a traditional academic year calendar (i.e., one that corresponds to an SAY). BBAY2 must always include enough consecutive terms to meet the program's Title IV academic year requirements for credit hours and weeks of instructional time.

- BBAY3: This type of BBAY must be used for a clock-hour program, a non-term-based credit-hour program, and a credit-hour program with nonstandard terms that are *not* SE9W, (i.e., the terms are not substantially equal, or each term is not at least nine weeks of instructional time in length). BBAY3 must also be used for a credit-hour program with a combination of standard and nonstandard terms that does not qualify to use an SAY. BBAY3 begins when the student enrolls and does not end until the student successfully completes (i.e., passes) the clock or credit hours and completes the instructional weeks in the program's Title IV academic year.

For additional information, see Subsection 6.1.B, Figure 6-2, and the ~~07–08 FSA Handbook, Volume 3, Chapter 5, pp. 3-78 to 3-84 and p. 3-86~~ 08-09 FSA handbook, Volume 3, Chapter 5, p. 3-78 to 3-85 and p. 3-94.[1]

1. Policy 1092 (Batch 159), approved April 16, 2009

Code of Federal Regulations: (CFR) The collection of federal regulations promulgated by the U.S. government. The Department's regulations are codified in Volume 34.

Cohort Default Rate: The percentage of Stafford and SLS loan borrowers who default before the end of the fiscal year following the fiscal year in which they entered repayment on their loans. This includes borrowers whose underlying Stafford and SLS loans have been included in a Consolidation loan. The Department calculates this rate annually to determine the default experience of students who attended a particular school during a particular period of time. Unless otherwise noted, the cohort default rate pertains to the FFELP cohort default rate or the dual-program cohort default rate. See Chapter 16 of this Manual for a discussion of cohort default rates and the process for challenges, adjustments, and appeals.

Collection Costs: Costs incurred in the collection of the loan by the loan holder and charged to the borrower. These costs may include, but are not limited to, attorney's fees, court costs, and telegrams; they may not include routine costs associated with preparing letters or notices or making telephone calls to the borrower.

Comaker: One of two spouses who jointly borrowed a Federal Consolidation loan made from an application received by the consolidating lender prior to July 1, 2006, each of whom was eligible and is jointly and severally liable for the loan's repayment, regardless of future marital status. The term also refers to one of two parents who jointly borrowed a PLUS loan made prior to April 16, 1999. [§682.200(b)]

Commercial Paper Rate: Commercial paper includes short-term, unsecured promissory notes issued primarily by large, well-known corporations and finance companies. The average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in the quarter is a factor in determining the amount of special allowance paid to a lender by the Department for eligible Stafford and PLUS loans first disbursed on or after January 1, 2000, and eligible Consolidation loans made from applications received by lenders on or after January 1, 2000. See Section A.2 and Subsection A.2.A.

Commissioned Salesperson: A person who receives compensation related to, or calculated on the basis of, student applications for enrollment, actual student enrollments, or student acceptances for enrollment.

Common Form: A standardized form for the administration of the FFELP that is developed and maintained by FFELP participants and approved by the Department. For more information and a list of the common forms, see Subsection 2.3.C.

Confirmation (as it relates to the MPN): A process by which the school or lender, prior to disbursing a loan, advises the borrower of the proposed loan types and amounts. The borrower may accept the loan(s) passively (by taking no action) or affirmatively (by notifying the school in writing or electronically of his or her acceptance of the loan(s) or any changes he or she wishes to make to the loan types or amounts).

Consumer Reporting Agency: An agency that regularly engages in the practice of assembling or evaluating, and maintaining, for purposes of furnishing consumer reports to third parties bearing on a consumer's creditworthiness, credit standing, or credit capacity, each of the following regarding consumers residing nationwide: public record information, and credit account information from persons who furnish that information regularly and in the ordinary course of business. [Section 603(p) of the Fair Credit Reporting Act [15 U.S.C. 1681a(p)]][1]

Consummated Loan: A loan for which a disbursement check has been negotiated or EFT or master check funds have been delivered to the borrower. For example, the loan would be considered consummated if the borrower had cashed the check, if an individual check, or the school had applied the proceeds to the student's account, if included in a master check or EFT transmission before the school returned the proceeds to the lender. See Unconsummated Loan.

Correspondence Study: A home-study course in which the school provides instructional materials, including examination on those materials, to students who are not physically attending classes at the school. If a course is a combination of correspondence work and residential training, the entire course is considered correspondence study. See Subsection 4.1.D and Section 5.12 for more information.

Cosigner: A signer of a promissory note who is secondarily liable for a loan obligation. This term is no longer used in federal regulations. See also Endorser.

Cost of Attendance: (COA) An estimate of the student's educational expenses for the loan period. See Section 6.5.

1. Policy 1112 (Batch 158), approved April 16, 2009

Eligible Borrower: A borrower or potential borrower who meets federal eligibility criteria for a Federal Stafford loan or, in the case of a parent borrower, a Federal PLUS loan. See Sections 5.1 and 5.2 for specific criteria.

Eligible Not-For-Profit Holder: As it relates to special allowance payments on loans first disbursed on or after October 1, 2007, a holder of a loan that is:

- A state, or political subdivision, authority, agency, or other instrumentality of such, including those lenders that are eligible to issue tax-exempt bonds, and that made or acquired a FFELP loan on or before September 27, 2007.
- A qualified scholarship funding corporation established by a state, or one or more political subdivisions, that has not elected to cease status as a qualified scholarship funding corporation and that made or acquired a FFELP loan on or before September 27, 2007.
- A tax-exempt organization as described in ~~Section~~ §501(c)(3) of the Internal Revenue Code of 1986 that made or acquired a FFELP loan on or before September 27, 2007.
- An eligible lender trustee (ELT) acting on behalf of an entity (other than an eligible school) that is a state or nonprofit entity or special purpose entity for a state or nonprofit entity that was the sole beneficial owner of a loan eligible for special allowance payments on September 27, 2007~~, political subdivision, authority, agency, instrumentality, or other entity, regardless of whether that entity is a eligible lender as defined by the Higher Education Act of 1965, as amended~~.

See Subsection A.2.A for more information on eligible not-for-profit holder designations.[1]

Eligible Student: A student who meets federal student eligibility criteria. See Subsection 5.1.B. for specific criteria.

Emergency Action: A special action taken by the guarantor or the Department to temporarily immediately suspend a school, lender, or servicer from participation in the guarantor's programs prior to the initiation of formal Limitation, Suspension, and Termination procedures. See Subsection 18.1.D.

1. Policy 1134 (Batch 159), approved April 16, 2009

Endorser: A signer of a promissory note who is secondarily liable for a loan obligation, i.e., who agrees to pay if the borrower does not. A lender may require a PLUS borrower with adverse credit to obtain a creditworthy endorser in order to receive the loan.

Enrolled: The status of a student who has met either of the following requirements:

- Completed the registration requirements (except for the payment of tuition and fees) at the school the student is attending.
- Been admitted into an educational program offered predominantly by correspondence and has submitted one lesson, completed by the student after acceptance for enrollment and without the help of a representative of the school.

Enrollment Reporting: The method by which schools confirm and report to the National Student Loan Data System (NSLDS) the enrollment status of attending students who receive Title IV loans. This process was formerly known as the Student Status Confirmation Report (SSCR).

Entity: For purposes of this Manual, any organization, institution, government agency, nonprofit corporation, or other group that participates in federal student financial aid programs.

Entrance Counseling (or Entrance Interview): Required counseling that must be provided to a first-time Stafford borrower or a first-time Grad PLUS borrower. The school must conduct counseling in person, by audiovisual presentation, or by interactive electronic means. See Subsection 4.4.C.

Escrow Agent: A guarantor or other eligible lender that receives the proceeds of a FFELP loan as an agent of an eligible lender for the purpose of transmitting those proceeds to the borrower or the borrower's school.

Estimated Financial Assistance: (EFA) The school's estimate of the amount of financial assistance from federal, state, institutional, or other sources that a student (or parent on behalf of a student) will receive for a period of enrollment. This may include veterans' and national service awards and benefits (except when determining eligibility for a subsidized Stafford Loan), scholarships, grants, financial need-based employment, or loans. EFA does not include Federal Perkins loans or Federal Work-Study funds that the student has declined or certain loans used to replace the expected family contribution. See Section 6.7.

Exceptional Performer: A designation conferred upon a qualified lender, servicer, or guarantor by the Department of Education for an exceptional level of performance in servicing FFELP loans, if the lender, servicer, or guarantor requests such status and meets all statutory and regulatory requirements. This designation was eliminated on October 1, 2007, per statutory changes from the College Cost Reduction and Access Act (P.L. 110-84). See Appendix H for more information.

Excess Interest Rebate: See Windfall Profits

Exit Counseling (or Exit Interview): Required counseling that must be provided to Stafford loan borrowers shortly before graduating or ceasing at least half-time enrollment. The school must conduct counseling in person, by audiovisual presentation, or by interactive electronic means. See Subsection 4.4.D.

Expected Family Contribution: (EFC) The amount a student and the student's spouse or family are expected to pay toward the student's cost of attendance. The Federal Need Analysis Methodology must be used to calculate the EFC. See Section 6.6.

Expedited-Standard: The repayment schedule available to a borrower who chooses to leave the income-based repayment (IBR) plan. The payment amount is calculated on the basis of both of the following:

- The borrower's outstanding balance on the loan when the borrower discontinues paying under an IBR plan.
- The time remaining under a 10-year repayment period for Stafford, SLS, and Grad PLUS loans or under the applicable repayment period (between 10 and 30 years according to the original loan balance) for a Consolidation loan.[1]

Extended Repayment Schedule: A repayment schedule available to a "new borrower" on or after October 7, 1998, with outstanding principal and interest in FFELP loans totaling more than $30,000. An extended repayment schedule may provide for standard or graduated installments over a period not to exceed 25 years.

F

FAA: See Financial Aid Administrator

FAFSA: See Free Application for Federal Student Aid

FAT: See Financial Aid Transcript

1. Policy 1119 (Batch 159), approved April 16, 2009

FDLP: See Federal Direct Loan Program

Federal Consolidation Loan Application and Promissory Note: A common form that a borrower—or, as applicable, spouses as comakers—must complete to apply for a Federal Consolidation loan. For more information about Federal Consolidation loans, see Chapter 15.

Federal Default Fee: A fee collected by the guarantor either by deduction from the proceeds of the loan or from other nonfederal sources. The Higher Education Act requires that this fee equal 1% of the loan principal. This fee replaced the guarantee fee. See Section 7.8.

Federal Direct Loan Program: (FDLP) A student loan program authorized on July 23, 1992, by Title IV, Part D, of the Higher Education Act. The Federal Direct Loan Program offers Federal Direct (Subsidized) Stafford loans, Federal Direct Unsubsidized Stafford loans, Federal Direct Consolidation loans, and Federal Direct PLUS loans. The FDLP is similar to the FFELP, except that funding comes directly from the U.S. Treasury rather than from private lending institutions.

Federal Family Education Loan Program: (FFELP) Loan programs authorized by Title IV, part B of the Higher Education Act of 1965, as amended, that includes the Federal Stafford, Federal PLUS, Federal SLS, and Federal Consolidation Loan Programs. These loan programs are funded by lenders, guaranteed by guarantors, and reinsured by the federal government. These programs are defined individually in §668.

Federal Interest Benefits: The federal government's payment of accrued interest on subsidized Stafford loans to the lender on behalf of the borrower during in-school, grace, and deferment periods (see Section 10.9). Some Consolidation loans also may qualify for interest benefits (see Section 15.6). For more detailed information regarding the collection of federal interest benefits, see Section A.1.

Federal Need Analysis Methodology: (FM) The formula used to calculate the expected family contribution with regard to determining the amount of Title IV assistance available to a borrower.

Federal Perkins Loan: A low-interest, long-term loan intended for undergraduate or graduate and professional students with financial need. The Federal Perkins Loan Program is one of the campus-based programs administered by a school's financial aid office. For more information, see the FSA Handbook.[2]

2. Policy 1070 (Batch 154), approved December 18, 2008

two or more increments) during the course of the repayment period. The graduated repayment schedule cannot exceed 10 years (or 25 years for borrowers eligible for an extended repayment schedule), excluding in-school, grace, deferment, or forbearance periods.

Guarantee: A conditional legal obligation, as defined in an agreement by and between a guarantor and a lender, for the guarantor to reimburse the lender for some portion of a loan that is not repaid by the borrower due to default, death, disability, bankruptcy, borrower ineligibility, false certification of borrower eligibility, or school closure.

Guarantee Disclosure: The form used by the guarantor that serves as evidence that the loan identified on the form has been insured (guaranteed) under the guarantor's program (see also Guarantee). The form also provides relevant loan data, which may include the loan amount, interest rate, guarantee and origination fees (if applicable), and projected maturity date. See Section 6.20.

Guarantee Fee: A fee the guarantor was permitted to charge on a loan disbursed on or after July 1, 1994, and for which the date of guarantee of principal was before July 1, 2006. The Higher Education Act limited this fee to no more than 1% of the principal. This fee was replaced by the federal default fee.

Guarantor (or Guaranty Agency): A state or private nonprofit organization that has an agreement with the U.S. Secretary of Education to administer a loan guarantee program under the Higher Education Act.

Guaranty Agency: See Guarantor (or Guaranty Agency)

H

Half-Time Student: A student enrolled in an undergraduate program who is carrying an academic workload that includes at least half of the academic workload of the applicable regulatory minimum full-time enrollment standard for that program. Half-time enrollment for a graduate or professional program must include at least half of the full-time academic workload defined by the school for the graduate or professional students enrolled in that program. A student enrolled solely in an eligible program of study by correspondence is never considered more than a half-time student, even if the student is enrolled in enough correspondence coursework to be considered full time. See Section 6.9 for more information.

HEA: The Higher Education Act of 1965, as amended.

Hearing: The orderly presentation of arguments and evidence before a Hearing Officer.

Hearing Officer: A person with no prior involvement in a dispute under the Limitation, Suspension, and Termination procedures outlined in Chapter 18 of this Manual. The Hearing Officer for any hearing will be selected by the guarantor.

Holder: An eligible lender owning a FFELP loan. A federal or state agency or an organization or corporation acting on behalf of such an agency and acting as a conservator, liquidator, or receiver of an eligible lender may also be considered a holder.

I

ICA/Location Cure Procedure: See Intensive Collection Activities

Incarcerated: The status of a student or borrower who is serving a criminal sentence in a federal, state, or local penitentiary, prison, jail, reformatory, work farm, or other similar correctional institution. A student or borrower who is living in a halfway house or in home detention or who has been sentenced to serve only weekends is not considered to be incarcerated.

Income-Based Repayment (IBR) Schedule: A repayment plan available to a borrower who has a partial financial hardship (PFH) or is paying a permanent-standard payment amount after qualifying for PFH. If a lender determines that a borrower has a PFH, the borrower's monthly payment amount on eligible loans is limited to 15% of the amount by which the borrower's annual adjusted gross income exceeds 150% of the U.S. Department of Health and Human Services poverty guideline for the borrower's family size. Eligible FFELP and Direct loans include the outstanding balances on all loans except a defaulted loan, a FFELP or Direct parent PLUS loan, and a FFELP or Direct Consolidation loan that repaid a FFELP or Direct parent PLUS loan. The Department repays the outstanding balance and accrued interest on eligible FFELP and Direct loans after 25 years and a combination of 300 months covered by qualifying payments and/or economic hardship deferments, beginning no earlier than July 1, 2009.

See Partial Financial Hardship (PFH).[1]

Income-Contingent Repayment Schedule: A repayment schedule for some FDLP loans under which the borrower's monthly payment amount is adjusted annually, based on the total amount of the borrower's Direct loans, the borrower's family size, and the Adjusted Gross Income reported on the

1. Policy 1119 (Batch 159), approved April 16, 2009

borrower's most recent income tax return. In the case of a married borrower, who files a joint income tax, the AGI includes the spouse's income.

Income-Sensitive Repayment Schedule: A repayment schedule for some FFELP loans under which the borrower's monthly payment amount is adjusted annually, based solely on the borrower's expected total monthly gross income received from employment and other sources during the course of the repayment period.

Independent Student: A student who meets one or more of the criteria listed on the Free Application for Federal Student Aid (FAFSA) that classify a student as independent for Title IV purposes. A student also may be classified as independent if a financial aid administrator determines and documents that the student is independent based on his or her professional judgment of the student's unusual circumstances. See Section 6.8 for additional information regarding the determination of a student's dependency status.

Ineligible Borrower: A borrower who does not meet federal eligibility criteria for a Federal Stafford loan or, in the case of a parent borrower, a Federal PLUS loan. See Subsection 5.1.A for specific eligibility criteria, and Subsections 12.4.F and 13.6.B for more information.

In-School Period: The time during which a student is enrolled on at least a half-time basis at a participating school. See Section 10.2.

Institution of Higher Education (Institution): A school that:

- Is located in a state (see State).
- Admits as a regular student only a person who has a certificate of graduation from a secondary school or a recognized equivalent or is beyond the age of compulsory school attendance in the state in which the school is physically located and has demonstrated the ability to benefit (see Ability-to-Benefit (ATB)) from the school's education or training program ~~by passing a federally approved standardized test~~.[1]
- Is legally authorized in each state in which it is physically located to provide, and provides within that state, a program of postsecondary education that awards an associate, bachelor's, graduate, or professional degree; or provides a program of not less than two years in length that is acceptable for full credit toward such a degree; or provides a training program of at least one academic year that leads to a certificate, degree, or other recognized credential and prepares students for gainful employment in a recognized occupation.
- Is a public or other nonprofit school and is accredited by a nationally recognized accrediting agency or association approved by the U.S. Department of Education for this purpose, or if not so accredited, is a school that the Department determines will meet the accreditation standards of such an agency or association within a reasonable period of time.

See Participating School and School.

Institution-Affiliated Organization: Any organization directly or indirectly related to a school that is engaged in the practice of recommending, promoting, or endorsing education loans for students attending that school or their families. Such an organization may include an alumni organization; athletic organization; foundation; or social, academic, or professional organization of a school.[2]

Institutional Student Information Record: (ISIR) The electronic output record provided to the school by the Department's Central Processing System that includes information provided by the student on the Free Application for Federal Student Aid (FAFSA). The ISIR also contains the student's expected family contribution (EFC) and the results of federal database matches. The paper version that is sent to the student is called a Student Aid Report (SAR).

Insurance Premium: See Federal Default Fee and Guarantee Fee

Intensive Collection Activities: (ICA) A series of collection activities performed within an abbreviated time frame. Performance of the activities within the time frames prescribed reestablishes the guarantee on loans on which the lender's noncompliance with due diligence requirements has resulted in the cancellation of the guarantee. See Section 14.6.

Interest: The charge made to a borrower for use of a lender's money. Past and present applicable interest rates for FFELP loans are included in Section 7.4.

Interest Benefits: See Federal Interest Benefits

1. Policy 1124 (Batch 159), approved April 16, 2009

2. Policy 1122 (Batch 159), approved April 16, 2009

National Student Loan Data System: (NSLDS) A database comprised of information from guarantors, schools, lenders, and the Department of Education which contains information on Title IV aid received by students.

Need Analysis: A standardized assessment of the ability of a student or of a student's family to contribute toward educational expenses.

New Borrower: A borrower who has no outstanding balance on a FFELP loan at the time he or she signs a promissory note for a FFELP loan.

Nonsubsidized Loan: A loan that is not eligible for federal interest benefits. The borrower is responsible for paying the interest on the outstanding principal balance of a nonsubsidized loan throughout the life of the loan. During in-school, grace, and deferment periods, these interest payments are normally made on a monthly or quarterly basis, or are capitalized. *Nonsubsidized loans were guaranteed by some guarantors before the introduction of unsubsidized Stafford loans.*

Non-Term-Based Institution: A school that measures its academic year in credit or clock hours rather than academic terms (e.g., semesters, trimesters, or quarters).

Notification (as it relates to the Stafford MPN): A process by which the school, lender, or guarantor notifies the borrower of the proposed loan types and amounts. The borrower is required to take action only to reject or adjust the type or amount of the loan.

NSLDS: See National Student Loan Data System

O

Official: The person at the guarantor with the responsibility for initiating an Action under the Limitation, Suspension, or Termination procedures outlined in Chapter 18 of this Manual.

One-Academic-Year Training Program: A program that includes:

- At least 30 weeks of instructional time and 24 semester or trimester hours, or 36 quarter hours in a program using credit hours to measure academic progress.
- At least 26 weeks of instructional time and 900 clock hours of supervised training in a program using clock hours to measure academic progress.
- At least 26 weeks of instructional time and 900 clock hours in a correspondence program.

Opportunity Pool Loan: A private education loan made by a lender to a student (or the student's family) that involves a payment by the school to the lender for extending credit to the student (or the student's family).[1]

Origination Fee: A fee charged to offset the cost of interest, special allowance, and reinsurance payments by the federal government on a FFELP loan. This fee, if charged to the borrower, may be subtracted from the borrower's loan proceeds. See Section 7.9.

Out-of-School Date: The date the student ceases to be enrolled on at least a half-time basis at an eligible school.

Overaward: Any amount of a student's total estimated financial assistance (excluding Pell grants) that exceeds the student's financial need. See Section 8.6.

P

Parent: For purposes of PLUS loan eligibility, a student's natural or adoptive mother, father, or the spouse of a parent who remarried if the spouse's income and assets would have been taken into account when calculating a dependent student's expected family contribution.

Parent PLUS Loan: A PLUS loan made to the parent of a dependent undergraduate student.

Partial Cancellation: Cancellation of a disbursement or a portion of a disbursement rather than of an entire loan.

Partial Financial Hardship (PFH): A borrower has a partial financial hardship if the annual payment amount, calculated under a standard repayment schedule and based on a 10-year repayment period on all eligible FFELP and Direct loans outstanding when the borrower initially entered repayment on each loan, exceeds 15% of the difference between the borrower's adjusted gross income and 150% of the U.S. Department of Health and Human Services poverty guideline applicable to the borrower's family size. Eligible FFELP and Direct loans include the outstanding balances on all loans except a defaulted loan, a FFELP or Direct parent PLUS loan, and a FFELP or Direct Consolidation loan that repaid a FFELP or Direct parent PLUS loan. If a lender determines that a borrower has a PFH, the borrower is eligible for the income-based repayment (IBR) plan.

See Income-Based Repayment (IBR) Schedule.[2]

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1. Policy 1061 (Batch 152), approved October 16, 2008

1. Policy 1122 (Batch 159), approved April 16, 2009
2. Policy 1119 (Batch 159), approved April 16, 2009

Participating School: An eligible school that meets the standards for participation in Title IV programs in subpart B, has a current Program Participation Agreement with the Department, and is eligible to receive funds under these programs.

Payment Period: The basis on which a school must schedule and deliver disbursements for a particular loan period. The payment period begins on the first day of regularly scheduled classes. A payment period is determined based on the structure of the school's academic program. At a school that does not use standard terms, a payment period is measured in credit or clock hours completed by the student in relation to the length of the student's program of study. The payment period requirement does not eliminate the multiple disbursement requirement for a school to deliver loan proceeds in substantially equal installments, with no installment exceeding one-half of the loan amount. See Section 6.3.

Pell Grant: A federal need-based grant. For more information about this program, see the FSA Handbook.[1]

Period of Enrollment: As defined by federal regulation, the period for which a Stafford or PLUS loan is intended. The period of enrollment must coincide with a bona fide academic term established by the school for which the school's charges are generally assessed, i.e., semester, trimester, quarter, length of the student's program or the school's academic year. The period of enrollment is also referred to as the loan period (see Section 6.2). In addition, the term "period of enrollment" is commonly used by the financial aid community to refer to the period of time during an academic year when a student is enrolled at the school.
[§682.200(b); §682.603(f)(1) and (2)]

Permanent Resident of the United States: A person who meets certain requirements of the Department of Homeland Security, United States Citizenship and Immigration Service (USCIS). Valid documentation of permanent residency includes the following: I-551, I-151, I-181, I-94, or a passport stamped processed for I-551, "Temporary evidence of lawful admission for permanent residence."

Permanent-Standard: A repayment schedule available to a borrower under the income-based repayment plan. The payment amount is calculated on the basis of both of the following:

- The borrower's outstanding loan balance when the borrower begins repayment under an IBR plan.
- A 10-year repayment period.[2]

PLUS MPN: See Federal PLUS Loan Application and Master Promissory Note

Post-Deferment Grace Period: A 6-month period following a deferment during which payments are not required. The 6-month post-deferment grace period applies only to loans disbursed before October 1, 1981, and, in some cases, to loans for borrowers who participated on active-duty status in certain emergency military mobilizations, such as Operations Desert Shield/Desert Storm. See Subsection 11.1.H. See Section H.1, under April 9, 1991, for information on the post-deferment grace period applicable to Operations Desert Shield/Desert Storm.

Post-Withdrawal Disbursement: A disbursement made when the calculations for the school's return of Title IV funds result in the student being eligible to receive more Title IV aid than was disbursed or delivered prior to his or her withdrawal. A post-withdrawal disbursement must meet certain conditions for late disbursement. See Subsection 9.5.A.

PPA: See Program Participation Agreement

Preaccredited School: A public or private nonprofit school that is progressing towards accreditation within a reasonable period of time, as certified by an accrediting agency. The status must be recognized by the Department for purposes of Title IV program eligibility. See also Accrediting Agency.

Preclaim Assistance: See Default Aversion Assistance

Preferred Lender Arrangement: An arrangement or agreement between a lender and a school or an institution-affiliated organization, under which the lender provides or otherwise issues FFELP or private education loans to students attending the school (or the students' families) and under which involves the school or institution-affiliated organization in recommends, promotes, or endorses the lender's education loan products. Such an arrangement does not apply to a school participating in the Federal Direct Loan Program or arrangements or agreements under the PLUS auction pilot program.[3]

2. Policy 1119 (Batch 159), approved April 16, 2009
1. Policy 1061 (Batch 152), approved October 16, 2008

2. Policy 1119 (Batch 159), approved April 16, 2009
3. Policy 1122 (Batch 159), approved April 16, 2009

Return of Title IV Funds: The federally mandated process by which a school calculates the amount of federal funds to be returned for a Title IV aid recipient who withdraws or who ceases attendance during a payment period or period of enrollment. The calculations may result in a reduction of the student's Title IV loan and grant aid to reflect the percentage of the payment period or period of enrollment that the student attended, if he or she attended 60% or less of the period. Based on these calculations, the school and the student may be required to return "unearned" federal assistance. See Section 9.5.

Rolling Delinquency: A delinquency that occurs whenever the delinquent status of a loan is increased or reduced but not completely eliminated as result of a payment, the reversal of a payment, a deferment or forbearance, or the receipt of a new out-of-school date. See Subsection 12.3.E.

Rule of 78s: A procedure for calculating the outstanding principal balance of a loan that is prohibited for loans made to a borrower who entered repayment on or after June 26, 1987. Seventy-eight is the sum of the digits from one to twelve (the number of months in a one-year installment contract).

S

SAP: See Satisfactory Academic Progress

SAR: See Student Aid Report

Satisfactory Academic Progress: (SAP) The level of academic progress required of a student by the Higher Education Act in order to receive Title IV aid, including Federal Stafford, PLUS, or SLS loans. Each school must establish a standard for evaluating a student's efforts to achieve an educational goal within a given period of time. In making this evaluation, the school must establish the normal time frame for completion of the course of study in which the student is enrolled, and a method, such as grades or work projects completed, to measure the quality of the student's performance. Students enrolled in an undergraduate program who are enrolled beyond the school's maximum time frame for program completion are not eligible for additional Title IV assistance. A school's maximum time frame for program completion cannot exceed 150% of the published program length.

Satisfactory Repayment Arrangement: A specified number of consecutive, on-time, voluntary, reasonable and affordable full monthly payments made by a borrower to the holder of any loan or loans in default. Satisfactory repayment arrangements may be established by a borrower either to regain eligibility for Title IV funds or to consolidate a defaulted loan. The loan holder's determination of a "reasonable and affordable" payment amount is based on the borrower's total financial circumstances. "Voluntary" payments are payments made directly by the borrower, and do not include payments obtained by state offsets or federal Treasury offset, garnishment, or income or asset execution. An "on-time" payment is a payment received by the guarantor within 15 days before or after the scheduled due date. See Subsection 5.2.D for more information on regaining eligibility for Title IV funds. See Section 15.2 for more information on consolidating a defaulted loan.

SAY: See Scheduled Academic Year

Scheduled Academic Year: (SAY) ~~The "fixed" academic~~ An academic year that corresponds to a traditional academic year calendar, i.e., a fixed period of time, as published in a school's printed materials, that generally begins and ends at the same time each year according to an established schedule. The SAY is the academic period to which the ~~statutory~~ program's definition of ~~an~~ Title IV academic year must be applied and must meet the minimum statutory requirements of an academic year for weeks of instructional time ~~as defined by the Department~~. ~~Schools may not use a SAY for borrowers enrolled in clock-hour and non-term-based credit-hour programs of study.~~ A standard term-based credit-hour program or a credit-hour program with nonstandard terms that are substantially equal and at least nine weeks of instructional time in length (SE9W) may use an SAY if the program is offered in a traditional academic year calendar. The summer term may be treated as an add-on at the beginning ~~(leader)~~ (header) or end (trailer) of the SAY. For additional information, see ~~Section 6.1 and the 07–08 FSA Handbook, Volume 3, Chapter 5, p. 3-79~~ Subsection 6.1.B and the 08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-79 to 3-81, and p. 3-94.[1]

School: An institution of higher education, a proprietary institution of higher education, or a postsecondary vocational school declared eligible by the U.S. Department of Education to participate in one or more Title IV programs. Some guarantors may require schools to complete a separate agency-specific participation agreement. See Participating School.

School-Affiliated Organization: Any organization that is directly or indirectly related to a school, and includes, but is not limited to, alumni organizations, foundations, athletic organizations, and social, academic, and professional organizations.

1. Policy 1092 (Batch 159), approved April 16, 2009

School Lender: A school, other than a correspondence school, that has been approved as a lender under the FFELP and has entered into a contract of guarantee with the Department or a similar agreement with a guarantor.

SE9W: In a nonstandard term-based credit-hour program, the terms are referred to as "SE9W" if they are substantially equal in length and each term is at least nine weeks of instructional time in length. Nonstandard terms are considered substantially equal in length if no term in the loan period is more than two weeks of instructional time longer than any other term in the loan period. If a nonstandard term-based credit-hour program has terms that are not substantially equal in length, or if each term is not at least nine weeks of instructional time in length, the terms are *not* SE9W. For example, a nonstandard term-based, credit-hour program has terms that are 8 weeks of instructional time in length. While the nonstandard terms in this program are substantially equal in length (i.e., no term is more than 2 weeks longer than any other term), the terms are not at least 9 weeks of instructional time in length. Therefore, the nonstandard terms in this program are *not* SE9W.
[08-09 FSA Handbook, Volume 3, Chapter 5, p. 3-79][1]

Secondary Market: An entity that purchases education loans from eligible lenders in order to increase the amount of funds available for education loans. The secondary market obtains funds from investors and uses those funds to purchase existing education loans from lenders. The lenders then use the proceeds of those sales to make new education loans.

Self-Paced: A flexible course structure in an educational program without terms that permits a student to complete courses without a defined schedule for completing the courses, or, at the student's discretion, to begin courses either on specific dates set by the school or at any time without a defined schedule for completing the program.
[08-09 FSA Handbook, Volume 4, Chapter 2, p. 4-45][2]

Servicer (or Third-Party Servicer): An entity that enters into a contract with a program participant to administer any aspect of its participation in a Title IV program.

Shortage Area: See Teacher Shortage Area

Skip Tracing: Diligent efforts to locate a borrower's telephone number or address when such information is unknown. See Section 12.8 for telephone skip tracing requirements and Section 12.7 for address skip tracing requirements. See also Effective Commercial Skip Tracing.

1. Policy 1092 (Batch 159), approved April 16, 2009
2. Policy 1095 (Batch 159), approved April 16, 2009

Social Security Number: (SSN) The 9-digit number assigned to the borrower by the Social Security Administration. The SSN is used as an identifier for tracking the borrower's loan account(s), skip tracing, and reporting to the Department. A borrower must have an SSN in order to apply for a FFELP loan.

Special Allowance: A percentage of the daily average unpaid principal balance, paid to a lender by the Department on an eligible Stafford, PLUS, SLS, or Federal Consolidation loan. Special allowance payments act as an incentive for lenders to make education loans by, in effect, making up the difference between the interest rate charged to a FFELP borrower and market interest rates. The special allowance rate is set by statutory formula. See Section A.2.

Special Occurrence: An event—such as the lender's receipt of a borrower's valid address and/or valid telephone number—that affects the lender's due diligence requirements but does not change the payment due date of the loan.

SSN: See Social Security Number

Stafford MPN: See Federal Stafford Loan Master Promissory Note

Standard Repayment Schedule: A repayment schedule under which the borrower pays the same amount for each installment payment throughout the entire repayment period or pays an amount that is adjusted to reflect annual changes in the loan's variable interest rate. The standard repayment schedule cannot exceed 10 years, excluding in-school, grace, deferment, and forbearance periods.

Standard-Standard: A repayment schedule available to a borrower under the Income-Based Repayment plan. The payment amount is calculated on the basis of both of the following:

- The borrower's outstanding loan balance when the borrower initially entered repayment on the loan.
- A 10-year repayment period.[3]

State: A state of the Union, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, Guam, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, and the Freely Associated States (the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau).

3. Policy 1119 (Batch 159), approved April 16, 2009