

Summary of Changes Approved September 2009 through April 2010

This summary lists changes made since the 2009 Annual Update of the *Common Manual* was printed.

Change bars denote the latest policy changes, which were approved April 15, 2010.

Changes made before the 2009 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 2.2.A Origination	Removes the terms “creditworthy” and “creditworthiness” and replaces them with terminology related to not having adverse credit in the context of an applicant’s or endorser’s eligibility for a PLUS loan. Also removes the term “creditworthiness” and replaces it with “credit standards” in the context of a lender’s independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant’s adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161
2.3.C Common Forms	States that a lender must submit a completed FFELP Ineligible Borrower and Identity Theft Supplemental form to accompany the FFELP Claim Form to support and provide additional information and documentation necessary to request claim reimbursement for an ineligible borrower discharge or a discharge due to false certification as a result of a crime of identity theft.	Claims filed by the lender on or after January 1, 2010, unless implemented earlier by the lender.	1136/160
2.3.C Common Forms	States that a lender must provide certain electronic signature and disbursement information when filing a total and permanent disability claim that is not based on a determination by the Department of Veterans Affairs (VA). The required information must be submitted via the FFELP Assignment Support Supplemental Form (TPD-Specific worksheet).	Total and permanent disability claims that are not based on a determination by the Department of Veterans Affairs and that are filed by the lender on or after January 1, 2010, unless implemented earlier by the guarantor.	1142/161
Chapter 3: Lender Participation			
3.2 Schools Acting as Lenders and Eligible Lender Trustee Relationships	Stipulates that the required audit must be performed by a qualified independent organization or person.	First auditable period for the school as lender or eligible lender trustee that begins on or after August 14, 2008.	1170/166
3.4.B Loan Assignment, Sale, or Transfer	Incorporates new terminology from the <i>Federal Register</i> , which refers to assignments and transfers of an ownership interest in loans in the context of requiring notifications to the borrower.	Loan transfers of ownership and assignments on or after July 1, 2010, except that the new data elements required in the change notice to the borrower were effective with the implementation of the Higher Education Opportunity Act on August 14, 2008.	1163/165

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3.4.C Permitted and Prohibited Activities	Permits a lender to provide entrance counseling services. The school's staff must be in control of the counseling, whether in person or via electronic capabilities. The counseling must not promote the products and services of any specific lender.	Entrance counseling provided by a lender on behalf of a school on or after August 14, 2008.	1137/160
3.4.C Permitted and Prohibited Activities	States that a permissible activity by a lender includes the providing of staffing services to a school on a short-term, emergency, non-recurring basis to assist with financial aid-related functions and clarifies that a lender may participate in a school's entrance and exit counseling sessions within constraints. Clarifies the prohibition against lender payment of a finder's fee, lender payment of compensation for service on an advisory board, and the disclosures required of a student who acts as a lender's representative.	July 1, 2010.	1196/169
3.5.F Reporting Social Security Number, Date of Birth, and First Name Changes or Corrections	Permits a U.S. passport card as an acceptable document to confirm a student's or borrower's citizenship, or to correct a date of birth or first name.	Publication of the 09-10 FSA Handbook, Volume 1, for citizenship verification. June 1, 2009, for correction of a first name change or date of birth.	1148/162
3.5.I Reporting Information Relating to Preferred Lender Arrangements	Incorporates lender reporting requirements to the Department that apply if the lender has a preferred lender arrangement with a school or institution-affiliated organization.	July 1, 2010.	1197/169
3.8.A Annual Compliance Audits	Stipulates that the required audit must be performed by a qualified independent organization or person.	First auditable period for the school as lender or eligible lender trustee that begins on or after August 14, 2008.	1170/166
Chapter 4: School Participation			
4.1.A Establishing Eligibility	Incorporates into the program participation agreement a requirement that the school develop and implement written plans to effectively combat the unauthorized distribution of copyrighted material by users of the school's information technology network. Describes the mandatory components of these plans, including procedures for periodic review of the plans' effectiveness.	August 14, 2008, for: <ul style="list-style-type: none"> Developing plans to combat the unauthorized distribution of copyrighted material using a technology-based deterrent(s). Offering alternatives to illegal downloading or peer-to-peer distribution of intellectual property, to the extent practicable. July 1, 2010 for all other provisions.	1175/167
4.1.A Establishing Eligibility	Requires a school to provide upon request the Private Loan Applicant Self-Certification form and the data required to complete the form and to discuss certain information with a prospective borrower to whom the school provides information about a private education loan. Requires a school to report reasonable reimbursements received for service on a private education loan lender's advisory board to the Department.	For administrative capability standards, August 14, 2008. Private education loan information provided by a school on or after July 1, 2010. Borrower requests for private education loan eligibility information received by a school on or after February 14, 2010.	1199/169
4.1.A Establishing Eligibility	Incorporates as part of the Program Participation Agreement the requirements for the preparation of a teach-out plan.	July 1, 2010.	1182/168

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
4.1.A Establishing Eligibility	Updates the sanctions that apply to a proprietary school that fails to satisfy the 90/10 rule and clarifies the time frame in which loss of eligibility occurs for such a failure. Requires the school to report its noncompliance with the 90/10 rule to the Department within 45 days after the end of any fiscal year in which noncompliance occurs.	July 1, 2010.	1198/169
4.1.C Maintaining Eligibility	States that a program leading to a baccalaureate degree in liberal arts is an eligible program for a proprietary institution of higher education, subject to certain conditions.	July 1, 2010.	1183/168
4.1.C Maintaining Eligibility	Stipulates the requirements for a school that conducts a teach-out to establish a permanent additional location at a closed school.	Effective July 1, 2010, unless implemented earlier by the school on or after November 1, 2009.	1184/168
4.1.D Loss of Eligibility	Updates the sanctions that apply to a proprietary school that fails to satisfy the 90/10 rule and clarifies the time frame in which loss of eligibility occurs for such a failure. Requires the school to report its noncompliance with the 90/10 rule to the Department within 45 days after the end of any fiscal year in which noncompliance occurs.	July 1, 2010.	1198/169
4.1.E School Code of Conduct	Clarifies that as part of the Program Participation Agreement, <i>all</i> Title IV participating schools must develop, publish, administer, and enforce a code of conduct, not only those schools that have a preferred lender arrangement. The code of conduct must also prohibit conflicts of interest in regard to interaction between FFELP and private education loans and lenders.	July 1, 2010.	1176/167
4.2 Administrative Capability Standards	Requires a school to provide upon request the Private Loan Applicant Self-Certification form and the data required to complete the form and to discuss certain information with a prospective borrower to whom the school provides information about a private education loan. Requires a school to report reasonable reimbursements received for service on a private education loan lender's advisory board to the Department.	For administrative capability standards, August 14, 2008. Private education loan information provided by a school on or after July 1, 2010. Borrower requests for private education loan eligibility information received by a school on or after February 14, 2010.	1199/169
4.2 Administrative Capability Standards	States that a school must establish and maintain records required for each Title IV program.	Retroactive to the implementation of the <i>Common Manual</i> .	1212/169
4.3.A General School Financial Responsibility Requirements	Updates the sanctions that apply to a proprietary school that fails to satisfy the 90/10 rule and clarifies the time frame in which loss of eligibility occurs for such a failure. Requires the school to report its noncompliance with the 90/10 rule to the Department within 45 days after the end of any fiscal year in which noncompliance occurs.	July 1, 2010.	1198/169

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
4.4.A Preferred Lender Arrangements and Lists	Defines a preferred lender arrangement, addresses a preferred lender list for private education loan lenders, and adds information about acceptable alternatives to providing a preferred lender list.	July 1, 2010.	1200/169
4.4.B Student Consumer Information	Describes the consumer information that a school must make available, and in some cases, directly distribute to enrolled and prospective students and outlines requirements for the Annual Security and Fire Safety Reports.	Student consumer information disclosures made available by a school on or after July 1, 2010, with the following exceptions: <ul style="list-style-type: none"> • For the emergency evacuation and response policies and procedures, the annual security report that a school must distribute by October 1, 2010. • For the fire safety report that a school distributes by October 1, 2010. If the fire safety report is included in the annual security report, the annual security report that a school must distribute by October 1, 2010. • For annual security report provisions, retroactive to the implementation of the <i>Common Manual</i>. 	1185/168
4.4.B Student Consumer Information	Expands student consumer information disclosures by requiring a school to describe the terms and conditions of Title IV loans that are available to a student who enrolls at the school.	Student consumer information disclosures provided by a school on or after July 1, 2010.	1164/165
4.4.C Entrance Counseling	Updates the Manual with final rule clarifications and regulatory citations.	Entrance counseling provided by the school on or after July 1, 2010, unless implemented earlier by the school.	1186/168
4.4.D Exit Counseling	Clarifies the additional information borrowers must receive during exit counseling.	Exit counseling provided by the school on or after August 14, 2008, for: <ul style="list-style-type: none"> • The terms and conditions of Title IV loans (e.g., deferment, forbearance, and cancellation). • The forgiveness or discharge benefits available to a FFELP borrower who consolidates his or her loan(s) into the FDLP. Exit counseling provided by the school on or after July 1, 2010, for: <ul style="list-style-type: none"> • Information about the borrower's obligation to repay the loan(s) even if he or she does not complete the program within the regular time for program completion. • The school's ability to provide the Department's publication that describes the federal student aid programs in a printed or electronic format. 	1201/169

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4.4.E Private Education Loan Information	Requires a school to provide upon request the Private Loan Applicant Self-Certification form and the data required to complete the form and to discuss certain information with a prospective borrower to whom the school provides information about a private education loan. Requires a school to report reasonable reimbursements received for service on a private education loan lender's advisory board to the Department.	For administrative capability standards, August 14, 2008. Private education loan information provided by a school on or after July 1, 2010. Borrower requests for private education loan eligibility information received by a school on or after February 14, 2010.	1199/169
Chapter 5: Borrower Eligibility			
5.2.A Citizenship Data Match	Permits a U.S. passport card as an acceptable document to confirm a student's or borrower's citizenship, or to correct a date of birth or first name.	Publication of the 09-10 FSA Handbook, Volume 1, for citizenship verification. June 1, 2009, for correction of a first name change or date of birth.	1148/162
5.3 Prior Loan Written Off	Clarifies the charges that may be capitalized as of the date of reaffirmation.	Discharge applications received by the holder on or after July 1, 2010.	1202/169
5.4.A Prior Loan or TEACH Grant Service Obligation in a Conditional Discharge or Post-Discharge Monitoring Period Based on a Determination of Total and Permanent Disability Figure 5-1 Effect of Title IV Loan Status on Student Aid Eligibility	States that in addition to current requirements, a borrower whose prior Title IV loan(s) is in a conditional discharge status due to an initial determination that the borrower is totally and permanently disabled must do the following before a school may certify a new Stafford or PLUS loan for the borrower: Submit a request to the Department's Conditional Discharge Disability Unit indicating that the loan(s) that is currently in a conditional discharge status be returned to repayment status and advise the school that the process of returning the conditionally discharged debt to repayment status has been initiated. Revised policy also states that before a school may certify a new loan for a borrower whose prior Title IV loan(s) is in a conditional discharge status due to total and permanent disability, the school must confirm that the borrower has initiated the process to return the conditionally discharged debt to repayment status. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower. Revised policy also states that a school must not deliver any new loan funds until it confirms that the conditionally discharged loan(s) has been returned to repayment status.	New loan requests received by a school on or after August 28, 2009.	1149/162

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<p>5.4.A Prior Loan or TEACH Grant Service Obligation in a Conditional Discharge or Post-Discharge Monitoring Period Based on a Determination of Total and Permanent Disability</p> <p>5.4.B Final Discharge of a Prior Loan Based on a Determination of Total and Permanent Disability</p> <p>Figure 5-1 Effect of Title IV Loan Status on Student Aid Eligibility</p>	Incorporates the 3-year post-discharge monitoring period for regular total and permanent disability discharges. Also details the documentation that a school must obtain for a borrower who requests a new federal student loan or TEACH Grant after receiving a final discharge or completing the 3-year post-discharge monitoring period on a prior federal student loan or TEACH Grant.	<p>Total and permanent disability loan discharge applications received on or after July 1, 2010.</p> <p>Upon publication of the 09-10 FSA Handbook, Volume 1, for the purpose of determining the borrower's eligibility for a new federal student loan after a prior loan is discharged due to total and permanent disability.</p>	1203/169
5.8 Effect of Drug Conviction on Eligibility	Expands Manual text with statutory language by clarifying that a student who is convicted of a drug-related offense while enrolled in school and receiving Title IV aid may regain eligibility on the date the student passes two unannounced drug tests conducted by an approved drug rehabilitation program.	Reinstatement of Title IV eligibility on or after July 1, 2010.	1187/168
<p>5.12 Use of Distance Education and Correspondence in Programs of Study</p> <p>5.12.A Distance Education Program of Study</p>	Replaces references to a telecommunications course or program with "distance education," and revises the definition of "correspondence course."	<p>August 14, 2008, for distance education courses.</p> <p>July 1, 2010, for correspondence courses.</p>	1188/168
Chapter 6: School Certification			
6.1 Defining an Academic Year	Clarifies that a school must define and document a program's Title IV academic year and, for a credit-hour program, the program's structure (i.e., term-based or non-term-based). Requires a school to use the same academic year definition for all students enrolled in a particular program. Describes a school's ability to define a different academic year for two versions of the same program, and explains the treatment of a student taking courses from separate versions of a program. Updates the glossary definition of "academic year" to include minimum statutory requirements for an academic year in a graduate or professional program.	<p>Publication date of the 95-96 FSA Handbook for the requirement to use the same academic year for all students enrolled in a particular program.</p> <p>Publication date of the 04-05 FSA Handbook for:</p> <ul style="list-style-type: none"> The treatment of a student taking courses from two different versions of a program with different academic year definitions. The treatment of a clock-hour program, including such a program with terms, as non-term-based. 	1159/164

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<p>6.2 Determining the Loan Period</p> <p>6.3.A Credit-Hour Programs Offered in Modules</p> <p>6.3.B Credit-Hour Programs With Standard Terms or with Nonstandard Terms That Are Substantially Equal in Length</p> <p>6.3.C Credit-Hour Programs with Nonstandard Terms That Are Not Substantially Equal in Length</p> <p>6.4.B When Disbursements May Be Scheduled</p> <p>Figure 6-3 First Disbursement Timeline</p>	<p>Clarifies a school's options for defining the structure of a modular program and the effect of the school's choices on the frequency of annual loan limits, the definition of a payment period, a student's eligibility for additional funds due to a grade level increase within an academic year, the minimum loan period, the scheduling of disbursements, and the delivery of loan funds.</p>	<p>Effective for the delivery of the second disbursement of a Stafford or PLUS loan certified for a single term of a standard term-based program or a program with nonstandard terms that are substantially equal and at least 9 weeks of instructional time in length (SE9W) on or after September 29, 2009, unless implemented earlier by the school.</p> <p>Effective with the publication of the October 2005 Blue Book for the definition of "module".</p> <p>Effective with the publication of the 04-05 Handbook for:</p> <ul style="list-style-type: none"> Defining the structure of a credit-hour program offered in modules. Disbursement scheduling and delivery in a credit-hour program offered in modules, with the exception of the second delivery of a loan made for a single term in a standard term-based program or a program with nonstandard terms that are SE9W. Progressing to the next payment period in a non-term-based credit-hour program offered in modules. The prohibition against making a late first delivery of Stafford or PLUS loan funds to a student enrolled in a term-based credit-hour program offered in modules who withdraws or drops to less-than-half-time enrollment without ever beginning half-time attendance in the term. <p>Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999, for the payment period used to calculate the percentage of the period completed for a student who withdraws from a standard term-based program offered in modules.</p>	1157/163
6.4.A Multiple Disbursements and Low Cohort Default Rate Exemptions	<p>Consistently states that delayed delivery and multiple disbursement exemptions are based on <i>official</i> cohort default rates. Incorporates text that explains when a school may begin certifying loans based upon these exemptions. Clarifies existing policy about when a school must cease certifying loans based on the exemptions when the school's cohort default rate(s) no longer qualifies the school for an exemption.</p>	<p>Disbursements made on or after February 8, 2006, for the multiple disbursement and delayed delivery exemptions at a school with an official cohort default rate of less than 10% for the three most recent fiscal years.</p> <p>Disbursements received by the school on or after October 1, 1998, for the multiple disbursement and delayed delivery exemptions for a student enrolled in a study-abroad program at a school with an official cohort default rate of less than 5% for the most recent fiscal year.</p>	1160/164

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6.4.A Multiple Disbursements and Low Cohort Default Rate Exemptions	Clarifies that a school which is otherwise exempt from multiple disbursement requirements because of a low cohort default rate must schedule at least two disbursements for a loan certified for a substantially equal, nonstandard term of at least 9 instructional weeks in length if the term is more than 4 months in length.	Publication of Volume 3 of the 09-10 FSA Handbook.	1189/168
6.5.B COA Exceptions for Correspondence and Distance Education Program of Study	Replaces references to a telecommunications course or program with "distance education," and revises the definition of "correspondence course."	August 14, 2008, for distance education courses. July 1, 2010, for correspondence courses.	1188/168
6.7 Determining the Amount of Estimated Financial Assistance (EFA)	Excludes all federal veterans' education benefits from estimated financial assistance (EFA) for determining eligibility for a Stafford or PLUS loan. Revised policy provides an updated list of federal veterans' education benefits that are excluded.	July 1, 2009	1138/160
6.11.A Stafford Annual Loan Limits 6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students	Deletes reference to the bachelor of pharmacology and graduate of allied health programs as those for which an enrolled student may receive increased unsubsidized Stafford loan limits available to health profession students.	For deletion of the bachelor of pharmacology program, publication date of the 07-08 FSA Handbook. For deletion of the graduate of allied health program, publication date of the 00-01 FSA Handbook.	1145/161
Figure 6-4 Stafford Annual and Aggregate Loan Limits for Undergraduate Students	Corrects Figure 6-4 to indicate that proration is "not applicable" to the base Stafford annual loan limit for a student enrolled in a period of teacher certification coursework or graduate preparatory coursework that is less than an academic year in length.	Publication date of Volume 8 of the 02-03 FSA Handbook.	1152/162
6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students	Deletes the reference to a student receiving a Health Education Assistance Loan Program (HEAL) loan for any portion of the same loan period as the increased unsubsidized Stafford annual loan limit available to a health profession student.	October 1, 1998	1139/160
6.11.D Increased Unsubsidized Stafford Loan Limits for Health Profession Students	Clarifies that for an academic year that meets the Title IV academic year requirements but that is shorter than 9 months in length, the school is not required to prorate a loan certified for a health profession student, but may certify the full 9-month limit if the student is otherwise eligible. Provides a formula to determine the loan limit for an academic year that is 10 or 11 months in length.	Loans certified by the school for eligible students in certain eligible health professions programs on or after July 1, 1996.	1165/165
6.11.E Exceeding Loan Limits	Clarifies that even after a school documents that a Stafford borrower who inadvertently exceeded an annual or aggregate loan limit has taken one of the necessary actions to regain Title IV eligibility, the borrower may not be eligible to receive additional Stafford loan funds, depending on the circumstances, and provides examples.	Retroactive to the implementation of the <i>Common Manual</i> .	1153/162

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.11.F Prorated Loan Limits	Provides an illustrative chart outlining the process for when and how a school must calculate prorated undergraduate Stafford annual loan limits.	Not Applicable.	1155/162
6.15 School Certification of the Loan	<p>States that in addition to current requirements, a borrower whose prior Title IV loan(s) is in a conditional discharge status due to an initial determination that the borrower is totally and permanently disabled must do the following before a school may certify a new Stafford or PLUS loan for the borrower: Submit a request to the Department's Conditional Discharge Disability Unit indicating that the loan(s) that is currently in a conditional discharge status be returned to repayment status and advise the school that the process of returning the conditionally discharged debt to repayment status has been initiated.</p> <p>Revised policy also states that before a school may certify a new loan for a borrower whose prior Title IV loan(s) is in a conditional discharge status due to total and permanent disability, the school must confirm that the borrower has initiated the process to return the conditionally discharged debt to repayment status. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower.</p> <p>Revised policy also states that a school must not deliver any new loan funds until it confirms that the conditionally discharged loan(s) has been returned to repayment status.</p>	New loan requests received by a school on or after August 28, 2009.	1149/162
6.15 School Certification of the Loan	Incorporates the 3-year post-discharge monitoring period for regular total and permanent disability discharges. Also details the documentation that a school must obtain for a borrower who requests a new federal student loan or TEACH Grant after receiving a final discharge or completing the 3-year post-discharge monitoring period on a prior federal student loan or TEACH Grant.	<p>Total and permanent disability loan discharge applications received on or after July 1, 2010.</p> <p>Upon publication of the 09-10 FSA Handbook, Volume 1, for the purpose of determining the borrower's eligibility for a new federal student loan after a prior loan is discharged due to total and permanent disability.</p>	1203/169
6.15.D Additional Unsubsidized Stafford Loan Certification for a Dependent Student	Clarifies that if a parent is approved for a PLUS loan, the student is not eligible for the additional unsubsidized Stafford loan funds available to an independent student.	Publication date of Volume 3 of the 06-07 FSA Handbook, unless implemented earlier by the guarantor.	1150/162

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
6.16 Applying for Federal Stafford and PLUS Loans	Removes the terms “creditworthy” and “creditworthiness” and replaces them with terminology related to not having adverse credit in the context of an applicant’s or endorser’s eligibility for a PLUS loan. Also removes the term “creditworthiness” and replaces it with “credit standards” in the context of a lender’s independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant’s adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161
Chapter 7: Loan Origination			
7.1.A General Determinations	Removes the terms “creditworthy” and “creditworthiness” and replaces them with terminology related to not having adverse credit in the context of an applicant’s or endorser’s eligibility for a PLUS loan. Also removes the term “creditworthiness” and replaces it with “credit standards” in the context of a lender’s independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant’s adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161
7.1.B Creditworthiness			
7.1.C Effect of Bankruptcy on Creditworthiness			
7.2.A Lender Responsibilities under a Master Promissory Note			
7.4.B Reduced Stafford Interest Rates	Prohibits a lender from assessing additional charges or fees to a borrower, who is subject to the provisions of the SCRA, to compensate for the difference between the otherwise applicable interest rate and the reduced rate that the lender is permitted to charge. States that the endorser is considered to be eligible to request and receive the reduced interest rate if the endorser signed the PLUS MPN Endorser Addendum prior to the start of his or her qualifying military service. Also clarifies when a loan is considered to be incurred in the case of a loan made with an endorser’s signature or a Consolidation loan.	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 occurring on or after that date.	1171/166
7.5.B Reduced PLUS Interest Rates			
7.6.A General Initial Disclosure Requirements	Clarifies lender-specific disclosures that are separate from the Borrower’s Rights and Responsibilities statement or Plain Language Disclosure. Reinserts text requiring a lender to provide an explanation of the possible effects of accepting a loan on the student’s eligibility for other forms of financial aid.	Initial disclosure information provided on or after July 1, 2010.	1204/169

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Chapter 8: Loan Delivery			
8.2.C School's Notice of Credit to Student's Account 8.2.D School's Notice of Borrower's Right to Cancel Loan Disbursed by EFT or Master Check	Clarifies that a school must honor a borrower's cancellation request when that request is received within certain time frames after the school sends a notice advising the borrower of the right to cancel the loan. Notice of the right to cancel the loan is part of the notice of credit to the student's account.	Loans disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.	1154/162
8.6 Managing Overawards	Clarifies that an overaward occurs when any amount of a student's need-based aid exceeds the student's financial need, or when the amount of the student's estimated financial assistance (EFA), including need-based aid, exceeds the student's cost of attendance (COA). If the school determines that an overaward exists, the school must contact the lender or guarantor to request an adjustment of any remaining loan disbursements. If all disbursements of a loan have been delivered to the student before the overaward occurs, no adjustments are required. However, the school may be required to adjust campus-based aid or other aid under its control to offset the borrower's overaward. A school never adjusts a Pell grant to take into account other forms of aid.	Retroactive to the implementation of the <i>Common Manual</i> .	1174/166
8.7 Delivering Loan Funds at Eligible Schools	States that in addition to current requirements, a borrower whose prior Title IV loan(s) is in a conditional discharge status due to an initial determination that the borrower is totally and permanently disabled must do the following before a school may certify a new Stafford or PLUS loan for the borrower: Submit a request to the Department's Conditional Discharge Disability Unit indicating that the loan(s) that is currently in a conditional discharge status be returned to repayment status and advise the school that the process of returning the conditionally discharged debt to repayment status has been initiated. Revised policy also states that before a school may certify a new loan for a borrower whose prior Title IV loan(s) is in a conditional discharge status due to total and permanent disability, the school must confirm that the borrower has initiated the process to return the conditionally discharged debt to repayment status. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower. Revised policy also states that a school must not deliver any new loan funds until it confirms that the conditionally discharged loan(s) has been returned to repayment status.	New loan requests received by a school on or after August 28, 2009.	1149/162

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
8.7 Delivering Loan Funds at Eligible Schools	Incorporates the 3-year post-discharge monitoring period for regular total and permanent disability discharges. Also details the documentation that a school must obtain for a borrower who requests a new federal student loan or TEACH Grant after receiving a final discharge or completing the 3-year post-discharge monitoring period on a prior federal student loan or TEACH Grant.	Total and permanent disability loan discharge applications received on or after July 1, 2010. Upon publication of the 09-10 FSA Handbook, Volume 1, for the purpose of determining the borrower's eligibility for a new federal student loan after a prior loan is discharged due to total and permanent disability.	1203/169
8.7.B Delivering Second and Subsequent Disbursements 8.7.C Early Delivery 8.7.E Late Delivery 8.7.F Delivery in Credit-Hour Programs Offered in Modules 8.7.G Delivery to Borrowers in Special Circumstances Figure 8-4 Earliest Disbursement and Delivery Dates	Clarifies a school's options for defining the structure of a modular program and the effect of the school's choices on the frequency of annual loan limits, the definition of a payment period, a student's eligibility for additional funds due to a grade level increase within an academic year, the minimum loan period, the scheduling of disbursements, and the delivery of loan funds.	Effective for the delivery of the second disbursement of a Stafford or PLUS loan certified for a single term of a standard term-based program or a program with nonstandard terms that are substantially equal and at least 9 weeks of instructional time in length (SE9W) on or after September 29, 2009, unless implemented earlier by the school. Effective with the publication of the October 2005 Blue Book for the definition of "module". Effective with the publication of the 04-05 Handbook for: <ul style="list-style-type: none"> Defining the structure of a credit-hour program offered in modules. Disbursement scheduling and delivery in a credit-hour program offered in modules, with the exception of the second delivery of a loan made for a single term in a standard term-based program or a program with nonstandard terms that are SE9W. Progressing to the next payment period in a non-term-based credit-hour program offered in modules. The prohibition against making a late first delivery of Stafford or PLUS loan funds to a student enrolled in a term-based credit-hour program offered in modules who withdraws or drops to less-than-half-time enrollment without ever beginning half-time attendance in the term. Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999, for the payment period used to calculate the percentage of the period completed for a student who withdraws from a standard term-based program offered in modules.	1157/163

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
8.7.D Delayed Delivery	Consistently states that delayed delivery and multiple disbursement exemptions are based on <i>official</i> cohort default rates. Incorporates text that explains when a school may begin certifying loans based upon these exemptions. Clarifies existing policy about when a school must cease certifying loans based on the exemptions when the school's cohort default rate(s) no longer qualifies the school for an exemption.	Disbursements made on or after February 8, 2006, for the multiple disbursement and delayed delivery exemptions at a school with an official cohort default rate of less than 10% for the three most recent fiscal years. Disbursements received by the school on or after October 1, 1998, for the multiple disbursement and delayed delivery exemptions for a student enrolled in a study-abroad program at a school with an official cohort default rate of less than 5% for the most recent fiscal year.	1160/164
8.7.I Delivery Methods	Moves existing text addressing the crediting of the student's account so that the text is consolidated at the beginning of the subsection. Reorganizes text to separate the concepts of releasing or mailing a loan check to the borrower, issuing a school check to the borrower, initiating an EFT transaction to a bank account designated by the borrower, issuing a stored-value card, and dispensing cash to the borrower under direct delivery to a borrower.	Upon approval by the <i>Common Manual</i> Governing Board.	1167/165
8.8.A Timeframes for Paying Credit Balances	Incorporates information from Subsection 8.7.H, into a new Subsection, 8.8.B, on the paying of credit balances. This new subsection details the methods for school to use when paying credit balances to borrowers.	Effective for schools opening bank accounts or issuing stored-value cards to pay credit balances to a student or parent borrower on or after July 1, 2008, unless implemented earlier on or after November 1, 2007.	1166/165
8.8.B How to Pay Credit Balances			
8.8.C Holding Credit Balances			
8.8.D Treatment of a Title IV Credit Balance When a Student Withdraws			
8.8.E Treatment of a Title IV Credit Balance When a Student Dies			
Chapter 9: School Reporting Responsibilities and the Return of Title IV Funds			
9.1 Reporting Social Security Number, Date of Birth, and First Name Changes or Corrections	States that when the school becomes aware of a discrepancy with a student's or parent borrower's Social Security Number (SSN), date of birth, or first name, the school must attempt to obtain documentation of the correct SSN, date of birth, or first name. The school must notify the guarantor of any change made to the SSN, date of birth, or first name as a result of obtaining documentation, and must notify the lender of any change to the SSN. Revised policy also states that if the school is unable to obtain a copy of an acceptable source document to resolve the discrepancy of an SSN, it must notify both the lender and guarantor. The school must also instruct the lender to cease disbursement, and the school may not deliver FFELP funds to the student until the school determines the correct SSN.	July 1, 1996	1140/160

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
9.1 Reporting Social Security Number, Date of Birth, and First Name Changes or Corrections	Permits a U.S. passport card as an acceptable document to confirm a student's or borrower's citizenship, or to correct a date of birth or first name.	Publication of the 09-10 FSA Handbook, Volume 1, for citizenship verification. June 1, 2009, for correction of a first name change or date of birth.	1148/162
9.4 Withdrawal Dates 9.5.A Return Amounts for Title IV Grant and Loan Programs	Clarifies a school's options for defining the structure of a modular program and the effect of the school's choices on the frequency of annual loan limits, the definition of a payment period, a student's eligibility for additional funds due to a grade level increase within an academic year, the minimum loan period, the scheduling of disbursements, and the delivery of loan funds.	<p>Effective for the delivery of the second disbursement of a Stafford or PLUS loan certified for a single term of a standard term-based program or a program with nonstandard terms that are substantially equal and at least 9 weeks of instructional time in length (SE9W) on or after September 29, 2009, unless implemented earlier by the school.</p> <p>Effective with the publication of the October 2005 Blue Book for the definition of "module".</p> <p>Effective with the publication of the 04-05 Handbook for:</p> <ul style="list-style-type: none"> Defining the structure of a credit-hour program offered in modules. Disbursement scheduling and delivery in a credit-hour program offered in modules, with the exception of the second delivery of a loan made for a single term in a standard term-based program or a program with nonstandard terms that are SE9W. Progressing to the next payment period in a non-term-based credit-hour program offered in modules. The prohibition against making a late first delivery of Stafford or PLUS loan funds to a student enrolled in a term-based credit-hour program offered in modules who withdraws or drops to less-than-half-time enrollment without ever beginning half-time attendance in the term. <p>Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999, for the payment period used to calculate the percentage of the period completed for a student who withdraws from a standard term-based program offered in modules.</p>	1157/163
Chapter 10: Loan Servicing			
10.6.E Adjusting the Borrower's Repayment Terms	For the purpose of determining whether a borrower has a partial financial hardship (PFH), specifies that the lender must use the <i>greater</i> of the amount owed on the eligible loans when the borrower initially entered repayment or the amount owed when the borrower selects the IBR plan. Clarifies the PFH and payment calculations for a married borrower who files a joint tax return and the borrower's spouse also has eligible loans and requests IBR.	Income-based repayment (IBR) plan requests or renewals processed by the lender on or after July 1, 2010.	1190/168

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
10.7 Disclosing Repayment Terms	Exempts a lender from sending required disclosures when the lender does not have a valid address for the borrower, unless the lender receives the borrower's valid address before the borrower becomes 241 days delinquent.	Invalid borrower address identified by a lender on or after July 1, 2010.	1205/169
10.7 Disclosing Repayment Terms 10.7.A Time Frame for Disclosure	Inserts the requirement that a lender disclose to a borrower that he or she is permitted to change his or her repayment plan selection at least annually. Also clarifies the time frame for a lender to provide the repayment disclosure to a PLUS borrower whose loan enters immediate deferment.	August 14, 2008, but no later than disclosures provided on or after July 1, 2010.	1172/166
10.8.D Income-Based Repayment Schedule	For the purpose of determining whether a borrower has a partial financial hardship (PFH), specifies that the lender must use the <i>greater</i> of the amount owed on the eligible loans when the borrower initially entered repayment or the amount owed when the borrower selects the IBR plan. Clarifies the PFH and payment calculations for a married borrower who files a joint tax return and the borrower's spouse also has eligible loans and requests IBR.	Income-based repayment (IBR) plan requests or renewals processed by the lender on or after July 1, 2010.	1190/168
10.8.D Income-Based Repayment Schedule	States that for purposes of determining whether a borrower has a partial financial hardship (PFH) under IBR, the borrower may provide the lender with either a signed copy of the page(s) of the borrower's most recent federal income tax return that contains the borrower's adjusted gross income (AGI), or the tax transcript information from the Internal Revenue Service (IRS) that contains the AGI and other tax return information. The policy further explains that to obtain a tax transcript from the IRS, the borrower may either submit a signed consent form (IRS Form 4506-T) directly to the lender (which will then forward it to the IRS), or the borrower may submit the 4506-T form directly to the IRS and request that the information be sent directly to either the lender or the borrower.	Income-based repayment (IBR) plan requests received by the lender on or after July 1, 2009.	1143/161
10.9.B Reduced Interest Rates	Prohibits a lender from assessing additional charges or fees to a borrower, who is subject to the provisions of the SCRA, to compensate for the difference between the otherwise applicable interest rate and the reduced rate that the lender is permitted to charge. States that the endorser is considered to be eligible to request and receive the reduced interest rate if the endorser signed the PLUS MPN Endorser Addendum prior to the start of his or her qualifying military service. Also clarifies when a loan is considered to be incurred in the case of a loan made with an endorser's signature or a Consolidation loan.	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 occurring on or after that date.	1171/166
10.10.B Capitalization Frequency	Allows a lender to capitalize interest that accrues on a PLUS loan from the date of the first disbursement to the date that repayment begins.	July 1, 2010, unless implemented earlier by the lender.	1177/167

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
10.12 Lender Disclosures during Repayment	Clarifies information about interest and aggregate amounts paid on a loan that a lender must disclose to a borrower during repayment. Also clarifies that disclosures may be provided on a loan, account, or borrower level.	Loans with first payments due on or after July 1, 2010.	1191/168
10.12 Lender Disclosures during Repayment	Exempts a lender from sending required disclosures when the lender does not have a valid address for the borrower, unless the lender receives the borrower's valid address before the borrower becomes 241 days delinquent.	Invalid borrower address identified by a lender on or after July 1, 2010.	1205/169
Chapter 11: Deferment and Forbearance			
11.1.J Disclosure When Granting a Deferment on an Unsubsidized Stafford or PLUS Loan	Clarifies that a lender must provide general information, along with an example, to unsubsidized Stafford and PLUS borrowers to assist them in understanding the impact of capitalized interest. The lender must notify the borrower of the option to pay the accruing interest or cancel the deferment and continue to make monthly payments on the loan.	Deferments granted on or after July 1, 2010.	1192/168
Figure 11-1 Deferment Eligibility Chart	Incorporates into the Deferment Eligibility Chart, Figure 11-1, the new in-school and post-enrollment deferment options for parent PLUS and Grad PLUS borrowers whose loans were first disbursed on or after July 1, 2008.	PLUS loans first disbursed on or after July 1, 2008.	1151/162
11.4.A Eligibility Criteria—Economic Hardship	Removes references to the ability of a borrower to qualify for an economic hardship deferment based solely on being unemployed, incarcerated, disabled, or on a temporary unpaid leave of absence from work, if the condition begins on or after July 1, 2009.	Economic hardship deferments granted on or after July 1, 2009, that begin on or after July 1, 2009.	1158/168
11.6.E Post-Enrollment Deferment	Clarifies that a lender must, unless otherwise notified by the borrower, defer the borrower's Grad PLUS loan, that was first disbursed on or after July 1, 2008, during any 6-month period beginning on the day after the Grad PLUS borrower ceases to be enrolled at least half time at an eligible school.	Grad PLUS loan post-enrollment deferments granted on or after July 1, 2010.	1178/167
11.20.I Borrower Contact during Forbearance	Clarifies, for forbearance notices to borrowers, the calculation of the projected capitalized interest and includes appropriate references to any applicable endorser.	Forbearance notices provided by the lender on or after July 1, 2010.	1179/167
Figure 11-2 Forbearance Eligibility Chart 11.21.O Repayment Alignment	Permits a lender to grant an administrative forbearance for the purpose of aligning repayment for a borrower who has a PLUS loan(s) first disbursed prior to July 1, 2008; and a PLUS loan(s) first disbursed on or after July 1, 2008, or a Stafford loan(s) that is eligible for a grace period. When granting this type of administrative forbearance, the lender must notify the borrower that the forbearance has been granted and inform the borrower of the option to cancel the forbearance.	Administrative forbearance granted on or after July 1, 2010, unless implemented earlier by the lender.	1180/167

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
11.24.B Internship or Residency	States that the eligibility criteria for internship or residency deferment apply also to the mandatory administrative forbearance for internship or residency, except that the borrower does not need to be a new borrower before July 1, 1993, to qualify for the forbearance.	Retroactive to the implementation of the <i>Common Manual</i> .	1161/164
Chapter 12: Due Diligence in Collecting Loans			
12.1.A Lender Disclosure Requirements	Clarifies the information that a lender must provide in the disclosure notice to a borrower who is 60 days delinquent. Also clarifies the timing in which the lender must send this disclosure notice to the borrower.	Loans that become delinquent on or after July 1, 2010.	1193/168
12.1.A Lender Disclosure Requirements	Exempts a lender from sending required disclosures when the lender does not have a valid address for the borrower, unless the lender receives the borrower's valid address before the borrower becomes 241 days delinquent.	Invalid borrower address identified by a lender on or after July 1, 2010.	1205/169
Figure 12-5 Information to Be Provided on the Default Aversion Assistance Request Form	Figure 12-5 has been revised to include the specific names of the fields on the Default Aversion Assistance Request Form rather than descriptions of those fields.	Upon approval by the Governing Board.	1168/166
Chapter 13: Claim Filing, Discharge, and Forgiveness			
Figure 13-1 Information to Be Provided on the Claim Form	Figure 13-1 has been revised to include the specific names of the fields on the Claim Form rather than descriptions of those fields.	Upon approval by the Governing Board.	1169/166
13.1.D Claim File Documentation	Requires a lender to provide to the guarantor documentation supporting the granting of a reduced interest rate under the Servicemembers Civil Relief Act if, at the time the lender files a claim with the guarantor, the borrower, comaker, or endorser is receiving this benefit. This documentation includes the borrower's written request for the reduced interest rate and the applicable military orders.	Claims filed by the lender on or after January 1, 2010, unless implemented earlier by the lender.	1135/160
13.1.D Claim File Documentation	States that a lender must submit a completed FFELP Ineligible Borrower and Identity Theft Supplemental form to accompany the FFELP Claim Form to support and provide additional information and documentation necessary to request claim reimbursement for an ineligible borrower discharge or a discharge due to false certification as a result of a crime of identity theft.	Claims filed by the lender on or after January 1, 2010, unless implemented earlier by the lender.	1136/160
13.1.D Claim File Documentation	States that a lender must provide certain electronic signature and disbursement information when filing a total and permanent disability claim that is not based on a determination by the Department of Veterans Affairs (VA). The required information must be submitted via the FFELP Assignment Support Supplemental Form (TPD-Specific worksheet).	Total and permanent disability claims that are not based on a determination by the Department of Veterans Affairs and that are filed by the lender on or after January 1, 2010, unless implemented earlier by the guarantor.	1142/161

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
13.1.D Claim File Documentation 13.2 Claim Returns 13.3 Claim Purchase or Discharge Payment	Updates the standards for total and permanent disability discharge determinations for borrowers who are determined by the Veteran's Administration to be unemployable due to a service-connected disability.	Total and Permanent Disability – VA applications received by the lender on or after July 1, 2010, for the change in the guarantor's timeframe for claim processing. Total and Permanent Disability – VA applications received by the lender on or after August 14, 2008, for all other provisions.	1206/169
13.6.A Default Claims	Provides instruction for a lender in a case when, after filing a default claim, the lender receives documentation that the loan(s) qualifies for a different type of claim payment.	Requests for unpaid refund loan discharge received by the lender on or after July 1, 2000. Requests for false certification loan discharge as a result of the crime of identity theft received by the lender on or after July 1, 2006. Requests for loan discharge for a spouse or parent of a victim of the September 11, 2001, terrorist attacks received by the lender on or after October 29, 2007.	1156/163
13.7 Rehabilitation of Defaulted FFELP Loans	Clarifies that a defaulted Consolidation loan that includes a loan previously rehabilitated on or after August 14, 2008, is eligible for rehabilitation because the Consolidation loan is a new loan. Also states that within 30 days of receiving notification of the rehabilitation from the guarantor, the prior holder of the loan must request that any nationwide consumer reporting agency to which the default status or other equivalent record was reported, remove the default status or other equivalent record from the borrower's credit history.	For notification time frames: Rehabilitation notifications received by the prior holder on or after July 1, 2010.	1173/166
13.8.G Total and Permanent Disability	States that in addition to current requirements, a borrower whose prior Title IV loan(s) is in a conditional discharge status due to an initial determination that the borrower is totally and permanently disabled must do the following before a school may certify a new Stafford or PLUS loan for the borrower: Submit a request to the Department's Conditional Discharge Disability Unit indicating that the loan(s) that is currently in a conditional discharge status be returned to repayment status and advise the school that the process of returning the conditionally discharged debt to repayment status has been initiated. Revised policy also states that before a school may certify a new loan for a borrower whose prior Title IV loan(s) is in a conditional discharge status due to total and permanent disability, the school must confirm that the borrower has initiated the process to return the conditionally discharged debt to repayment status. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower. Revised policy also states that a school must not deliver any new loan funds until it confirms that the conditionally discharged loan(s) has been returned to repayment status.	New loan requests received by a school on or after August 28, 2009.	1149/162

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
13.8.G Total and Permanent Disability	Aligns the Manual with the Department's guidance that a borrower is not eligible for a total and permanent disability (TPD) loan discharge if the loan has already been paid in full when the loan holder receives the borrower's TPD discharge request.	Total and permanent disability discharge requests received on or after March 14, 2004, unless implemented earlier by the loan holder.	1181/167
13.8.G Total and Permanent Disability	Updates the standards for total and permanent disability discharge determinations for borrowers who are determined by the Veteran's Administration to be unemployable due to a service-connected disability.	Total and Permanent Disability – VA applications received by the lender on or after July 1, 2010, for the change in the guarantor's timeframe for claim processing. Total and Permanent Disability – VA applications received by the lender on or after August 14, 2008, for all other provisions.	1206/169
13.8.G Total and Permanent Disability	Updates the standards for processing regular total and permanent disability determinations, including conditions that apply during the 3-year post-discharge monitoring period. Additionally, the glossary definition for "Disability" is deleted and a definition for "Temporarily Totally Disabled" is inserted in the glossary.	Total and Permanent Disability Discharge Applications received by the lender on or after July 1, 2010.	1207/169
13.9.A Teacher Loan Forgiveness Program	States that an eligible borrower who performed some or all of his or her service at an eligible education service agency may qualify for teacher loan forgiveness only if the 5 years of qualifying teaching service include service at an eligible education service agency performed after the 2007-2008 academic year.	Applications received on or after August 14, 2008.	1195/169
Chapter 15: Federal Consolidation Loans			
15.2 Borrower Eligibility and Underlying Loan Holder Requirements	Adds the Income-Based Repayment (IBR) option as a means by which a borrower with a defaulted loan may become eligible for a FFELP Consolidation loan.	Consolidation requests received by the lender on or after July 1, 2010.	1208/169
15.3.A Providing Consolidation Loan Information	Clarifies information about the loss of loan benefits that a lender must disclose to a prospective borrower who is considering the consolidation of a FFELP or Direct Loan(s). This information includes the requirement that a lender disclose the process and deadline for canceling a Consolidation loan.	Loan applications distributed on or after July 1, 2010.	1194/168
15.3.C Reviewing the Loan Verification Certificate	States that a joint Consolidation loan cannot be reconsolidated under either the the FFELP or the Direct Loan Program. Revised policy also specifies that an existing single Federal Consolidation loan may be reconsolidated under the Direct Loan Program without adding other eligible loans under certain situations listed in Section 15.2.	Loan verification certificates received by the lender on or after August 14, 2008.	1141/160

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
15.3.D Calculating the Interest Rate	Prohibits a lender from assessing additional charges or fees to a borrower, who is subject to the provisions of the SCRA, to compensate for the difference between the otherwise applicable interest rate and the reduced rate that the lender is permitted to charge. States that the endorser is considered to be eligible to request and receive the reduced interest rate if the endorser signed the PLUS MPN Endorser Addendum prior to the start of his or her qualifying military service. Also clarifies when a loan is considered to be incurred in the case of a loan made with an endorser's signature or a Consolidation loan.	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 occurring on or after that date.	1171/166
15.4 Disbursement	Clarifies information about the loss of loan benefits that a lender must disclose to a prospective borrower who is considering the consolidation of a FFELP or Direct Loan(s). This information includes the requirement that a lender disclose the process and deadline for canceling a Consolidation loan.	Loan applications distributed on or after July 1, 2010.	1194/168
Chapter 16: Cohort Default Rates and Appeals			
16.1 Overview of Cohort Default Rates and Terminology	Explains the eCDR package as a process used by the Department to deliver cohort default rate information to schools. Clarifies a school's timelines for submission of challenges, adjustments, and appeals.	July 1, 2010.	1209/169
16.3 School Draft Cohort Default Rates and Challenges			
16.4 School Official Cohort Default Rates, Adjustments, and Appeals			
16.4.B School Appeals			
16.4.A School Requests for Adjustment	Specifies that if the Department approves an uncorrected data adjustment, a new data adjustment, an erroneous data appeal, or an improper loan servicing appeal, the Department will recalculate the school's cohort default rate and electronically correct the rate that was publicly released. Clarifies that if the Department approves an average rate appeal, the school will not lose its Title IV eligibility.	July 1, 2010, for two-year cohorts calculated for fiscal year 2008 through fiscal year 2011.	1210/169
16.4.B School Appeals			
Appendix A: Interest Benefits and Special Allowance			
A.2.B Termination of Special Allowance	Moves to the history appendix outdated references regarding the termination of special allowance on unconsummated loans with first disbursement dates prior to October 1, 1992.	Upon approval by the <i>Common Manual</i> Governing Board.	1162/164

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Appendix G: Glossary			
Academic Year	Clarifies that a school must define and document a program's Title IV academic year and, for a credit-hour program, the program's structure (i.e., term-based or non-term-based). Requires a school to use the same academic year definition for all students enrolled in a particular program. Describes a school's ability to define a different academic year for two versions of the same program, and explains the treatment of a student taking courses from separate versions of a program. Updates the glossary definition of "academic year" to include minimum statutory requirements for an academic year in a graduate or professional program.	Publication date of the 95-96 FSA Handbook for the requirement to use the same academic year for all students enrolled in a particular program. Publication date of the 04-05 FSA Handbook for: <ul style="list-style-type: none"> The treatment of a student taking courses from two different versions of a program with different academic year definitions. The treatment of a clock-hour program, including such a program with terms, as non-term-based. 	1159/164
Additional Unsubsidized Stafford Loan	Aligns the definition of "Additional Unsubsidized Stafford Loan" with the loan limits in Subsection 6.11.A and Figure 6-4.	Stafford loans first disbursed on or after July 1, 2008, for loan periods that include or begin on or after July 1, 2008.	1147/161
Agent	Defines "agent" as an officer or employee of the school or an institution-affiliated organization, for the purposes of a school's Code of Conduct and preferred lender arrangements.	July 1, 2010.	1211/169
Correspondence Course	Replaces references to a telecommunications course or program with "distance education," and revises the definition of "correspondence course."	August 14, 2008, for distance education courses. July 1, 2010, for correspondence courses.	1188/168
Disability	Updates the standards for processing regular total and permanent disability determinations, including conditions that apply during the 3-year post-discharge monitoring period. Additionally, the glossary definition for "Disability" is deleted and a definition for "Temporarily Totally Disabled" is inserted in the glossary.	Total and Permanent Disability Discharge Applications received by the lender on or after July 1, 2010.	1207/169
Distance Education	Replaces references to a telecommunications course or program with "distance education," and revises the definition of "correspondence course."	August 14, 2008, for distance education courses. July 1, 2010, for correspondence courses.	1188/168
Economic Hardship	Removes references to the ability of a borrower to qualify for an economic hardship deferment based solely on being unemployed, incarcerated, disabled, or on a temporary unpaid leave of absence from work, if the condition begins on or after July 1, 2009.	Economic hardship deferments granted on or after July 1, 2009, that begin on or after July 1, 2009.	1158/168
Electronic Cohort Default Rate (eCDR) Notification Package	Explains the eCDR package as a process used by the Department to deliver cohort default rate information to schools. Clarifies a school's timelines for submission of challenges, adjustments, and appeals.	July 1, 2010.	1209/169

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Endorser	Removes the terms “creditworthy” and “creditworthiness” and replaces them with terminology related to not having adverse credit in the context of an applicant’s or endorser’s eligibility for a PLUS loan. Also removes the term “creditworthiness” and replaces it with “credit standards” in the context of a lender’s independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant’s adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161
Estimated Financial Assistance (EFA)	Excludes all federal veterans’ education benefits from estimated financial assistance (EFA) for determining eligibility for a Stafford or PLUS loan. Revised policy provides an updated list of federal veterans’ education benefits that are excluded.	July 1, 2009	1138/160
Loan Record Detail Report (LRDR)	Explains the eCDR package as a process used by the Department to deliver cohort default rate information to schools. Clarifies a school’s timelines for submission of challenges, adjustments, and appeals.	July 1, 2010.	1209/169

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Module	Clarifies a school's options for defining the structure of a modular program and the effect of the school's choices on the frequency of annual loan limits, the definition of a payment period, a student's eligibility for additional funds due to a grade level increase within an academic year, the minimum loan period, the scheduling of disbursements, and the delivery of loan funds.	<p>Effective for the delivery of the second disbursement of a Stafford or PLUS loan certified for a single term of a standard term-based program or a program with nonstandard terms that are substantially equal and at least 9 weeks of instructional time in length (SE9W) on or after September 29, 2009, unless implemented earlier by the school.</p> <p>Effective with the publication of the October 2005 Blue Book for the definition of "module".</p> <p>Effective with the publication of the 04-05 Handbook for:</p> <ul style="list-style-type: none"> Defining the structure of a credit-hour program offered in modules. Disbursement scheduling and delivery in a credit-hour program offered in modules, with the exception of the second delivery of a loan made for a single term in a standard term-based program or a program with nonstandard terms that are SE9W. Progressing to the next payment period in a non-term-based credit-hour program offered in modules. The prohibition against making a late first delivery of Stafford or PLUS loan funds to a student enrolled in a term-based credit-hour program offered in modules who withdraws or drops to less-than-half-time enrollment without ever beginning half-time attendance in the term. <p>Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999, for the payment period used to calculate the percentage of the period completed for a student who withdraws from a standard term-based program offered in modules.</p>	1157/163
Opportunity Pool Loan	Clarifies that as part of the Program Participation Agreement, <i>all</i> Title IV participating schools must develop, publish, administer, and enforce a code of conduct, not only those schools that have a preferred lender arrangement. The code of conduct must also prohibit conflicts of interest in regard to interaction between FFELP and private education loans and lenders.	July 1, 2010.	1176/167

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Overaward	Clarifies that an overaward occurs when any amount of a student's need-based aid exceeds the student's financial need, or when the amount of the student's estimated financial assistance (EFA), including need-based aid, exceeds the student's cost of attendance (COA). If the school determines that an overaward exists, the school must contact the lender or guarantor to request an adjustment of any remaining loan disbursements. If all disbursements of a loan have been delivered to the student before the overaward occurs, no adjustments are required. However, the school may be required to adjust campus-based aid or other aid under its control to offset the borrower's overaward. A school never adjusts a Pell grant to take into account other forms of aid.	Retroactive to the implementation of the <i>Common Manual</i> .	1174/166
Partial Financial Hardship (PFH)	For the purpose of determining whether a borrower has a partial financial hardship (PFH), specifies that the lender must use the <i>greater</i> of the amount owed on the eligible loans when the borrower initially entered repayment or the amount owed when the borrower selects the IBR plan. Clarifies the PFH and payment calculations for a married borrower who files a joint tax return and the borrower's spouse also has eligible loans and requests IBR.	Income-based repayment (IBR) plan requests or renewals processed by the lender on or after July 1, 2010.	1190/168
Reaffirmation	Clarifies the charges that may be capitalized as of the date of reaffirmation.	Discharge applications received by the holder on or after July 1, 2010.	1202/169
Substantial Gainful Activity	Incorporates the 3-year post-discharge monitoring period for regular total and permanent disability discharges. Also details the documentation that a school must obtain for a borrower who requests a new federal student loan or TEACH Grant after receiving a final discharge or completing the 3-year post-discharge monitoring period on a prior federal student loan or TEACH Grant.	Total and permanent disability loan discharge applications received on or after July 1, 2010. Upon publication of the 09-10 FSA Handbook, Volume 1, for the purpose of determining the borrower's eligibility for a new federal student loan after a prior loan is discharged due to total and permanent disability.	1203/169
Telecommunications Course	Replaces references to a telecommunications course or program with "distance education," and revises the definition of "correspondence course."	August 14, 2008, for distance education courses. July 1, 2010, for correspondence courses.	1188/168
Temporarily Totally Disabled Totally and Permanently Disabled – Regular	Updates the standards for processing regular total and permanent disability determinations, including conditions that apply during the 3-year post-discharge monitoring period. Additionally, the glossary definition for "Disability" is deleted and a definition for "Temporarily Totally Disabled" is inserted in the glossary.	Total and Permanent Disability Discharge Applications received by the lender on or after July 1, 2010.	1207/169

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Totally and Permanently Disabled – VA	Updates the standards for total and permanent disability discharge determinations for borrowers who are determined by the Veteran's Administration to be unemployable due to a service-connected disability.	Total and Permanent Disability – VA applications received by the lender on or after July 1, 2010, for the change in the guarantor's timeframe for claim processing. Total and Permanent Disability – VA applications received by the lender on or after August 14, 2008, for all other provisions.	1206/169
Appendix H: History of the FFELP and the <i>Common Manual</i>			
H.1 History of the FFELP and the Common Manual	Moves to the history appendix outdated references regarding the termination of special allowance on unconsummated loans with first disbursement dates prior to October 1, 1992.	Upon approval by the <i>Common Manual</i> Governing Board.	1162/164
H.1 History of the FFELP and the Common Manual	Removes the terms “creditworthy” and “creditworthiness” and replaces them with terminology related to not having adverse credit in the context of an applicant's or endorser's eligibility for a PLUS loan. Also removes the term “creditworthiness” and replaces it with “credit standards” in the context of a lender's independent credit criteria for a Stafford or PLUS applicant. In addition, the text describing existing policy that any debt discharged in bankruptcy during the 5-year period before the date of the credit report must be considered in determining a PLUS applicant's adverse credit was added to Subsection 7.1.C.	Retroactive to the implementation of the <i>Common Manual</i> .	1144/161

Documentation Requirements

Although [guarantors](#) do not require that a copy of the notice of [loan sale](#) or [transfer](#) be included in a [claim](#) file, the lender must be able to provide evidence that the notice was provided to the borrower. For this reason, the lender must retain a [record](#) of the notice for at least 3 years after the date the loan is paid in full by the borrower or 5 years after the date the lender receives payment in full from any other source. This record may be stored on microform, optical disk, or other machine-readable format, and must be available for program compliance reviews.

[§682.414(a)(4)(ii)(H) and (iii); §682.414(a)(5)(i)]

3.4.C

Permitted and Prohibited Activities

Permitted Activities

A lender is permitted to engage in the following activities in carrying out its role in the FFELP and providing service to schools and FFELP borrowers. The lender may provide:

- Technical assistance to a school that is comparable to the kinds of technical assistance provided to a school by the Department under the Federal Direct Loan Program, as identified by the Department in public announcements, such as a notice in the *Federal Register*.
[HEA §435(d)(5); §682.200(b) definition of *lender* (5)(ii)(A)]
- Entrance and Exit counseling services, as long as the school's staff is in control of the counseling, whether in person or via electronic capabilities, and such counseling does not promote the products and services of any specific lender.
[HEA §435(d)(5)(~~G~~)(E) and (F)]¹
- Support of, and participation in, a school's or guarantor's student aid or financial literacy-related outreach activities, as long as the name of the entity that developed and paid for any materials is provided to the participants and the lender does not promote its student loan or other products.
- Meals, refreshments, and receptions that are reasonable in cost and scheduled in conjunction with training, meeting or conference events, if those meals, refreshments, or receptions are open to all training, meeting, or conference attendees.

- Toll-free numbers for use by a school or others to obtain information about FFELP loans.
- Free data transmission service for a school to use in electronically submitting applicant loan information or student status information or confirmation data.
- A reduced [origination fee](#) (when permitted by statute; see [Subsection 3.5.A](#)).
- A reduced interest rate.
- Payment of the [federal default fee](#) on behalf of the FFELP borrower.
- A premium payment to another lender for the purchase of a loan.
- Other benefits to a borrower under a repayment incentive program that requires, at a minimum, one or more scheduled payments in order to receive or retain the benefit.
- Benefits under a loan [forgiveness](#) program for public service or other targeted purposes approved by the Department, provided these benefits are not marketed to secure loan applications or loan guarantees.
- Items of nominal value to schools, [school-affiliated organizations](#), and to borrowers that are offered as a form of generalized marketing or advertising, or to create good will.
- Staffing services to a school on a short-term, emergency, non-recurring basis to assist a school with financial aid-related functions. Such services may not be provided in an effort to secure FFELP loan applications or loan volume. The term "emergency basis" for the purpose of providing staffing support means only in the instance of a state- or federally-declared natural disaster or national disaster, and in the instance of other localized disasters and emergencies identified by the Department.
[HEA §435(d)(5)(A); *Federal Register* dated October 28, 2009, p. 55632]²
- Other services identified by the Department through a public announcement, such as a notice in the *Federal Register*.
[§682.200(b)]

¹. Policy 1137 (Batch 160), approved September 17, 2009

². Policy 1196 (Batch 169), approved April 15, 2010

The references to “applications” above includes the [Free Application for Federal Student Aid \(FAFSA\)](#), and FFELP Master Promissory Notes and application and promissory notes.

[\[§682.200\(b\) definition of lender \(5\)\(iii\)\(B\)\]](#)

Prohibited Activities

The following activities are prohibited by federal regulations and may result in a loss of the lender’s FFELP eligibility:

- Receiving points, premiums, payments, additional [interest](#), or any other form of compensation from another [entity](#) to obtain [funds](#) with which to make loans or to induce the lender to make loans either to a student or a parent borrower from a particular [school](#) or to any particular category of student or [parent](#). Examples of such prohibited incentive payments include:

[\[§682.212\(a\)\]](#)

- Cash payments made to a lender by or on behalf of a school.

[\[§682.212\(b\)\(1\)\]](#)

- The maintenance of a compensating balance with a lender by or on behalf of a school.

[\[§682.212\(b\)\(2\)\]](#)

- Payments to a lender by or on behalf of a school for servicing costs on loans that the school does not own.

[\[§682.212\(b\)\(3\)\]](#)

- Payments to a lender by or on behalf of a school for unreasonably high servicing costs on loans owned by the school.

[\[§682.212\(b\)\(4\)\]](#)

- Purchase of a lender’s stock by or on behalf of a school.

[\[§682.212\(b\)\(5\)\]](#)

- Payments ostensibly made for other purposes.

[\[§682.212\(b\)\(6\)\]](#)

- Refusing to make, purchase, consolidate, or refinance a loan because of the borrower’s race, national origin, religion, sex, marital status, age, or disability.
- Offering—directly or indirectly—points, premiums, payments (including payments for referrals and for processing or finder fees), prizes, stock or other

securities, travel, entertainment expenses, tuition payment or reimbursement, the provision of information technology equipment at below-market value, additional financial aid funds, or other inducements to any [school](#), ~~or any employee of the school, or any individual or entity in order to~~ secure applications for FFELP loans or to secure FFELP loan volume. This includes but is not limited to:

- Payments or offerings of other benefits, including prizes or additional financial aid funds, to a prospective borrower in exchange for applying for or accepting a FFELP loan from the lender.
- Payments or other benefits to a school, any [school-affiliated organization](#) or to any individual in exchange for FFELP loan applications, application referrals, or a specified volume or dollar amount of loans made, or placement on the school’s list of recommended or suggested lenders.
- Payments or other benefits provided to a student at a postsecondary school who acts as the lender’s representative to secure FFELP loan applications from individual prospective borrowers, unless the student is also employed by the lender for other purposes and the student ~~has made all appropriate disclosures regarding~~ discloses that employment with the lender to school administrators and prospective borrowers. [\[HEA §435\(d\)\(5\)\(G\); §682.200\(b\) definition of lender \(5\)\(i\)\(A\)\(3\)\]](#)
- Payments or other benefits to a loan solicitor or sales representative of a lender who visits schools to solicit individual prospective borrowers to apply for FFELP loans from the lender.
- Payment to another lender or any other party, including a school, a school employee, or a school-affiliated organization or any of its employees of referral, finders’, fees or processing fees, except those processing fees necessary to comply with federal or state law. [\[HEA §435\(d\)\(5\); §682.200\(b\) definition of lender \(5\)\(i\)\(A\)\(5\)\]](#)¹
- Compensating a school financial aid office employee or a school employee who has responsibilities with respect to the school’s

¹. Policy 1196 (Batch 169), approved April 15, 2010

- student loans or other financial aid, or paying compensation to a school-affiliated organization or any of its employees for service on an advisory board, commission, or group established by a lender or group of lenders, except that a lender may reimburse such an employee for reasonable expenses incurred in providing that service. [HEA §435(d)(5)(D); §682.200(b) definition of lender (5)(i)(A)(6)]
- Payment of conference or training registration, travel ~~transportation~~, and lodging costs for an employee of a school or school-affiliated organization. [HEA §435(d)(5); §682.200(b) definition of lender (5)(i)(A)(7)]
 - Payment of entertainment expenses, including expenses for private hospitality suites, tickets to shows or sporting events, meals, alcoholic beverages, and any lodging, rental, transportation, and other gratuities related to lender-sponsored activities for employees of a school or a school-affiliated organization.
 - Philanthropic activities, including providing scholarships, grants, restricted gifts, or financial contributions in exchange for FFELP loan applications or application referrals, or for a specified volume or dollar amount of FFELP loans made, or for placement on a school's list of recommended or suggested lenders.
 - ~~Staffing services to a school, except for services provided to participating foreign schools at the direction of the Department, as a third-party servicer or otherwise on more than a short-term, emergency, non-recurring basis to assist a school with financial aid-related functions. The term "emergency basis" for the purpose of providing staffing support means only in the instance of a state or federally declared natural disaster, a federally declared national disaster, and other localized disasters and emergencies identified by the Department.~~ [HEA §435(d)(5)(A); §682.200(b)]
- Performing for a school or paying, on behalf of a school, another person to perform any function that the school is required to perform under any Title IV program, with the following exceptions:¹
 - = A lender may participate in person in a school's required entrance and exit counseling as long as the school's staff is in control of the counseling, whether in person or via electronic capabilities, and such counseling does not promote the products or services of any specific lender.²
 - = A lender may provide certain services to participating foreign schools at the direction of the Department as a third-party servicer. [HEA §435(d)(5)(E) and (F); HEA §487(e)(2)(B)(ii)(IV); §682.200(b) definition of lender (5)(i)(A)(10)]
 - Conducting unsolicited mailings, by mail or electronically, of student loan application forms to ~~potential borrowers (i.e., a students enrolled in a secondary or postsecondary schools or his or her and their family members)~~, unless the lender has previously made a FFELP loan to the student or the student's parent. [HEA §435(d)(5)(B); §682.200(b) definition of lender (5)(i)(B)]
 - Entering into any type of consulting arrangement or other contract, with an employee in the financial aid office of a school or an employee who has responsibilities with respect to student loans or other financial aid at the school, to provide services to the lender. [HEA §435(d)(5)(C); §682.200(b) definition of lender (5)(i)(A)(11)]³
 - Offering FFELP loans—directly or indirectly—as an inducement to a prospective borrower to purchase an insurance policy or other product or service by the borrower or other person. [HEA §435(d)(5)(H); §682.200(b) definition of lender (5)(i)(C)]
 - Engaging in fraudulent or misleading advertising with respect to its FFELP activities. [HEA §435(d)(5)(I); §682.200(b) definition of lender (5)(i)(D)]
 - Discounting the sale or transfer of notes, or any interest in notes, if the underlying FFELP loans were made by a school or lender having common ownership with a school—except when purchased by a state agency

¹ Policy 1196 (Batch 169), approved April 15, 2010

² Policy 1137 (Batch 160), approved September 17, 2009

³ Policy 1196 (Batch 169), approved April 15, 2010

functioning as a [secondary market](#), or in other circumstances approved by the [Department](#).
[§682.212(c)]

- Using a FFELP loan as collateral for any loan bearing aggregate interest and other charges in excess of the sum of the [applicable interest rate](#) and the current [special allowance](#) rate—except to secure a loan from a state agency functioning as a secondary market, or in other circumstances approved by the Department.
[§682.212(d)]

| The references to “applications” above includes the [Free Application for Federal Student Aid \(FAFSA\)](#) and FFELP Master Promissory Notes, and application and promissory notes.

| [§682.200(b) definition of *lender* (5)(iii)(B)]¹

For purposes of clarifying prohibited lender activities, “other benefits” includes but is not limited to preferential rates for, or access to the lender’s other financial products, computer hardware or non-loan processing or non-financial aid-related software at below-market rental or purchase cost, or printing and distribution of college catalogs and other materials at reduced or no cost.

[§682.200(b) definition of *lender* (5)(iii)(C)]

These prohibitions do not preclude a lender—when buying loans that were originally made by a school—from obtaining a warranty from the seller to cover future reductions by the Department or a [guarantor](#) in computing the amount of loss payable on [default claims](#) caused by a seller’s or previous [holder’s](#) act or failure to act.

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. For more information on [limitation](#), [suspension](#), and [termination](#) actions, see [Chapter 18](#).

[§682.705(b) and (c); §682.706(a) and (d)]

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.

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)]

| ¹ Policy 1196 (Batch 169), approved April 15, 2010

- Unexpired U.S. military ID.
- U.S. military discharge papers (Form DD214).
- U.S. Certificate of Citizenship (Form N-560 or N-561).
- Alien Registration Card (Form I-551 or I-151).

3.5.G NSLDS Reporting

The [National Student Loan Data System \(NSLDS\)](#) is a national database of information on [Title IV](#) aid, including [FFELP](#) loans. The NSLDS was developed to provide loan-level information on Title IV loans and to provide an integrated view of other Title IV programs. The overall goals of the NSLDS are to improve the quality and accessibility of student aid data, reduce the burden of administering Title IV aid, and minimize abuse within the aid programs through accurate tracking of funds awarded to assist the postsecondary students for whom the programs were designed.

A lender must report NSLDS data on each FFELP loan it holds to the appropriate [guarantor](#). A lender is strongly encouraged to report this data on a monthly basis, but must report it at least quarterly. A lender may arrange for a designated [servicer](#) to report on its behalf.

A lender may report NSLDS data to the guarantor using the NSLDS Lender Manifest, a common report format developed by the [National Council of Higher Education Loan Programs \(NCHelp\)](#). The lender reporting requirement may also be met through the Common Account Maintenance (CAM) process if the guarantor agrees and the lender provides all the required data, including any resubmission that may be necessary as the result of an error. The lender and guarantor may agree to another format, in which case the guarantor may opt to discontinue the NSLDS Lender Manifest reporting requirement. Although the NSLDS Lender Manifest record layout will be used throughout the program, specific data requirements may vary slightly among guarantors.

Instructions for the NSLDS Lender Manifest provide complete details on lender reporting requirements. A lender will receive reporting instructions from each guarantor represented in its portfolio of FFELP loans. It is critical that the lender review each guarantor's instructions carefully; the required frequency of reporting and requirements for

reporting certain fields may vary among guarantors. [[§682.201\(i\)](#); [DCL 95-L-177](#); [NSLDS Technical Update for Lenders and Lender Servicers 2000-01](#)]

3.5.H Reporting Loans Paid in Full

A [lender](#) must report promptly to the [guarantor](#) each loan that is paid in full, including the date that the loan was paid in full. The transaction must be reported on the appropriate guarantor form or by an equivalent tape or electronic exchange. If the lender wants to report a loan that has been paid in full using its own form or listing, the format must contain all data elements required by the guarantor.

If a loan is paid in full as a result of the [borrower](#) obtaining a Consolidation loan, the lender must note this in its reporting and provide the date on which the loan was paid in full by consolidation. A guarantor must differentiate between loans paid in full by consolidation and those paid in full by another source (such as borrower payments) in its [National Student Loan Data System \(NSLDS\)](#) reporting. The guarantor relies on the lender's report to ensure the accuracy of this distinction.

When a loan is paid in full by the borrower or another source, the lender must notify the borrower that the loan is paid in full. The lender must report the paid-in-full status to at least one credit bureau, as required in [Subsection 3.5.C](#).

3.5.I Reporting Information Relating to Preferred Lender Arrangements

A lender that has a [preferred lender arrangement](#) with a school or an [institution-affiliated organization](#) must report to the Department on an annual basis each of the following:

- Any reasonable expenses for service on a lender advisory board, commission, or group established by a lender or group of lenders that were paid or provided to any [agent](#) of a school who is employed in the financial aid office or who has other responsibilities with respect to education loans or other student financial aid at the school.
- Any reasonable expenses paid or provided to any agent of an institution-affiliated organization who is involved in recommending, promoting, or endorsing education loans.

[[HEA §152\(b\)\(1\)\(B\)](#); [§601.40\(b\)\(1\) and \(2\)](#)]¹

² Policy 1148 (Batch 162), approved November 19, 2009

¹ Policy 1197 (Batch 169), approved April 15, 2010

This report must include all of the following each time expenses are paid or provided by a lender:

- The amount of the expenses.
- The name of the [agent](#) at the school or [institution-affiliated organization](#).
- The date and a brief description of the activity.
[HEA §152(b)(1)(B); §601.40(b)(3)]

A lender that has a [preferred lender arrangement](#) must provide to a school or institution-affiliated organization, as well as to the Department, information regarding each type of FFELP loan the lender plans to offer under the preferred lender arrangement to students or families of students attending that school for the next [award year](#). The specific information the lender must provide will be determined by the Department and the Board of Governors of the Federal Reserve System.

[HEA §153(b); §601.40(d)]

If a lender is participating in one or more preferred lender arrangements, the lender must certify on an annual basis that it is in compliance with the requirements of the Higher Education Act (HEA). If a lender is required to submit an annual audit, the auditor may provide this certification as part of that audit (see [Subsection 3.8.A](#)). If a lender is not required to submit an annual audit, the lender must submit this certification directly to the Department.

[HEA §152(b)(2); §601.40(c)]¹

3.6 Third-Party Servicers

A [third-party servicer](#) is any organization or individual that enters into a contract with a lender to administer any aspect of the lender's [FFELP](#) activities as required under any of the following:

- A statutory provision of, or applicable to, [Title IV](#) of the [Act](#).
- A regulatory provision prescribed under Title IV of the [Act](#).
- An arrangement, agreement, or [limitation](#) with the [Department](#) or guarantor entered into under the authority of statutes applicable to Title IV of the [Act](#).

Some examples of activities a third-party servicer may perform on a lender's behalf include originating, monitoring, processing, servicing, and collecting loans, and billing for [interest benefits](#) and [special allowance](#).
[§682.200(b)]

Lender Requirements

A lender that contracts with a [third-party servicer](#) must meet the following requirements:

- The lender may not enter into a contract with a third-party servicer that the Department has determined does not meet the administrative capability and financial responsibility requirements for third-party servicers.
- The lender must provide the Department with the name and address of each third-party servicer with which the lender enters into a contract. The lender must provide a copy of its contract with the third-party servicer, if the Department requests it.
[§682.416(f)]

Servicer Requirements

If a third-party servicer performs, on behalf of a lender, any activity for which the [records](#) identified under the recordkeeping requirements section of this chapter (see [Subsection 3.4.A](#)) are relevant, the [servicer](#) must maintain complete and accurate records pertaining to the servicing of each loan in its portfolio. The records must be maintained in a system that allows ready identification of each loan's current status.

[§682.416(f)]

A third-party servicer may be subject to mandatory annual audits. For more information on audit requirements for servicers, see [Subsection 3.8.B](#).

In addition, the Department may review a third-party servicer to determine whether it meets the administrative capability and financial responsibility standards outlined in the following [Subsections 3.6.A](#) and [3.6.B](#).

[§682.416(c)]

¹ Policy 1197 (Batch 169), approved April 15, 2010

By entering into a [Program Participation Agreement \(PPA\)](#), the school agrees to comply with all requirements specified in statute and federal regulations, including, but not limited to the following:¹

- The school will not charge a student a fee for processing or handling any [application](#), form, or data required to determine the student's eligibility for assistance, including the amount of the Title IV assistance.
[§668.14(b)(3)]
- The school will inform eligible Stafford and PLUS loan [borrowers](#) of the availability of state grant assistance from the state in which the school is located, and will inform out-of-state borrowers of the source of information for assistance in the student's home state.
[§668.14(b)(11)]
- The school will not certify a loan that exceeds the borrower's eligibility.
[§668.14(b)(8)]

• Upon the request of an admitted or enrolled student, or the parent of an admitted or enrolled student who is a private education loan applicant, the school must provide the student or parent with both of the following:

- = The Department's approved Private Education Loan Applicant Self-Certification form.
- = The information necessary to complete the form, if the school possesses the information.

In addition, at the request of the private education loan applicant, the school must discuss with the applicant the availability of federal, state, and institutional financial aid. For more information about the Private Education Loan Applicant Self-Certification form, see [Subsection 4.4.E](#).
[§601.11(d); §668.14(b)(29)]²

• The school has developed and implemented written plans to effectively combat the unauthorized distribution of copyrighted material by users (e.g., students, employees, and the public, if applicable) of the school's information technology network that include all of the following:

- = The use of one or more technology-based deterrents. No particular technology measure(s) is favored or required for inclusion in the school's plans.
- = Mechanisms for educating and informing the school community about appropriate versus inappropriate use of copyrighted material, such as including pertinent information in required student consumer information disclosures (see [Subsection 4.4.B](#)), handbooks, honor codes, or codes of conduct.
- = Procedures for handling unauthorized distribution of copyrighted materials, including disciplinary procedures.
- = Procedures for periodically reviewing the effectiveness of the plans to combat the unauthorized distribution of copyrighted materials by users of the school's network, using relevant assessment criteria determined by the school.

The school has the authority to determine its plans for compliance with the requirement to combat unauthorized distribution of copyrighted material, including a plan that prohibits content monitoring. A school is not required to take measures to effectively combat the unauthorized distribution of copyrighted material that would unduly interfere with the educational and research use of the school's network.

In consultation with the school's chief technology officer or other designated school official, the school must, to the extent practicable, offer legal alternatives to illegal downloading or other acquisition of copyrighted material. The school must periodically review the legal alternatives that it offers for downloading or otherwise acquiring copyrighted materials and make the results of that review available to students through a Website or other means.
[§668.14(b)(30)]³

- The school will submit all required reports within the time frames specified.
[§668.14(b)(7)]
- If the school advertises job placement rates as a means of attracting students to enroll, the school will make available to all prospective students—at or before the time of application for admission—the most recent data concerning employment statistics, graduation

¹. Policy 1175 (Batch 167), approved March 18, 2010

². Policy 1199 (Batch 169), approved April 15, 2010

³. Policy 1175 (Batch 167), approved March 18, 2010

statistics, and any other information necessary to substantiate these advertisements.

[§668.14(b)(10)]

- The [school](#) will operate a drug abuse prevention program that is available to any officer, employee, or student of the school.
[§668.14(c)]
- A school located in a state not covered by section 4(b) of the National Voter Registration Act (commonly known as the Motor Voter Registration Act) is required to make a good faith effort to distribute a mail voter registration form to each [enrolled](#) student physically in attendance at the school and to make the forms widely available. The school must request the voter registration forms from its state 120 days prior to the voter registration deadline. Schools are not held liable for compliance with this requirement if the state does not provide a sufficient quantity of forms within 60 days prior to the voter registration deadline. This requirement includes elections for a state’s governor or other chief executive, or for federal office elections.
[§668.14(d)]
- The school will prepare a [teach-out plan](#) and submit it to the school’s [accrediting agency](#) or association if any of the following occurs:
 - = The Department initiates a [limitation](#), [suspension](#), [termination](#), or [emergency action](#) (see [Section 18.1](#)).
 - = The school’s accrediting agency acts to withdraw, terminate, or suspend the accreditation or preaccreditation of the school.
 - = The school’s state licensing or authorizing agency revokes the school’s license or legal authorization to provide an educational program.
 - = The school intends to close a location that provides 100% of at least one program.
 - = The school otherwise intends to cease operations.
[§668.14(b)(31)]¹
- A school seeking to participate for the first time in the FFELP must use a [default](#) management plan approved by the Department for at least the first two years of its participation in the FFELP if the owner of the school owns or owned any other school that had a [cohort default rate](#) greater than 10%.
[§668.14(b)(15)]
- A school seeking to participate for the first time in a Title IV program must not have a withdrawal rate during its latest completed [award year](#) that exceeds 33% of its regular, undergraduate students. The school must include in its withdrawal calculation every [regular student](#) who was enrolled during the latest completed award year except a student who during that period meets both of the following criteria.
 - The student withdrew, dropped out, or was expelled from school.
[§668.16(l)(1)]
 - The student was entitled to receive and did receive—in a timely manner—a [refund](#) of 100% of the tuition and fees.
[§668.16(l)(2)]
- A FFELP-[participating school](#) undergoing a change of ownership that results in a [change in control](#) may be required to use a default management plan approved by the Department for at least the first two years following the change (see [Subsection 4.1.C](#) for more information).
[§668.14(b)(15); GEN-05-14]
- The school will not impose any penalty—such as assessing late fees, denying access to classes, libraries, or other school facilities, or requiring the student to borrow additional [funds](#) for which [interest](#) or other charges are assessed—on any student because of the student’s inability to meet his or her financial obligations to the school as a result of the [delayed disbursement](#) of [Title IV loan proceeds](#) due to compliance with statutory and regulatory requirements applicable to the Title IV programs, or delays attributable to the school.
[§668.14(b)(21)]
- 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

¹ Policy 1182 (Batch 168), approved April 15, 2010

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]
- A proprietary school will derive at least 10% of its revenue for each fiscal year from sources other than Title IV funds, as calculated according to the formula for determining non-Title IV revenue in §668.28, or be subject to sanctions (see [Subsection 4.1.D](#)).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 (directly or by reimbursement) 50% or more of the tuition and fees charged to its employees. This compensation cannot, however, be based on the number of employees who enroll at the school or the

¹ Policy 1198 (Batch 169), approved April 15, 2010

A public or private nonprofit [institution of higher education](#) must meet the eligibility requirements noted in the introduction to [Chapter 4](#), must be a nonprofit school, must meet academic-year requirements (see [Section 6.1](#)), and must offer one or more of the following:

- A program that leads to an associate, bachelor's, professional, or graduate degree.
[§668.8(c)(1)]
- A program of at least two [academic years](#) in duration that is acceptable for full credit toward a bachelor's degree.
[§668.8(c)(2)]
- A program of at least one academic year in duration that leads to a certificate, degree, or other recognized credential and that prepares students for gainful employment in a recognized occupation.
[§668.8(c)(3)]

Proprietary institutions of higher education and public and private nonprofit postsecondary vocational institutions must meet all eligibility criteria in the introduction to [Chapter 4](#); must provide training for gainful employment in a recognized occupation; must have been legally authorized to give (and have been giving) postsecondary instruction for at least two consecutive years; and must offer one of three types of eligible programs:

- A program that provides at least 600 [clock hours](#), 16 semester or trimester hours, or 24 quarter hours of undergraduate instruction offered during a minimum of 15 [weeks](#), beginning on the first day of classes and ending on the last day of classes or examinations. The program may admit as regular students persons who have not completed an associate degree or the equivalent.
[§668.8(d)(1)]
- A program that provides at least 300 clock hours, 8 semester or trimester hours, or 12 quarter hours of instruction offered during a minimum of 10 weeks, beginning on the first day of classes and ending on the last day of classes or examinations. The program must be a graduate or professional program or must admit as regular students only persons who have completed an associate degree or the equivalent.
[§668.8(d)(2)]
- A “short-term” program that provides at least 300 but less than 600 clock hours of instruction during a minimum of 10 weeks, beginning on the first day of classes and ending on the last day of classes or

examinations. The program must admit as regular students some persons who have not completed an associate degree or the equivalent. These programs are eligible only for [FFELP](#) purposes. The institution must have a substantiated completion rate and a placement rate of at least 70%. The number of clock hours provided in the program must not exceed by more than 50% the minimum number of clock hours required for training in the recognized occupation for which the program prepares students, as established by the [state](#) in which the program is offered, if the state has such a requirement, or as established by any federal agency. (See the [07-08 FSA Handbook, Volume 2, Chapter 4](#), pp. 2-42 to 2-43, and §668.8(c) through (g) for more information on completion rate and placement rate calculations.)
[§668.8(d)(3)]

The above Pprograms that qualify at an otherwise eligible proprietary institution or a postsecondary vocational institution are required to have a minimum number of weeks of instruction (see [Section 6.2](#) for determining the [period of enrollment](#)). A “[week of instruction](#)” is any period of 7 consecutive days in which the school provides for at least one day of regularly scheduled instruction, examinations, or preparation for final examinations. Any time frame allotted to preparation for final examinations must occur after the last scheduled day of classes for the term or [payment period](#). Instructional time does not include periods of orientation, counseling, vacation, or homework.
[§668.3(b); §668.8(b)(2) and (3)]

A program offered by a proprietary school and leading to a baccalaureate degree in liberal arts is also an eligible program if the school has provided the program continuously since January 1, 2009, and if the school has been continuously accredited by a recognized regional accrediting agency or association since October 1, 2007, or earlier. The baccalaureate degree in liberal arts must be a regular program that the school's recognized regional accreditation agency or organization determined to be a general instructional program in the liberal arts subjects, the humanities disciplines, or the general curriculum, falling within one or more of the following instructional categories:

- A program that is a structured combination of the arts, biological and physical sciences, social sciences, and humanities that emphasizes a breadth of study.
- An undifferentiated program that includes instruction in the general arts or general science.¹

¹ Policy 1183 (Batch 168), approved April 15, 2010

- A program that focuses on combined studies and research in the humanities emphasizing languages, literatures, art, music, philosophy, and religion.
- Any single instructional program in liberal arts and sciences, general studies, and humanities not listed above.

Independently-designed, individualized, and unstructured programs and studies in the liberal arts offered by proprietary schools are not eligible.

[§600.5(e); §668.8(d)(4)]¹

Eligibility of Credit-Hour Programs

Schools that measure progress in credit hours must determine the Title IV eligibility of their undergraduate programs using the formulas listed below, except in the following cases:

- The program is at least 2 **academic years** in length and provides an associate, bachelor's, or **professional degree** or the equivalent, as determined by the **Department**. (Note: This exception does not permit a school to ask for a determination that a nondegree program is equivalent to a degree program).
[§668.8(k)(1)]
- Each course within the program is acceptable for full credit toward that school's associate, bachelor's, or professional degree, or a degree that the Department has determined to be equivalent at the school, and the degree requires at least 2 academic years of study.
[§668.8(k)(2)]
- The program is offered by a public or private nonprofit hospital-based school of nursing that awards a diploma at the completion of the program.
[§668.9(b)]

If the program does not meet one of the preceding three criteria, the school must use the appropriate formula, as follows. Clock hours used in the formula must comply with the regulatory definition.

To determine the number of credit hours in a program for **Title IV** eligibility purposes, schools must use the appropriate formula, as follows:

For programs measured in semesters or trimesters

Number of clock hours in the credit-hour program
30

For programs measured in quarters

Number of clock hours in the credit-hour program
20

[§668.8(l)]

The school must use the resulting number of equivalent credit hours to determine if a program is eligible under the program requirements. For a program to qualify as eligible by providing at least 16 semester or trimester credit hours or 24 quarter credit hours, the program must include at least 480 clock hours of instruction. For a program to qualify as eligible by providing at least 8 semester or trimester credit hours or 12 quarter credit hours, the program must include at least 240 clock hours of instruction.

A program that fails to include the minimum number of equivalent semester, trimester, or quarter credit hours of instruction does not qualify as an eligible program regardless of whether the **Department** previously designated that program as an eligible program. A school may not deliver the proceeds of any loan to a student **enrolled** in such a program regardless of when that program began. The school must return to the lender any loan funds delivered to or on behalf of students enrolled in a program that does not qualify as an eligible program.

[DCL GEN-95-38; 07-08 FSA Handbook, Volume 2, Chapter 4, pp. 2-47 to 2-48]

School and Program Eligibility at Additional Locations

The eligibility of a school and its programs does not automatically include each separate location of the school. When a school adds a licensed and accredited location that offers at least 50% of an educational program, the school must report specific information to the Department by submitting an E-App and other required documentation. Further information on these requirements can be found in §600.20 and in the 07-08 FSA Handbook, Volume 2, Chapter 5, pp. 2-61 to 2-62. Generally, after reporting to the Department, a school may immediately deliver Title IV funds to eligible students attending the added location. However, a school must have approval from the Department before it can deliver Title IV funds to eligible students attending the added location if any of the following criteria applies:

- The school is provisionally certified.
[§600.20(c)(1)(i)]

¹. Policy 1183 (Batch 168), approved April 15, 2010

- The school is on the reimbursement or cash monitoring system of payment.
[§600.20(c)(1)(ii)]
- The school has acquired the assets of another school that provided educational programs at that location during the preceding year, and the other school participated in Title IV programs during that year.
[§600.20(c)(1)(iii)]
- The school would be subject to a loss of eligibility due to its [cohort default rate](#) if it adds the location.
[§600.20(c)(1)(iv)]
- The school has been notified by the Department that it must apply for approval of an additional location.
[§600.20(c)(1)(v)]

A school that conducts a [teach-out](#) at a location of a closed school may apply to have the location approved as a permanent additional location if the closed school's teach-out plan has been approved by its [accrediting agency](#) and if the Department took a [limitation, suspension, and termination \(LS&T\)](#) or [emergency action](#) against the school before or after its closing. The school providing the teach-out is not required to satisfy the proprietary and postsecondary vocational school requirement of being in existence for 2 years. If the closed school and teach-out schools are not related parties and do not have common ownership or management, neither is the school providing the teach-out responsible for any liabilities of the closed school nor will the default rate of the closed school be included in the calculation of the teach-out school's [cohort default rate](#) (see [Section 16.2](#)). However, as a condition for approving the additional location, the Department may require that any payment(s) from the school conducting the teach-out to the owners or related parties of the closed school be used to satisfy the liabilities owed by the closed school.
[§600.32(d)]¹

Eligibility Change for Branch Campus

If a school wishes to convert an eligible location to a [branch campus](#), the school must apply to the [Department](#) and wait for approval before making such a conversion. While waiting for such approval, the school may continue to deliver [Title IV](#) funds to students attending that location.
[§600.20(c)(5); §600.20(f)(4)]

If a school's branch campus is accredited separately, and the school wants the branch campus to be granted separate eligibility and be separately funded, the branch campus of the school must be in existence for at least 2 years following certification by the Department as a branch campus. The school's branch campus may then seek designation as a main campus or freestanding institution by following the procedures in [Subsection 4.1.A](#) on establishing eligibility.
[§600.8]

Increase in Level of Program Offering

A school must apply to the Department for approval to increase its level of program offering (e.g., offering graduate degree programs when it previously offered only baccalaureate degree programs). The school must obtain the Department's approval before delivering Title IV funds to students enrolled in the new programs at the increased level.
[§600.20(c)(2); §600.20(f)(3)]

4.1.D Loss of Eligibility

If a [school](#) ceases to meet any [Title IV](#) eligibility requirement, the school must immediately provide written notice to the [Department](#) and each applicable [guarantor](#).

A school's eligibility remains in effect until [termination](#) by the Department or a guarantor—or until the effective date of a loss of eligibility for any of the following reasons:

- The school permanently closes.
[§600.40(a)(1)(ii)]
- The school's eligibility expires.
[§600.40(a)(1)(iv)(A)]
- The school's provisional eligibility is revoked.
[§600.40(a)(1)(iv)(B)]
- The school, one or more of its owners, or its chief executive officer has pled *nolo contendere* to, or is found guilty of, a crime involving the acquisition, use, or expenditure of Title IV [funds](#)—or has been judicially determined to have committed fraud involving Title IV funds.
[§600.7(a)(3)]
- The school loses its licensure or accreditation.
[§600.11(c); §600.41(a)(ii)(C) and (D)]

¹. Policy 1184 (Batch 168), approved April 15, 2010

- The school undergoes a change of ownership resulting in a [change of control](#).
[§600.31(a)(1)]
- The school stops providing educational programs for a reason other than a normal vacation period or natural disaster that directly affects the school or its students.
[§600.40(a)(1)(iii)]
- The school or a controlling affiliate of the school files for [bankruptcy](#) or is forced into bankruptcy by its creditors.
[§600.7(a)(2)(A) and (B)]
- The school's accreditation is no longer recognized by the Department because the school does not agree to submit any dispute involving the final denial, withdrawal, or termination of its accreditation or preaccreditation to initial arbitration before initiating any other legal action.

In addition, a school ceases to satisfy the definition of an eligible [institution](#) for participation in Title IV programs if, during the school's latest complete [award year](#), any of the following conditions apply:

- More than 50% of the courses offered by the school were offered as correspondence courses—unless the school is exempt under the [Carl D. Perkins Vocational and Applied Technology Education Act](#).
[§600.7(a)(1)(i)]
- The percentage of the school's regular [enrolled](#) students who were enrolled in correspondence courses is 50% or more. A [regular student](#) is one who is enrolled or accepted for enrollment at the school for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by the school. A school is exempt from this rule if it offers a two-year or four-year degree program and the students enrolled in the correspondence courses receive no more than 5% of the total of Title IV funds received by all students at the school. The school also is exempt if it is eligible under the [Carl D. Perkins Vocational and Applied Technology Education Act](#).
[§600.7(a)(1)(ii)]
- The percentage of the school's regularly enrolled students who are [incarcerated](#) is more than 25%. The Department may waive this rule if the school is a nonprofit institution that provides 2-year or 4-year educational programs for which it awards an associate

or bachelor's degree, or a postsecondary diploma.
[§600.7(a)(1)(iii) and (c)]

- 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 a proprietary schools must receive no more than 90% of its ~~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 methods for determining the revenue percentages is are found in 34 CFR 600.5(d) §668.28(a) and (b). The definitions for the revenue components in the 90/10 calculation are provided in §668.28(a) and (b) and the formula for calculating the revenue percentage is detailed in Appendix C to Subpart B of Part 668.

The determination of whether a proprietary school meets this requirement is based on the school's most recently completed fiscal year. A If a proprietary school that fails to satisfy the 90/10 rule during its most recently completed fiscal year, the school has no more than 45 days after the end of that period to report to the Department and each applicable guarantor that it did not satisfy the 90/10 rule for that period. A proprietary school's certification becomes provisional at the start of a fiscal year after the school fails to satisfy the 90/10 rule for the preceding fiscal year. The school's provisional certification ends on either of the following:

- The expiration date of the school's [program participation agreement](#), in effect on the date that the school failed to satisfy the 90/10 rule.
- The date the school loses its eligibility to participate in Title IV programs. The school loses its eligibility on the last day of ~~that~~ the second consecutive fiscal year for which the school failed to satisfy the 90/10 rule.¹

¹. Policy 1198 (Batch 169), approved April 15, 2010

To regain eligibility to participate in Title IV programs, a proprietary school must demonstrate that it has complied with the state licensing, the accreditation, and the financial responsibility requirements for a minimum of two fiscal years after the end of the fiscal year in which the school became ineligible.
[§668.28(c)]

~~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]¹

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 its [Program Participation Agreement \(PPA\)](#), the a 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 school's officers, employees, and agents, of the school which includes officers and employees. The school must publish the code of conduct prominently on the school's Website and require that all of the school's agents with responsibilities with respect to FFELP or private~~

education loans be informed annually of the provisions of the code of conduct.
[§601.21(a)(2); §668.14(b)(27)]

The code of conduct must prohibit conflicts of interest and 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 that provides or issues a FFELP or private education loan to a student or the family of a student attending the school under which the lender makes Title IV loans to students attending the school (or to the families of those students), where 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); §601.21(c)(1); DCL GEN-08-12/FP-08-10]
- A gift ban. ~~An employee of a school financial aid office~~ An agent employed in the financial aid office or who has responsibilities with respect to FFELP or private education loans may not solicit or receive gifts from a FFELP or private education loan 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. Gifts include services such as transportation, lodging, or meals, whether provided in kind by purchase of a ticket, or paid in advance or reimbursed after the expense is incurred. Additionally, any gift provided to a family member of a school employee or agent with responsibilities related to FFELP or private education loans is considered a gift if given with the knowledge and permission of the employee or agent where there is reason to believe the gift was due to the employee's or agent's official position. 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. Policy 1198 (Batch 169), approved April 15, 2010

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. Reasonable expenses are defined by the state government reimbursement policy applicable to the entity. If no state policy is applicable to the entity, then reasonable expenses are defined by federal cost principles for reimbursement.

[HEA §487(e)(7); §601.21(c)(7); §668.16(d)(2)(ii); DCL GEN-08-12/FP-08-10]¹

4.2

Administrative Capability Standards

Both guarantors and the Department require, as a condition of administrative capability, that a school designate a capable individual to administer and coordinate the FFELP with the school's other federal and nonfederal aid programs. The school must ensure that an adequate number of qualified personnel are available to administer the loan programs, as outlined in federal regulations.

To effectively manage these programs, a school may contract with consultants or [third-party servicers](#). A school that contracts with an outside consultant or [servicer](#) remains responsible for the proper administration of the programs. The school cannot delegate this responsibility and remains accountable if the consultant or servicer mismanages the programs. The use of a consultant or servicer does not relieve the school of its responsibilities to counsel students on their rights and responsibilities or to provide students with the required [exit counseling](#) on loan repayment and debt management.

A school must demonstrate that it is capable of adequately administering the FFELP by meeting the following additional requirements:

- The school must administer the FFELP with adequate checks and balances as well as adequate internal controls.
- The school must divide the functions of authorizing payments and delivering FFELP funds.
- The school must establish and publish standards for measuring [satisfactory academic progress \(SAP\)](#). These standards must, at a minimum, conform to the standards detailed in the federal regulations.

- The school must provide required program and fiscal reports in a timely manner.
- The school must show no evidence of significant problems as determined in a [program review](#).
- The [school](#) must participate in the electronic processes that the [Department](#) provides at no substantial charge to the school. These processes will be identified in notices published in the [Federal Register](#). The Department expects to provide these notices annually. Schools are not restricted to using only software and services provided by the Department. [§668.16; §682.203(a)]

- A school must annually report to the Department the amount of any reasonable expenses that were paid or provided by a private education loan lender or group of lenders to an [agent](#) of the school with responsibilities for financial aid. The school must report all of the following:
 - = The amount for each specific instance of reasonable expenses paid or provided. See [Subsection 4.1.E](#) for more information about the standards for determining reasonable expenses.
 - = The name of the agent with responsibilities for financial aid to whom the expenses were paid or provided.
 - = The dates of each activity for which the expenses were paid or provided.
 - = A brief description of each activity for which the expenses were paid or provided.
- [\[§668.16\(d\)\(1\) and \(2\)\]](#)²
- The school must establish and maintain records required under [34 CFR Part 668 \(General Provisions\)](#) and as required for each Title IV program.³

¹. Policy 1176 (Batch 167), approved March 18, 2010

². Policy 1199 (Batch 169), approved April 15, 2010

³. Policy 1212 (Batch 169), approved April 15, 2010

An FAA may obtain additional information or assistance from any of the following sources:

- A training conference provided by the Department or a [guarantor](#).
- The school's state, regional, or national associations of financial aid professionals.
- The appropriate U.S. Department of Education regional office (see [Appendix D](#) for contact information).
- Guarantor newsletters.
- Guarantor customer assistance units (see [Section 1.5](#) for contact information).
- The financial aid publications listed in [Section 2.3](#) of this Manual.

4.3 Financial Responsibility Standards

Federal regulations require that a school meet all of the following financial responsibility criteria:

- The school must provide all services described in its official publications and statements.
- The school must properly administer the [Title IV](#) programs in which it participates.
- The school must meet all of its financial obligations. [[§668.171\(a\)](#)]

4.3.A General School Financial Responsibility Requirements

Financial Statements and Audit Requirements

Each year, a school is required to submit to the [Department](#)—for the school's most recently completed fiscal year—a financial statement prepared on an accrual basis according to generally accepted accounting principles and audited by an independent auditor or a government auditor. The financial statement must be prepared in accordance with generally accepted auditing standards and, if applicable, other guidance contained in the Office of Management and Budget [Circular A-133](#) or in the [Office of the Inspector General's audit guides](#). The audited financial

statement and the compliance audit report may be separate reports prepared by different auditors, provided that both are conducted on a fiscal-year basis and are submitted together. The Department also may request other documentation that it believes is necessary to make a determination of financial responsibility. As a part of its financial statement, the school must include a detailed description of related entities (as defined in the Statement of Financial Accounting Standards) and should list parties related to the school and details that would enable the Department to readily identify the related entities. The Department also may require the submission of additional financial statements that define the school's financial relationships to related entities that have the ability to significantly influence or control the school.

[[§668.23\(a\)\(4\)](#); [§668.23\(d\)\(1\)](#) and [\(2\)](#)]

A proprietary school must disclose in a footnote to its financial statement the percentage of its revenues derived from Title IV programs during the covered fiscal year. The revenue percentage must be calculated in accordance with [§668.28\(a\)](#) and [\(b\)](#). The proprietary school must also include, in the footnote, the dollar amount of the numerator and of the denominator in the school's 90/10 calculation along with the individual revenue amounts by source (see [Section 2 of Appendix C in subpart B of Part 668](#)). The independent certified public accountant who prepares a proprietary school's audited financial statement must report on the accuracy of the school's calculation of the 90/10 components—based on performing an agreed-upon procedure attestation engagement.

[[§668.23\(d\)\(4\)](#); [09-10 FSA Handbook, Volume 2, Chapter 1, p. 2-7](#)]

[[§668.23\(a\)\(4\)](#); [§668.23\(d\)\(1\)](#), [\(2\)](#), and [\(4\)](#)]¹

A school's financial statement must be submitted annually within 6 months of the end of its fiscal year. The Department may request more frequent filings or, with good cause, may extend the filing deadline.

[[§668.23\(a\)\(4\)](#)]

In addition, each year a school must submit to the Department a compliance audit of its administration of Title IV programs, conducted on a fiscal-year basis by an independent auditor. The compliance audit must be submitted to the Department not more than 6 months after the end of the school's fiscal year. The compliance audit must cover all Title IV transactions in that fiscal year and all transactions that occurred since the period covered by its last compliance audit. It must be conducted in accordance with generally accepted standards for compliance audits and procedures for audits contained in the Department's [audit guide](#). The Department may also require the school to

¹ Policy 1198 (Batch 169), approved April 15, 2010

4.4 Providing Information to Students

Federal regulations outline specific information that the school must provide to prospective students and their parents, to [enrolled](#) students, and in some cases, to school employees and prospective employees. Generally, this information is provided by a school's financial aid office. This information includes general consumer information such as graduation and transfer-out rates, campus crime statistics, and [entrance](#) and [exit counseling](#) for student borrowers.

For more information on the responsibilities of a financial aid office with respect to providing this information, the school may refer to [§682.604](#) and [§668.42](#), as well as the [08-09 FSA Handbook, Volume 2, Chapter 6, pp. 2-78 to 2-84](#).

4.4.A Preferred Recommended-Lender Arrangements and Lists

A preferred lender arrangement is an agreement between a lender and a school or an institution-affiliated organization under which a lender issues loans to a student or a student's family and the school or institution-affiliated organization recommends, promotes, or endorses the lender's loans. A preferred lender arrangement does not include: [\[§601.2\(b\)\]](#)

- Arrangements or agreements with respect to loans made under the [Federal Direct Loan Program](#).
- Arrangements or agreements with respect to loans originated through the PLUS loan auction pilot program.
- A private education loan made by a school or institution-affiliated organization to a student attending the school, provided the loan meets any one of the following conditions:
 - = The loan is funded by the school's or institution-affiliated organization's own funds.
 - = The loan is funded by donor-directed contributions.
 - = The loan is made under [Title VII](#) or [Title VIII of the Public Service Health Act](#).

- = The loan is made under a state-funded financial aid program, if the terms and conditions of the loan include a loan forgiveness option for public service.

A school or an institution-affiliated organization that participates in a preferred lender arrangement must disclose on its Website and in all publications, mailings, or electronic messages or materials that describe or discuss education loans, including a list of preferred lenders (see below), all of the following:

- The maximum amounts of Title IV grant and loan aid available to students in an easy-to-understand format. [\[§601.10\(a\)\(1\)\(i\)\]](#)
- The information identified on a model disclosure form developed by the Department for each type of FFELP loan that is offered pursuant to a preferred lender arrangement. This information must be provided in a manner that allows for the student and his or her family to take the information into account before selecting a lender or applying for an education loan. [\[§601.10\(a\)\(1\)\(ii\); §601.10\(c\)\(2\)\]](#)
- A statement that the school is required to process FFELP loan documents from any eligible lender the student selects. [\[§668.10\(a\)\(1\)\(iii\)\]](#)
- The information identified on the Private Loan Application and Solicitation Model Form approved by the Federal Reserve Board for each type of private education loan that is offered pursuant to a preferred lender arrangement. This information must be provided in a manner that allows for the student and his or her family to take the information into account before selecting a lender or applying for an education loan. For more information about the Private Loan Application and Solicitation Model Form, see the Final Rules published by the Federal Reserve Board in the [Federal Register dated August 14, 2009, Vol. 74, No. 156, pp. 41237 and 41238](#). [\[§601.10\(a\)\(2\)\(i\) and \(ii\); §601.10\(c\)\(2\)\]](#)¹

¹. Policy 1200 (Batch 169), approved April 15, 2010

Preferred Lender Lists

For any year in which a A-school has a preferred lender arrangement, the school must compile, maintain, and make available ~~may provide to a students and their parents his or her family~~ a list of recommended FFELP or private education loan lenders that the school recommends, promotes, or endorses. ~~If a school chooses to provide such a list,~~ The list must:

[§668.14(b)(28)]

- ~~Not be used to deny or otherwise impede a borrower's choice of lender.~~
- Contain at least three unaffiliated FFELP lenders that will make FFELP loans to borrowers or students attending the school. If the school participates in a preferred lender arrangement for private education loans, the list must include at least two unaffiliated private education lenders. If any listed lender is an affiliate of any other listed lender, the school must provide the details of the affiliation. The lender affiliation provision does not include entities that are involved in post-disbursement activities, which a school has no ability to monitor or control. For the purposes of this subsection, a lender is affiliated with another lender if any of the following criteria applies: [§601.10(d)(2)]
 - The lenders are under the ownership or control of the same entity or individuals.
 - The lenders are wholly or partly owned subsidiaries of the same parent company.
 - The directors, trustees, or general partners (or individuals exercising similar functions) of one of the lenders constitute a majority of the persons holding similar positions with the other lender.
- Not include lenders that have offered, or have offered in response to a solicitation by the school, financial or other benefits to the school in exchange for inclusion on the list or any promise that a certain number of loan applications will be sent to the lender by the school or its students.
- Disclose prominently the method and criteria used by the school in selecting any lender that it recommends. [§601.10(d)(3); §682.212(h)(2)(i)]

- Disclose why the school participates with each lender on the list, particularly with respect to terms and conditions or provisions that are favorable to the borrower.

[§601.10(d)(1)(ii)]

A school that provides a FFELP or private education loan preferred recommended lender list must do each of the following:

- ~~Disclose, as part of the list, the method and criteria used by the school in selecting any lender that it recommends.~~
- Provide comparative information to prospective borrowers about interest rates and other benefits offered by the lenders.
- Include a prominent statement in any information related to its list of lenders, advising prospective borrowers that they are not required to use one of the school's recommended lenders. [§601.10(d)(1)(iii); §682.212(h)(2)(iii)]
- ~~For first time borrowers, not assign, through award packaging or other methods, a borrower's loan to a particular lender.~~
- Exercise a duty of care and a duty of loyalty to compile the preferred lender list without prejudice and for the sole benefit of the students and their families. [§601.10(d)(4)]
- Not deny or otherwise impede a borrower's choice of lender or cause unnecessary certification delays for a borrower who use chooses a lender that ~~has not been recommended by the school~~ is not included on the preferred lender list. [§601.10(d)(5)]
- Update any list of ~~recommended~~ preferred lenders and any information accompanying such a list no less often than annually. [§682.212(h)]¹

¹. Policy 1200 (Batch 169), approved April 15, 2010

A school that chooses not to ~~publish a recommended lender list~~ participate in a FFELP or private education loan preferred lender arrangement, or that has not been able to identify ~~three or more~~ the requisite number of unaffiliated lenders to make loans to its students and parents under a preferred lender arrangement, may provide alternative information to assist its students and/or parents with their choice of lender. The school may provide ~~either any~~ of the following:

[DCL GEN-08-06]

- The names of lenders that have indicated a willingness to make FFELP or private education loans to students and their parents for attendance at the school.
- A neutral, comprehensive list of lenders that have made FFELP or private education loans in the past three to five years (or some other time frame established by the school) to students and parents at the school and that have indicated a willingness to continue to make FFELP education loans, as long as the lenders did not provide any prohibited inducement to the school to secure loan applications. A school may provide a comparison of terms and conditions offered by the lenders on the loans being offered.
- A referral to a Website maintained by a third-party entity that contains a neutral list of private education loan lenders and the products each lender offers. However, the school must ensure that the third-party Website complies with all of the following:
 - The listing of private education loan lenders is broad in scope.
 - The third-party Website does not recommend or endorse any of the lenders on the list.
 - The private education loan lenders on the list do not pay the third-party entity for placement on the list or pay the third-party entity a fee based on any loan volume generated.

When providing either type of lender information, the school must not provide any additional information about any lender on the list it offers, must make clear that it is not endorsing any lender, and must clearly state that the student and/or parent may choose any FFELP or private education loan lender that will make loans for attendance at that school.¹

¹. Policy 1200 (Batch 169), approved April 15, 2010

4.4.B Student Consumer Information

A school participating in any Title IV program must ~~provide annually to all enrolled students—and to prospective students, upon request—consumer information concerning the school and any financial assistance available to students attending the school, along with the school’s completion or graduation rate and its transfer out rate. A school must also provide consumer information to employees and prospective employees and provide certain related reports (e.g., crime statistics reports).~~

A school that participates in any Title IV program must make available—and in some cases directly distribute—certain student consumer information to all currently enrolled students, prospective students, and in certain cases, current employees, prospective employees, parents, counselors, coaches, and the public. The school’s written student consumer information and related reports must adhere to statutory and regulatory requirements, as outlined in the HEA §485 and Subpart D (Institutional and Financial Assistance Information for Students) of the Student Assistance General Provisions. (The school should refer to §668.41 through §668.48.) The school also may wish to consult other Department of Education publications, such as the 08-09 FSA Handbook, Volume 2, Chapter 6 and the Handbook for Campus Crime Reporting for more information on student consumer information requirements, including authorized procedures for disclosing student consumer information. A school must prepare or revise information for each award year during which it participates in any Title IV program.

A prospective student is an individual who has contacted an eligible school to request information about admission to the school. The school’s student consumer information plays an essential role in ensuring that prospective students receive enough information about the school and its programs to make an informed decision about where the student will pursue his or her postsecondary education. [§668.41(a)]

Auditors and program reviewers will examine the school’s written student consumer information for accuracy, completeness, and adherence to the requirements outlined in federal statute and regulations.²

A prospective student is an individual who has contacted an eligible school to request information about admission to the school. The school must make information available to a prospective student prior to the student’s enrolling or

². Policy 1185 (Batch 168), approved April 15, 2010

entering into any financial obligation with the school. The school may use an Internet Website to provide information to prospective students; however, the school may not use an Intranet Website. The school may use an Internet Website or an Intranet Website that is reasonably accessible to the individuals to whom the information must be disclosed to provide information to enrolled students. [§668.41]

Information for Student Athletes Who Are Offered Financial Aid

When a school participating in any Title IV program offers a potential student athlete athletically related financial aid, the school must provide the potential student athlete—and his or her parents, high school coach, and guidance counselor—information on completion or graduation rates and transfer-out rates for student athletes, following the requirements of HEA §485(e), §668.41(b) and (f), and §668.48. A school must calculate and disclose a transfer-out rate only if the school determines that its mission includes providing substantial preparation for its students to enroll at another eligible school. The school also must submit the report produced to provide information to these students to the Department by July 1 of each year. [§668.45(a)(2)]

A school's responsibilities may be satisfied if all of the following criteria are met:

- The school is a member of a national collegiate athletic association. [§668.41(f)(1)(ii)(A)]
- The association compiles data on behalf of its member schools, which the Department determines is comparable to those required in §668.48. [§668.41(f)(1)(ii)(B)]
- The association distributes the data to all secondary schools in the United States. [§668.41(f)(1)(ii)(C)]

See below under the subheading *General Disclosures for Enrolled and Prospective Students* for more information about completion and graduation rates and, if applicable, transfer-out rates that a school must calculate for the general student body. A school must prepare or revise information for each award year in which it participates in any Title IV program. In developing student consumer information, schools new to Title IV programs may find it helpful to review other schools' catalogs. However, each school remains ultimately responsible for the accuracy and completeness of its student consumer information.

Financial Aid Information

General Disclosures for Enrolled and Prospective Students

A school must make available to enrolled and prospective students through appropriate publications, mailings, or electronic media, information about the school and financial aid available to students attending the school. A school is considered to make information available by posting it on a Website or including it in printed material without regard to whether any one individual requests it. When a student inquires about the general disclosure information that a school must make available, the school must direct the student to the appropriate source from which the information may be obtained. [§668.41(d)]

A school must annually provide a currently enrolled student with a direct notice of the availability of the information that must be disclosed, briefly describes it, and advises the student how to obtain the information. A school that discloses information to an enrolled student by posting the information on its Website must include in its notice the exact electronic address at which the information is posted, and a statement that the school will provide a paper copy of the information upon the student's request. A school may use either an Intranet or Internet Website to make student consumer information available to an enrolled student. A school must not use an Intranet Website to make student consumer information available to a prospective student. [§668.41(b) and (c)]

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

- The federal, state, local, private, and institutional financial aid programs available to students who enroll at the school, including descriptions of:
 - = The procedures (including deadlines) and forms a student must use to apply for assistance. [§668.42(b)(1)]
 - = The requirements used in determining whether a student is eligible for aid. [§668.42(b)(2)]¹

¹. Policy 1185 (Batch 168), approved April 15, 2010

= The terms and conditions of any FFELP, FDLP, or Perkins loan(s) that is available to a student who enrolls at the school. See below for additional information that must be disclosed to a student who receives a FFELP, FDLP, or Perkins loan as part of a financial aid package.
[HEA §485(a)(1)(M); §668.42(a)(4)]¹

= The criteria used by the school to select financial aid recipients from the group of eligible applicants.
[§668.42(b)(3)]

= The criteria used in determining the amount of a student's award.
[§668.42(b)(4)]

Funding Education Beyond High School: The Guide to Federal Student Aid, a free booklet published by the Department, provides schools with an excellent source of materials for developing descriptions of Title IV programs. A school may obtain copies by calling (800) 4-FED-AID or by mailing a request to:

Federal Student Financial Aid Information Center
Federal Student Aid
P.O. Box 84
Washington, DC 20044

Student Rights and Responsibilities

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

= The criteria for continued student eligibility under each program.
[§668.42(c)(1)]

= The standards by which the school determines, for the purpose of awarding financial assistance, whether a student is making **satisfactory academic progress (SAP)**, and the criteria that must be met by a student who has failed to maintain SAP to reestablish eligibility for assistance.
[§668.42(c)(2)(i) and (ii)]

= Information on how and when a student will receive financial aid payments.
[§668.42(c)(3)]²

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

= The general conditions and terms applicable to any employment provided to a student as part of the student's financial aid package (for students receiving aid under the **Federal Work-Study Program**).
[§668.42(c)(5)]

To assist schools in meeting the student consumer information requirements, each **MPN** includes detailed information on the terms of the borrower's loan. By signing the **Federal PLUS Loan Application and Master Promissory Note (PLUS MPN)** or the **Federal Stafford Loan Master Promissory Note (Stafford MPN)**, the borrower certifies that he or she has read the information and understands the terms of the loan, including the rights and responsibilities related to that loan. ~~To ensure that this information is adequately communicated to the prospective student or borrower, the guarantor recommends that the information be summarized in the school's student consumer information.~~³

Additional Student Consumer Information

~~Upon request, a school must make readily available to enrolled and prospective students information regarding the school and its administration and academic standards. Information about the school must include, but is not limited to, the following:~~⁴

- The cost of attending the school, including:
 - Tuition and fees charged to full-time and part-time students.
[§668.43(a)(1)(i)]
 - Estimated costs for necessary books and supplies.
[§668.43(a)(1)(ii)]

¹. Policy 1164 (Batch 165), approved February 18, 2010

². Policy 1185 (Batch 168), approved April 15, 2010

³. Policy 1164 (Batch 165), approved February 18, 2010

⁴. Policy 1185 (Batch 168), approved April 15, 2010

- Estimates of typical costs for room and board. [§668.43(a)(1)(iii)]
- Estimates of transportation costs for students. [§668.43(a)(1)(iv)]
- Any additional costs for a particular program in which a student is enrolled or expresses an interest. [§668.43(a)(1)(v)]
- Any [refund](#) policy with which the school is required to comply for the return of unearned tuition and fees or other refundable charges paid to the school. [§668.43(a)(2)]
- The requirements and procedures for officially withdrawing from the school. [§668.43(a)(3)]
- A summary of the requirements under §668.22 for the [return of Title IV loan or grant assistance](#). For more information on school requirements for returning Stafford or PLUS loan funds, see [Section 9.5](#). [§668.43(a)(4)]
- The school's current degree programs and other educational and training programs, and any plans the school has to improve its academic programs. A school may determine what a plan is, and when a plan becomes a plan. [HEA §485(a)(1)(G); §668.43(a)(5)(i) and (iv)]
- The school's instructional, laboratory, and other physical facilities that relate to its academic programs. [§668.43(a)(5)(ii)]
- The school's faculty and other instructional personnel. [§668.43(a)(5)(iii)]
- The names of the school's accrediting or licensing organizations and the procedures under which any current or prospective student may review—~~upon request~~—a copy of the documents describing the school's accreditation, approval, or licensing. [§668.43(a)(6) and (9); §668.43(b)]
- Special facilities and services available to students ~~who are physically challenged~~ with disabilities, including students with intellectual disabilities. See [§668.231\(b\)](#) for more information about a student with an intellectual disability. This information may include detailed descriptions of all facilities (such as ramps and special parking arrangements) and services (such as special tutors, library books in Braille, and audio-visual materials available). If the school has chosen not to provide special facilities or services, the school may report that no facilities exist to accommodate students with special needs. [§668.43(a)(7)]
- The titles of designated school personnel that are available on a full-time basis to assist students and prospective students in obtaining consumer information about the school—with information on how and where those persons may be contacted. [§668.43(a)(8); §668.44]
- For schools with study-abroad programs, a statement to the effect that enrollment in the [foreign school](#) is equivalent to enrollment in the home school for purposes of establishing Title IV eligibility. [§668.43(a)(9)]
- For schools that use job placement statistics in recruiting students, the most recent available data concerning job placement statistics, graduation statistics, and any other information necessary to substantiate the truthfulness of the advertisements. [§668.14(b)(10)(i)]
- ~~The school's annual security report containing the school's security policies and crime statistics. A foreign school is not required to collect and distribute a report on campus crime statistics, but must keep a daily crime log and make timely warnings of crimes to the campus community.~~ [HEA §485(f)(1); §668.46; DCL GEN 08-12]
- ~~The school's current campus policies regarding immediate emergency response and evacuation, including the use of electronic and cellular communication (if appropriate).~~ [HEA §485(f)(1)(J)]¹

¹. Policy 1185 (Batch 168), approved April 15, 2010

- The school's policies and sanctions related to copyright infringement, on unauthorized peer-to-peer file sharing, including all of the following:
 - A description of the school's policies on unauthorized peer-to-peer file sharing, including disciplinary actions that are taken against students who use the school's information technology system to engage in illegal downloading or unauthorized distribution of copyrighted materials.
 - A summary of the penalties for violation of federal copyright laws.
 - Annually, a school must explicitly inform students. An explicit statement that a student may be subject to civil and criminal penalties for the unauthorized distribution of copyrighted material, including unauthorized peer-to-peer file sharing.
[HEA §485(a)(1)(P); §668.43(a)(10)]
 - Student body diversity at the school, including information on the percentage of enrolled, full-time students who are male, female, receive a Federal Pell grant, and are a self-identified as members of a major racial or ethnic group.
[HEA §485(a)(1)(Q)]
 - From data gathered through alumni surveys, student satisfaction surveys, ~~the National Survey of Student Engagement, the Community College Survey of Student Engagement (as applicable),~~ state data systems, or other relevant sources:
 - Information about employment placement and the types of employment obtained by graduates of the school's degree or certificate programs. If a school calculates an actual job placement rate, even if the school is not required to do so, the school must disclose the rate.
[HEA §485(a)(1)(R); §668.41(d)(5)]
 - The types of graduate and professional education in which graduates of the school's four-year degree programs enrolled.
[HEA §485(a)(1)(S); §668.41(d)(6)]
- Regardless of the source of the information that a school chooses, the school must disclose that source and any time frames and methodology associated with the data.
[§668.41(d)(5)(ii) and (6)(ii)]
- ~~The school's annual fire safety report and its campus fire safety practices and standards. A school must publish such a report if it maintains on-campus student housing facilities.~~
[HEA §485(a)(1)(T) and §485(i)]
 - The retention rate of certificate- or degree-seeking, first-time, full-time undergraduate students entering the school, as reported to the Integrated Postsecondary Education Data System (IPEDS). In the case of a request from a prospective student, this information must be made available prior to the student's enrolling or entering into any financial obligation with the school.
[HEA §485(a)(1)(U); §668.41(d)(3)]
 - The school's completion or graduation rate, and, if the school determines that its mission includes substantial preparation for its students to enroll at another eligible school, its transfer-out rate for the school's certificate- or degree-seeking, first-time, full-time undergraduate students, disaggregated by each of the following:
 - Gender
 - Each major racial and ethnic subgroup (as defined in IPEDS)
 - Recipients of a Pell grant
 - Recipients of a subsidized Stafford loan who did not receive a Pell grant
 - Recipients of neither a subsidized Stafford loan nor a Pell grant
- If the number of students in any of the aforementioned groups is insufficient to yield statistically reliable information, or if reporting will reveal personally identifiable information about an individual student, the school is not required to calculate a rate for that group. However, in such a case, the school must report that too few students enrolled in that group to disclose or report with confidence and confidentiality.¹

¹ Policy 1185 (Batch 168), approved April 15, 2010

A student is considered a recipient or a non-recipient of a Pell grant or, as applicable, a subsidized Stafford loan, if the student received the aid during one of the following time periods:

- = For a school with a predominant number of semester, trimester, or quarter term-based programs, the fall term of the year in which the student's cohort of certificate- or degree-seeking, first-time, full-time undergraduate students first entered the school.
- = For a school with a predominant number of programs that are not semester, trimester, or quarter term-based, the period between September 1 and August 31 of the following year when the student's cohort of certificate- or degree-seeking, first-time, full-time undergraduate students first entered the school.

A two-year, degree-granting school is not required to report completion or graduation rates, and if applicable, transfer-out rates by the categories above until academic year 2011-2012. In the case of a request from a prospective student, this information must be made available prior to the student's enrolling or entering into any financial obligation with the school. See above for more information about completion or graduation rates and, if applicable, transfer-out rates that a school must calculate for students who receive athletically-related financial aid.

[§668.41(d)(4); §668.45]

- A description of the school's transfer of credit policies, that includes, at minimum, both of the following:
 - = Any criteria the school uses regarding the transfer of credit earned at another school.
 - = A list of the schools with which the school has established an articulation agreement.

An articulation agreement is an agreement among schools that specifies the acceptability of transfer courses toward meeting specific degree or program requirements. The Department may not require a school to establish a particular policy, procedures, or practice regarding transfer of credit.

[HEA §486A(a)]

- The school's policies regarding vaccinations.
[HEA §485(a)(1)(V)]

Annual Security Report

By October 1 of each year, a school must publish and distribute to all of its enrolled students and current employees an annual security report. If the school distributes its annual security report by posting it on an Internet or Intranet Website, the school must notify its enrolled students and current employees of the exact electronic address at which the report is posted, briefly describe the report, and state that the school must provide a paper copy of the report upon request.

The school must notify prospective students and prospective employees about the availability of the annual security report, briefly describe its content and provide an opportunity to request a copy. If a school makes the annual security report available by posting it on an Internet Website, the school must include in its notice to prospective students and prospective employees the exact electronic address at which the report is posted, briefly describe the report, and state that the school will provide a paper copy of the report upon request. A school must not use an Intranet Website to make student consumer information available to a prospective student or prospective employee.

The annual security report must, at minimum, include all of the following:

- A statement of the school's policies for reporting criminal actions or other emergencies that occur on campus, including the school's policies for responding to these reports.
- A statement of the school's current policies concerning security of and access to campus facilities.
- A statement of the school's current policies on the authority of security personnel and their relationship with state and federal law enforcement agencies.
- A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices.
- A description of programs designed to inform students and employees about crime prevention.
- A statement of policy concerning the monitoring and recording, through law enforcement, of criminal activity in which students engage at off-campus locations of student organizations that are officially recognized by the school.¹

¹. Policy 1185 (Batch 168), approved April 15, 2010

- A statement of policy regarding the possession, use, and sale of illegal drugs and the enforcement of state and federal drug laws.
- A description of any drug- and alcohol-abuse educational programs.
- A statement of policy regarding the school's campus sexual-assault prevention programs, and procedures to follow when a sex offense occurs.
- A statement advising the campus community where sex offender registration information may be obtained.
- The three most recent calendar years of statistics on campus crimes that are reported to local police agencies or to a campus security authority.
- The school's emergency evacuation response procedures (see the subheading that follows for more information).
[§668.46(g)]
- If a school provides on-campus housing facilities, its missing student notification policies and procedures (see the subheading that follows for more information).
[§668.46(h)]

A school that provides on-campus housing facilities may, but is not required to, publish its annual fire safety report in its annual security report. (See below for more information about the fire safety report.) If a school that must disclose an annual fire safety report chooses to include it in its annual security report, the school must ensure that the report title clearly states that the report contains both the annual security report and the annual fire safety report.
[§668.41(e)(6)]

Campus Crime Log

A school that maintains a campus police or campus security department must maintain a written, easily understood daily crime log that records, by the date the crime was reported, any campus crime that is reported to the campus police or security department. The school must make the crime log for the most recent 60-day period open to public inspection during normal business hours. The school must make any portion of the log older than 60 days available within two business days of a request for public inspection.

See the *Handbook for Campus Crime Reporting* for more detailed information about a school's campus crime policies and procedures, crime statistics, and the crime log.
[§668.41(e); §668.46]

Emergency Response and Evacuation Procedures

A school must include in its annual security report a statement of policy regarding its emergency response and evacuation procedures. This policy must, at a minimum, include all of the following:

- The procedures the school uses to immediately notify the campus community upon confirmation of a significant emergency or dangerous situation that is occurring on campus and involves an immediate threat to the health or safety of students or employees.
- A description of the process the school uses to do all of the following:
 - Confirm that there is a significant emergency or dangerous situation.
 - Determine the appropriate segment(s) of the campus community to receive notification.
 - Initiate the notification system.

The school must provide a list of the person(s) or organization(s) that are responsible for carrying out the aforementioned actions.

- A statement that the school will, without delay, determine the content of the notification and initiate the notification system unless doing so will compromise the efforts to assist a victim or to contain, respond to, or otherwise mitigate the emergency.
- The school's procedures for disseminating emergency information to the larger community (e.g., parents).
- The school's procedures to conduct an announced or unannounced test of its emergency response and evacuation procedures at least each calendar year. A school must publicize its emergency response and evacuation procedures in conjunction with each test, and document, for each test, a description of the exercise, the date, the time, and whether the test was announced or unannounced.
[§668.46(g)]

Missing Student Notification Policies and Procedures¹

A school that provides on-campus housing facilities must include in its annual security report a statement of policy regarding missing student notification procedures for

¹ Policy 1185 (Batch 168), approved April 15, 2010

students who reside in an on-campus housing facility. An on-campus housing facility is a dormitory or other residential facility for students that is located on property that the school owns, including a building that is owned and maintained by a party other than the school (e.g., a student organization). If the school owns neither the property on which the student housing facility is located nor the building, the school is not required to develop and disclose a statement of policy regarding missing student notification procedures for students residing in that housing facility.

A school's missing student notification policy must, at a minimum, inform a student that resides in an on-campus housing facility of all of the following:

- The titles of persons or organizations to which students, employees, or other individuals should report that a student has been missing for 24 hours.
[\[§668.46\(h\)\(1\)\(i\)\]](#)
- That a school must immediately refer any missing student report to a school's police or campus security department, or, if the school does not have a police or campus security department, to the local law enforcement agency with jurisdiction in the area.
[\[§668.46\(h\)\(1\)\(ii\)\]](#)
- That the school must notify the appropriate law enforcement agency no later than 24 hours after the school determines that the student is missing, unless local law enforcement was the entity that made that determination.
[\[§668.46\(h\)\(1\)\(vi\); §668.46\(h\)\(2\)\(iii\)\]](#)
- That a student may confidentially register contact information for an individual or individuals whom the school will contact no later than 24 hours after the school's campus security department or law enforcement determines that the student is missing. The contact information a student provides will be accessible only to authorized campus officials. The school must not otherwise disclose contact information for the student, except to law enforcement personnel who are conducting a missing person investigation.
[\[§668.46\(h\)\(1\)\(iii\) and \(iv\); §668.46\(h\)\(2\)\(i\)\]](#)
- That the school must notify the custodial parent or guardian of a student who is under the age of 18 and who is not an emancipated minor no later than 24 hours after the student is determined to be missing, in addition to notifying any contact person the student designated.
[\[§668.46\(h\)\(1\)\(v\); §668.46\(h\)\(2\)\(ii\)\]](#)

Annual Fire Safety Report

By October 1 of each year, a school that provides on-campus student housing facilities must distribute to all of its enrolled students and current employees a fire safety report. An on-campus housing facility is a dormitory or other residential facility for students located on property that the school owns, including a building that is owned and maintained by a party other than the school (e.g., a student organization). If the school owns neither the property on which the student housing facility is located, nor the building, then the school is not required to include the student housing facility in its annual fire safety report or maintain a fire log for that facility (see below).

If a school must publish a fire safety report because it provides on-campus housing facilities, the school may, but is not required to, include the fire safety report in its annual security report. If a school chooses to include the annual fire safety report in its annual security report, the school must ensure that the report title clearly states that the report contains both the annual security report and the annual fire safety report. (See above for more information about the annual security report.) If a school that is required to publish an annual fire safety report chooses to publish the fire safety report separately from the annual security report, the school must ensure that it includes information in each report about how to directly access the other report.
[\[§668.41\(e\)\(6\)\]](#)

If the school publishes its fire safety report separately from its annual security report by posting it on an *Internet* or *Intranet* Website, the school must notify its enrolled students and current employees of the exact electronic address at which the report is posted, briefly describe the report, and state that the school must provide a paper copy of the report upon request. The school must provide notice to prospective students and prospective employees about the availability of the fire safety report that it publishes separately from the annual security report. The notice must briefly describe the report's content and provide an opportunity to request a copy. If a school makes the separate fire safety report available by posting it on an *Internet* Website, the school must include in its notice to prospective students and prospective employees the exact electronic address at which the report is posted, briefly describe the report, and state that the school will provide a paper copy of the report upon request. A school must not use an *Intranet* Website to make student consumer information available to a prospective student or prospective employee.
[\[§668.41\(c\)\(2\); §668.41\(e\)\(4\)\]](#)¹

¹. Policy 1185 (Batch 168), approved April 15, 2010

A school's annual fire safety report must include, at a minimum, all of the following:

- A description of each on-campus student housing facility fire safety system.
- The number of fire drills held during the previous calendar year.
- The school's policies or rules on portable electrical appliances, smoking, and open flames in a student housing facility.
- The school's procedures for evacuating a student housing facility in the case of a fire.
- The school's policies on fire safety education and training programs provided to students and employees, which must describe the procedures that students and employees should follow in case of a fire.
- A list of the titles of each person or organization to which students and employees should report that a fire has occurred.
- Any plans the school has for future improvements in fire safety, if the school determines improvements to be necessary.
- The school's fire statistics for each on-campus student housing facility for the three most recent calendar years for which data are available. See §668.49(c) for more information about the mandatory content of the school's fire statistics.
[§668.49(b)]

Fire Log

A school that maintains on-campus student housing facilities must maintain a written, easily understood fire log that records, by the date that a fire was reported, any fire that occurred in an on-campus student housing facility. The log must include the nature, date, time, and general location of each fire. A school must make the fire log for the most recent 60-day period available for public inspection during normal business hours. Upon request, the school must make available any portion of the log older than 60 days within 2 business days of the request.

[§668.49(d)]

Drug Conviction Penalty Information

Upon a student's enrollment, a school must provide the student with a separate, clear, and conspicuous written notice of the penalty (i.e., the loss of Title IV eligibility) if the student is convicted of a state or federal offense involving the possession or sale of an illegal drug that occurred while the student was enrolled in school and receiving Title IV aid. See [Section 5.8](#) for detailed information about the time frame for which a student loses Title IV eligibility based on whether the student is convicted of a first, second, or third offense for drug possession, or a first or second offense for drug sale.
[HEA §485(k)(1)]

A school must provide a student who loses Title IV eligibility due to a drug-related conviction with a timely, separate, clear, and conspicuous written notice. The notice must advise the student of his or her loss of Title IV eligibility and the ways in which the student may regain that eligibility (see [Section 5.8](#)).
[HEA §485(k)(2)]

Transfer of Credit Policy

~~A school must publicly disclose its transfer of credit policies including, at a minimum, the criteria the school uses regarding the transfer of credit earned at another school and a list of other schools with whom the school has established an articulation agreement. An articulation agreement is an agreement among schools that specifies the acceptability of transfer courses toward meeting specific degree or program requirements. The Department may not require a school to establish a particular policy, procedure, or practice regarding transfer of credit.~~
[HEA §485(h); HEA §486A(a)]

Missing Person Policy

~~A school that provides on-campus housing must establish a missing student notification policy for students who reside in on-campus housing. The policy must, at minimum, inform each such student of all of the following:~~

- ~~A student may confidentially register contact information for an individual the school will contact no later than 24 hours after the school determines that the student is missing.~~
- ~~The school must notify a custodial parent or guardian no later than 24 hours after the school determines that a student who is under 18 years of age, and not an emancipated minor, is missing.¹~~

¹. Policy 1185 (Batch 168), approved April 15, 2010

- ~~The school will notify the appropriate law enforcement agency no later than 24 hours after the school determines that the student is missing.~~

See HEA §485(j) for additional information about the requirements for a school's response to a report that a student residing in on-campus housing is missing.¹

4.4.C Entrance Counseling

A school must ensure that **entrance counseling** is provided in a simple and understandable manner to all of the following:

- Each student borrower who is obtaining his or her first Stafford loan, unless he or she has previously received a Stafford or Direct Stafford loan.
- Each **graduate or professional student** borrower who is obtaining his or her first **Grad PLUS loan**, unless he or she has previously received a PLUS loan, a Direct PLUS loan, a Grad PLUS loan, or a Direct Grad PLUS loan.

Entrance counseling must be provided at or prior to the time ~~of that the first~~ **disbursement** of a loan is ~~released~~ **delivered**, and may be conducted by any of the following methods:

- In-person presentation.
- Providing counseling materials to the borrower, including a separate written form that the borrower must sign and return to the school.
- Online or by interactive electronic means, where the borrower acknowledges receipt of the information.
[HEA §485(l)(1)(A)(ii)(iii) and (B); §682.604(f)(3)(i)–(iii)]

If entrance counseling is conducted online or through interactive electronic means, the school must ensure that each student borrower receives the counseling materials and participates in and completes the counseling, which may include completion of any interactive program that tests the borrower's understanding of the terms and conditions of the borrower's loans. ~~The school must ensure that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling has been conducted to answer questions regarding these programs. For students enrolled in a correspondence program or study~~

~~abroad program that the home institution approves for credit, the school may provide counseling materials in a separate written form that the borrower signs and returns to the school.~~

The school must ensure that an individual with expertise in the **Title IV** programs is reasonably available shortly after the counseling has been conducted to answer questions regarding these programs. For a student **enrolled** in a **correspondence program** or study-abroad program that the home institution approves for credit, the school may provide counseling through written materials.
[HEA §485(l)(A); §682.604(f)(4) and (25)]

When counseling is conducted by another party, the school remains responsible for ensuring that each student borrower receives the counseling materials and participates in and completes entrance counseling.
[§682.604(f)(3)]

A school must ensure that information on the following subjects is provided to a first-time Stafford borrower who has not previously received a Stafford or Direct Stafford loan or to a first-time Grad PLUS borrower who has not previously received a Stafford or Direct Stafford loan, a PLUS or Direct PLUS loan, or a Grad PLUS or Direct Grad PLUS loan:

- The use of the **Master Promissory Note (MPN)**. This may include the multi-year feature and borrower loan control points (e.g., affirmative or passive **confirmation**, cancellation or reduction of the loan amount, and revocation of the MPN). See **Subsection 2.2.A** for more information on using an MPN.
[§682.604(f)(1)(i); §682.604(f)(26)(ii)]
- The seriousness and importance of the repayment obligation that the borrower is assuming.
[§682.604(f)(1)(ii); §682.604(f)(26)(ii)(iii)]
- How interest accrues and is capitalized during periods when the interest is not paid by either the borrower or the Department.
[HEA §485(l)(2)(C); §682.604(f)(6)(vii)]
- In the case of a **Grad PLUS loan** or unsubsidized Stafford loan, that the borrower has the option to pay interest that accrues while the borrower is in school.
[HEA §485(l)(2)(D); §682.604(f)(6)(viii); §682.604(f)(7)(ii)]²

¹ Policy 1185 (Batch 168), approved April 15, 2010

² Policy 1186 (Batch 168), approved April 15, 2010

- The effect of accepting the loan on the borrower's eligibility for other forms of student financial assistance.
[HEA §485(l)(2)(A); §682.604(f)(6)(vi)]
- The school's definition of half-time enrollment during both regular and summer terms and the consequences of not maintaining half-time enrollment.
[HEA §485(l)(2)(E); §682.604(f)(6)(ix)]
- The importance of contacting the appropriate offices at the school if the borrower withdraws prior to completing the program so that the school can provide required exit counseling that will include information on the borrower's repayment options and loan consolidation.
[HEA §485(l)(2)(F); §682.604(f)(6)(x)]
- The name and contact information for the individual the borrower may contact if the borrower has any questions about the borrower's rights and responsibilities, or the terms and conditions of the loan.
[HEA §485(l)(2)(K); §682.604(f)(6)(xii)]
- The obligation to repay the full amount of the Stafford or Grad PLUS loan, even if the student borrower does not complete the program, is unable to obtain employment upon completion, does not complete the program within the regular time frame normally required for program completion, or is otherwise dissatisfied with or does not receive the educational or other services that the borrower purchased from the school (the school or the school designee must provide this information to all of the school's student borrowers except those who receive a loan made or originated by the school).
[HEA §485(l)(2)(H); §682.604(f)(4)(iv); ~~§682.604(f)(2)(iii)~~]
- Sample monthly repayment amounts based on a range of borrower levels of indebtedness or on the average indebtedness of the loan types applicable to the borrower, as follows:
 - Stafford loan borrowers.
 - Student borrowers with Stafford and Grad PLUS loans at the same school and in the same [program of study](#) at the same school.
[HEA §485(l)(2)(G)(ii); §682.604(f)(4)(v) and §682.604(f)(7)(i)(B)]

- The availability of the [National Student Loan Data System \(NSLDS\)](#), where and how it can be accessed, and how the borrower can use the information found there.
[HEA §485(l)(2)(J); §682.604(f)(6)(xi)]
- The likely consequences of default, including adverse credit reports, federal delinquent debt collection procedures, under federal offset law, and litigation.
[HEA §485(l)(2)(I); ~~§682.604(f)(1)(ii);~~
§682.604(f)(2)(iii) and §682.604(f)(26)(iii)]

For a Grad PLUS borrower who has received a prior Stafford or Federal Direct Stafford loan, a school must ensure that the following information is provided:

- Sample monthly repayment amounts based on a range of borrower levels of indebtedness or on the average indebtedness of borrowers with Stafford and Grad PLUS loans at the same school or in the same program of study at the same school.
- A notice that includes all of the following information:
 - The maximum interest rate for a Stafford loan and the maximum interest rate for a Grad PLUS loan.
 - Information regarding the periods when interest accrues on a Stafford loan and periods when interest accrues on a Grad PLUS loan.
 - The point at which a Stafford loan enters repayment and the point at which a [Grad PLUS loan](#) enters repayment.
[§682.603(d)(1)(i) through (iii);
§682.604(f)(27)(i) ~~and (ii)~~ through (iv)]

A school may provide the information required in this notice in its financial aid award letter or by another means. However, a school must provide the notice to a Grad PLUS borrower who has not requested his/her maximum Stafford eligibility before the school certifies a Grad PLUS loan for the borrower. See [Subsection 6.15.C](#) for more information.

A school may provide comprehensive [entrance counseling](#) materials that meet the minimum entrance counseling requirements for Grad PLUS borrowers with prior Stafford loans and Grad PLUS loan borrowers without prior Stafford loans.
[~~08-09~~ [09-10 FSA Handbook, Volume 2, Chapter 6, pp. 2-80—81 and 2-84](#)]¹

¹ Policy 1186 (Batch 168), approved April 15, 2010

To improve a student's understanding of his or her loan repayment obligation, the Department recommends that the school provide the following additional information as part of entrance counseling provided to a Stafford borrower:

- A thorough explanation of all sources of financial aid available to the student or to his or her parent(s).
- A description of the terms and conditions of each available type of aid, including loan limits, loan fees, and [interest](#) rates.
- A discussion of the school's policy on the frequency of [annual loan limits](#).
- A strong recommendation to the student to read carefully and retain all documentation related to each of his or her loans.
- A reminder to the student to keep the lender informed of any changes to his or her name, address, telephone number, [Social Security number](#), or enrollment status.
- A summary of the student's rights and responsibilities.
- An overview of repayment, [deferment](#), [forbearance](#), cancellation options and conditions, loan consolidation, and refinancing options that are available to the student.
- Information on the consequences of borrowing several education loans and of [delinquency](#) and [default](#).
- An explanation of loan sales and the servicing of loans.
- An explanation of how the school will determine whether the student is making [satisfactory academic progress \(SAP\)](#).
- A detailed disclosure of the school's [refund](#) policy.
- General information on budgeting living expenses and other aspects of personal financial management.

A school must maintain a [record](#) to substantiate the school's compliance with the entrance counseling requirement for each borrower. For detailed information on entrance counseling, a school may consult [§682.604\(f\)](#) and the ~~08-09~~ [09-10 FSA Handbook, Volume 2, Chapter 6, pp. 2-80 to 2-84](#).

[\[§682.604\(f\)\(8\); DCL GEN-98-25/98-G-315/98-L-211; DCL GEN-99-9\]](#)¹

4.4.D Exit Counseling

A school must ensure that [exit counseling](#) is conducted shortly before any Stafford or Grad PLUS loan borrower ceases enrollment on at least a half-time basis. The school or another party may conduct exit counseling in person, by audiovisual presentation, or by interactive electronic means. The school must ensure that an individual with expertise in the [Title IV](#) programs is reasonably available shortly after the exit counseling has been conducted to answer the borrower's questions.

If a borrower withdraws without the school's prior knowledge, or fails to complete the required exit counseling, the school must ensure that exit counseling was provided through interactive electronic means or by mailing written materials to the borrower at his or her last known address within 30 days after learning that the borrower withdrew from school or failed to complete the exit counseling as required. For a student borrower [enrolled](#) in a study-abroad program that the home institution approves for credit, or in a correspondence program, the school may, as an alternative to in-person, audiovisual, or interactive electronic means, provide written exit counseling materials by mail within 30 days after the student completes the program.

[\[§682.604\(g\)\(1\)\]](#)

When counseling is conducted by another party, the school remains responsible for ensuring that each borrower receives the counseling materials and participates in and completes [exit counseling](#). A school must maintain a record to substantiate the school's compliance with exit counseling requirements for each borrower.

[\[§682.604\(g\)\(3\) and \(4\)\]](#)

The school must ensure that the borrower provides the school with his or her current name, address, [Social Security number](#), references, and driver's license number and state of issuance (if any). The school also must ensure that the student borrower provides his or her permanent address, the name and address of his or her expected employer (if known), and the address of his or her next of kin. The school must ensure that this information is provided to each [guarantor](#) listed in the borrower's records within 60 days after the borrower provides the information.

[\[§682.604\(g\)\(2\)\(vi\)\]](#)

¹. Policy 1186 (Batch 168), approved April 15, 2010

The school must ensure that information on the following subjects is provided to the borrower during exit counseling:

- The average anticipated monthly repayment amount based on the borrower's indebtedness or based on the average indebtedness of Stafford loans or a combination of Stafford and Grad PLUS loans, depending on the types of loans the borrower has obtained, at the same school or in the same [program of study](#) at the same school.
[§682.604(g)(2)(i)]
- Available repayment schedules including [standard](#), [graduated](#), [extended](#), [income-sensitive](#), and income-based, including a description of the different features of each repayment schedule, sample information showing the average anticipated monthly payments under each, and the difference in interest paid and total payments under each.
[HEA §485(b)(1)(A)(i); §682.604(g)(2)(ii); DCL GEN-08-12/FP-08-10]
- Debt-management strategies that would facilitate repayment.
[HEA §485(b)(1)(A)(ii); §682.604(g)(2)(iii)]
- An explanation of the borrower's options to prepay each loan, pay each loan on a shorter schedule, and change repayment plans.
[HEA §485(b)(1)(A)(iii)]
- The terms and conditions under which the borrower may defer or forbear repayment, or obtain a full or partial [discharge](#), forgiveness, or cancellation of the principal and interest on a Title IV loan, including forgiveness and discharge benefits available to a FFELP borrower who consolidates his or her loan into the Federal Direct Loan Program (FDLP).
[HEA §485(b)(1)(A)(iv) and (v); §682.604(g)(2)(viii)]
- The seriousness and importance of the repayment obligation that the borrower has assumed.
[§682.604(g)(2)(iv)]
- The likely consequences of [default](#), including adverse credit reports, federal delinquent debt collection procedures, federal offset, and litigation.
[HEA §485(b)(1)(A)(vi); §682.604(g)(2)(iv)]
- The effects of obtaining a Consolidation loan, including all of the following:
 - The total interest to be paid, the fees to be paid, and the length of repayment.
 - How consolidation affects a borrower's underlying loan benefits, including grace periods, loan forgiveness, cancellation, and deferment opportunities.
 - That the borrower has the option to prepay the Consolidation loan or to change repayment plans.
 - A statement that borrower benefits vary among lenders.
[HEA §485(b)(1)(A)(vii)]
- A general description of the types of tax benefits that may be available to the borrower.
[HEA §485(b)(1)(A)(viii)]
- The availability of the Student Loan Ombudsman's Office.
[§682.604(g)(2)(vii)]
- The use of the [Federal Stafford Loan Master Promissory Note \(Stafford MPN\)](#).
[§682.604(g)(2)(iv)]
- The obligation to repay the full amount of the loan—even if the borrower has not completed the program, does not complete the program within the regular time frame for program completion, is unable to obtain employment upon completion, or is otherwise dissatisfied with or does not receive the educational or other services the borrower purchased from the school. (The school or the school designee must provide this information to all of the school's borrowers except those who receive a loan made or originated by the school).
[§682.604(g)(2)(iv)]¹
- The availability of [Title IV](#) loan information in the [National Student Loan Data System \(NSLDS\)](#) and how it can be used to obtain information on the status of the borrower's loans. In addition, a school must ensure that the borrower is provided the NSLDS disclosure form developed by the Department.
[HEA §485(b)(1)(A)(ix) and §485B(d)(3)]

¹. Policy 1201 (Batch 169), approved April 15, 2010

- A printed or an electronic copy of the Department's publication that describes the federal student aid programs.

[HEA §485(b)(1)(A)(iv) and §485(d)(1)]

**NOTE: As of this writing, the Department has not informed the FFELP community which of its publications it intends to use to fulfill the requirements described in the last two bullets above.¹*

To improve a borrower's understanding of his or her loan repayment obligation, the Department recommends that the school provide the following additional information as part of exit counseling provided to a borrower:

- The current name and address of the borrower's lender(s).
- An explanation of how to complete deferment forms and prepare correspondence to the lender.
- A strong recommendation to the borrower to keep copies of all correspondence from and to the lender about his or her loans.
- A reminder to the borrower that he/she must make payments on loans even if the borrower does not receive a payment booklet or a billing notice.

Additional information that the Department recommends including in exit counseling can be found in the 08-09 FSA Handbook, Volume 2, Chapter 6, pp. 2-82 to 2-83.

4.4.E **Private Education Loan Information**

A school or an institution-affiliated organization that provides information regarding a private education loan from a lender to a prospective borrower must provide all of the following disclosures to the prospective borrower, regardless of whether the school or the institution-affiliated organization participates in a preferred lender arrangement:

- The information that the Board of Governors of the Federal Reserve System (Federal Reserve Board) requires to be disclosed under the Truth in Lending Act (TILA). A school may rely upon the information it obtains from a private education loan lender on the Private Loan Application and Solicitation Model form approved by the Federal Reserve Board or in another format that contains the same information as on the

model disclosure form to meet this requirement. For more information about the Private Loan Application and Solicitation Model form, see the final rules published in the *Federal Register* dated August 14, 2009, Vol. 74, No. 156, pp. 41237 and 41238.

- A statement that the prospective borrower may qualify for Title IV loan or grant funds.
- A statement that the terms and conditions of Title IV loans may be more favorable than the provisions of private education loans.
[§601.11(a) and (b)]

In addition, a school or an institution-affiliated organization must ensure that information regarding private education loans is presented in such a manner as to be distinct from information regarding Title IV loans.
[§601.11(c)]

Private Education Loan Applicant Self-Certification Form

Upon the request of an admitted or enrolled student, or the parent of an admitted or enrolled student who is a private education loan applicant, including a student or parent who is an applicant for a private loan made by the school, the school must provide the applicant with all of the following:

- The Private Education Loan Applicant Self-Certification form in paper or electronic format. A school may provide the self-certification form by posting the form on its Website or the school may provide the form directly to the applicant through the school's financial aid office or another designated office at the school. The school must provide the form to an applicant who requests it even if the private education loan for which the applicant is applying will be made by the school.
[§601.11(d); §668.14(b)(29)(i)]
- Information that is necessary for the student or parent to complete the form, if the school possesses the information, includes all of the following:
 - = The student's *cost of attendance (COA)*.
 - = The amount of *estimated financial assistance (EFA)* that the school expects the student to receive, including amounts used to replace the *expected family contribution (EFC)*.²

¹ Policy 1201 (Batch 169), approved April 15, 2010

² Policy 1199 (Batch 169), approved April 15, 2010

- = The amount that is the difference between the student's COA and EFA (i.e., unmet financial need).
[§601.11(d); §668.14(b)(29)(i)(A) through (C)]

A school is not required to update the information necessary for the student or parent to complete the form in a case when the information later changes. A school may, but is not required to, provide the self-certification form and the information necessary to complete the form directly to the private education loan lender.

In addition, at the request of the private education applicant, the school must discuss with the applicant the availability of federal, state, and institutional financial aid.
[§668.14(b)(29)(ii)]¹

4.5 Recordkeeping Requirements

Federal regulations mandate that a school retain complete and accurate **records** in a systematically organized manner. Records must be readily available for review by the **Department** or the Department's authorized representative at an institutional location designated by the Department or the Department's authorized representative.
[§668.24(d)(1) and (2)]

A discussion of the key records a school is required to maintain for the **FFELP** follows. Additional information on school recordkeeping requirements for all **Title IV** programs—including a comprehensive listing of required records—can be found in the **08-09 FSA Handbook, Volume 2, Chapter 9, pp. 2-103 to 2-110**. Schools must maintain any program **record** that documents compliance with Title IV program requirements.

Schools should consult **state** recordkeeping requirements to determine whether state requirements supersede these federal requirements.

Program Records

A school must maintain any **application** for **FFELP funds** and up-to-date records that document:

- The school's eligibility to participate in the FFELP.
[§668.24(a)(1)]
- The eligibility of the school's educational programs for FFELP funds.
[§668.24(a)(2)]

- The school's administration of the FFELP in accordance with all applicable requirements.
[§668.24(a)(3)]
- The school's financial responsibility.
[§668.24(a)(4)]
- Information included in any application for FFELP funds.
[§668.24(a)(5)]
- The school's delivery of FFELP funds.
[§668.24(a)(6)]

Fiscal Records

Fiscal **records** must be maintained in accordance with generally accepted accounting principles. **Schools** must maintain on a current basis:

- All financial records relating to each **FFELP** transaction.
[§668.24(b)(2)(i)]
- Separate general ledger control accounts and related subsidiary accounts that identify each FFELP transaction.
[§668.24(b)(2)(ii)]

Loan-Related Records

The records that a school must maintain include, but are not limited to:

- A record of any passive or affirmative **confirmation** processes the school used in support of the **Master Promissory Note (MPN)**. The documentation may be kept in paper or electronic format. Because this may affect the enforceability of loans, the documentation must be retained indefinitely.
[§682.610(b)(6); 08-09 FSA Handbook, Volume 2, Chapter 9, p. 2-106]
- Documentation of the process under which either the school or lender obtains the borrower's requested loan amount for a loan made under a PLUS Application and Master Promissory Note (PLUS MPN).
[§682.401(d)(4)(vi)]
- A record of the borrower's requested loan amount for a loan made under a PLUS MPN, if the school is the party responsible for obtaining this information.
[§682.401(d)(4)(vi)]

¹ Policy 1199 (Batch 169), approved April 15, 2010

5.2.F

Department of Veterans Affairs Data Match

If a student has indicated on the [Free Application for Federal Student Aid \(FAFSA\)](#) that he or she is an eligible veteran of the U.S. Armed Forces, the student is considered to be independent and does not have to provide parental income and asset information to apply for Title IV aid. The Central Processing System (CPS) matches data with the Department of Veterans Affairs (VA) to confirm that an applicant who states that he or she is a veteran on the FAFSA has engaged in active duty in the U.S. Armed Forces for purposes other than training, or was a cadet or midshipman at a service academy; and was released under a condition other than dishonorable. For more information on the VA data match, see the [08-09 FSA Handbook, Application and Verification Guide, Chapter 2, p. AVG-27](#).

5.3

Prior Loan Written Off

A [borrower](#) is ineligible for a [FFELP](#) loan if he or she has had a prior FFELP loan partially or totally written off by a [guarantor](#) (i.e., the [guarantor](#) has stopped all collection activity on the written-off portion). To become eligible to receive a new FFELP loan, a borrower must reaffirm the written-off loan, provide confirmation of that [reaffirmation](#) to the school, and meet the requirements of [Subsection 5.2.D](#). Reaffirmation is the borrower's legally binding acknowledgment of a loan repayment obligation that has been partially or totally written off and agreement to the [reinstatement](#) of the borrower's repayment obligation. A borrower whose prior FFELP loan has been partially or totally written off by a lender is not required to reaffirm the written-off loan as a condition of eligibility for a new FFELP loan.

The reaffirmation may include, but is not limited to, the following:

- Making a payment on the loan.
[§682.201(a)(4)(ii)(B)]
- Signing a new repayment agreement or [promissory note](#) that includes the original terms and conditions applicable to the loan being reaffirmed.
[§682.201(a)(4)(ii)(A)]

The reaffirmed amount must include all principal and interest accrued on the written-off portion of the loan through the date on which the borrower reaffirms his or her commitment to repay the loan. It may also include [collection costs](#), [late charges](#), and [legal court costs](#), and

[attorney fees](#). Any outstanding charges, such as interest, collection costs, late charges, or [legal court costs](#), or [attorney fees](#), may be [capitalized](#) as of the date the loan is reaffirmed.

[§682.201(a)(4)(i) and (b)(2); DCL 96-L-186/96-G-287, Q&A #4, #7, #8, #9, and #11]¹

5.4

Prior Loan Discharge Due to Total and Permanent Disability

In some cases, loans that have been discharged due to the borrower's total and permanent disability may affect the borrower's eligibility for new loans. Eligibility may be based on the disposition of the borrower's [discharge](#) request or the date on which that request was processed.

5.4.A

Prior Loan or TEACH Grant Service Obligation in a Conditional Discharge or Post-Discharge Monitoring Period of a Prior Loan Due to Based on a Determination of Total and Permanent Disability²

A borrower whose prior Title IV loan(s) ~~has received is a conditionally discharged of a prior loan due to an initial determination that the borrower is totally and permanently disabled or whose prior Title IV loan(s) or TEACH grant service obligation has been discharged and is in a 3-year post-discharge monitoring period based on a determination that the borrower is totally and permanently disabled,~~ must do ~~all of the following before a school may certify to be eligible to receive a new Stafford or PLUS loan for the borrower before the end of the conditional discharge period:~~

- Submit a request to the Department's Conditional Discharge Disability Unit indicating that the conditionally discharged loan(s) be returned to repayment.
- Advise the school that the borrower has begun the process of returning the conditionally discharged loan(s) or loan(s) in a post-discharge monitoring period to repayment has been initiated.^{3, 4}

¹. Policy 1202 (Batch 169), approved April 15, 2010

². Policy 1203 (Batch 169), approved April 15, 2010

³. Policy 1149 (Batch 162), approved November 19, 2009

⁴. Policy 1203 (Batch 169), approved April 15, 2010

~~Before a school may certify a new loan for such a borrower whose prior Title IV loan(s) is conditionally discharged due to an initial determination that the borrower is totally and permanently disabled, the school must confirm that the borrower has initiated the process to return the conditionally discharged loan(s) to repayment. The school also must determine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower. If the loan(s) was in default prior to being conditionally discharged or placed in a post-discharge monitoring period, the school may be required to document that the borrower has either made satisfactory repayment arrangements with the loan holder in order to reinstate Title IV eligibility or has rehabilitated the defaulted loan(s) (see Subsection 5.2.D).~~

A borrower must do the following before he or she is eligible to receive a new Stafford or PLUS loan:^{1, 2}

- Obtain a physician's statement certifying that the borrower may now engage in "substantial gainful activity." ~~For these purposes, "substantial gainful activity" is defined as the ability to work and earn money.~~
[§682.201(a)(6)(i)]
- Sign a statement acknowledging that any loan that has been conditionally discharged or is in a post-discharge monitoring period may not be discharged due to the same or any disability existing at the time the borrower applied for a total and permanent disability discharge or when the new loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met.
[§682.201(a)(6)(ii); §682.201(a)(7)(ii)(A)]³
- Sign a statement acknowledging that collection activity will resume on any conditionally discharged loans in a conditional discharge period⁴ or loans that are in a post-discharge monitoring period.
[§682.201(a)(7)(ii)(B)]
- Acknowledge that he or she is once again subject to the terms of the TEACH grant agreement, if the grant recipient's service obligation has been discharged and the grant recipient is in a 3-year post-discharge monitoring period.
[§682.201(a)(6)(iii)]⁵

The school must not deliver any new loan funds until it confirms that the loan holder has returned to repayment the conditionally discharged loan(s) or loan(s) in a post-discharge monitoring period.
~~has been returned to repayment.~~
[§682.201(a)(5)]^{6, 7}

~~If the borrower receives a new loan under the Perkins, FFELP, or Direct Loan Program (with the exception of a Consolidation loan that does not include any loans that are in a conditional discharge status) within 3 years from the date the physician completes and certifies the discharge application, the borrower's conditional discharge is terminated and the loan(s) is reinstated to the status it held prior to the initial determination.~~

If a loan is in either the 3-year conditional period, or the 3-year post-discharge monitoring period, as applicable, the discharge is terminated and the loan(s) is reinstated to the status it held prior to the initial discharge determination if either of the following occur within 3 years from the date that the physician completes and certifies the discharge application:

- The borrower receives a new TEACH grant.
- The borrower receives a new loan under any Title IV loan program (Federal Perkins Loan Program, FFELP, or Federal Direct Loan Program).

Note: If the borrower receives a new Consolidation loan that does not include any loans that are in a conditional discharge period or the 3-year post-discharge monitoring period, neither the conditional discharge period nor the final discharge itself, as applicable, terminate.

If a TEACH grant or Title IV FFELP loan was certified prior to the date the physician certified the discharge application, any proceeds of such grant or loan that are disbursed after the date of the physician's certification must be returned to the Department or to the loan holder, as applicable, within 120 days of the disbursement date(s) to preserve the borrower's discharge eligibility.

If the borrower's conditional discharge or final discharge is terminated, the Department reinstates collection activities on any loan on which collection activity had been previously suspended based on an initial determination of the borrower's total and permanent disability. (See Subsection 13.8.G for more information regarding the total and permanent disability loan discharge and Appendix G for the definition of "totally and permanently disabled.")
[§682.402(c)(4)(i)(B) and (C)]⁸

1. Policy 1149 (Batch 162), approved November 19, 2009

2. Policy 1203 (Batch 169), approved April 15, 2010

3. Policy 1203 (Batch 169), approved April 15, 2010

4. Policy 1149 (Batch 162), approved November 19, 2009

5. Policy 1203 (Batch 169), approved April 15, 2010

6. Policy 1149 (Batch 162), approved November 19, 2009

7. Policy 1203 (Batch 169), approved April 15, 2010

8. Policy 1203 (Batch 169), approved April 15, 2010

Note: A loan that is discharged based on a determination by the U.S. Department of Veterans Affairs that the borrower is total and permanent disabled is not placed in a conditional discharge or post-discharge monitoring period. See Subsection 5.4.B. [DCL GEN-09-07/FP-09-05, Q & A 14]

- ▲ Schools and lenders are strongly encouraged to contact the guarantor if assistance is needed to determine or establish a borrower's eligibility after a total and permanent disability loan discharge.¹

5.4.B

Final Discharge of a Prior Loan Due to Based on a Determination of Total and Permanent Disability

This subsection applies to a borrower whose loan(s) was discharged and who completed the 3-year conditional period, or the 3-year post-discharge monitoring period, as applicable, or who had a loan(s) discharged based on a U.S. Department of Veterans Affairs (VA) determination that the borrower is totally and permanently disabled.

A borrower who has received a discharge of a prior loan ~~due to~~ based on a final determination that the borrower is totally and permanently disabled must do *all of the following* to be eligible to receive a new Stafford or PLUS loan:

- Obtain a physician's statement certifying that the borrower may now engage in "substantial gainful activity." ~~For these purposes, "substantial gainful activity" is defined as the ability to work and earn money.~~
[§682.201(a)(6)(i)]
- Sign a statement acknowledging that any new loan the borrower receives may not be discharged due to the same or any disability existing at the time the new loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met.
[§682.201(a)(6)(ii)]

[DCL GEN-09-07/FP-09-05, Q & A 18]

- Reaffirm any loan that had been discharged due to total and permanent disability on or after July 1, 2001, but before July 1, 2002, if the borrower applies for a new loan within 3 years from the date the borrower became totally and permanently disabled, as certified by a

~~physician. The borrower must reaffirm the previously discharged loan before receiving a new loan.~~
~~[§682.201(a)(6)(iii)]~~

For the purpose of receiving a new loan after a prior loan is discharged based on a determination of a borrower's total and permanent disability, a borrower must obtain the physician certification only once and the school should keep a copy of it in the student's file. However, the school must collect a new borrower acknowledgment statement from the borrower for each new loan he or she requests. [09-10 FSA Handbook, Volume 1, Chapter 3, p. 1-51]

A borrower who has had a prior loan discharged ~~due to~~ based on a determination of the borrower's total and permanent disability before July 1, 2001, or whose loan(s) was discharged and the borrower completed the 3-year conditional period, or the 3-year post-discharge monitoring period, as applicable, is not required to reaffirm the discharged obligation. (See Subsection 13.8.G for more information regarding total and permanent disability loan discharge and Appendix G for the definition of "totally and permanently disabled.")

- ▲ Schools and lenders are strongly encouraged to contact the guarantor if assistance is needed to determine or establish a borrower's eligibility after a total and permanent disability loan discharge.²

¹ Policy 1203 (Batch 169), approved April 15, 2010

² Policy 1203 (Batch 169), approved April 15, 2010

Effect of Title IV Loan Status on Student Aid Eligibility

Figure 5-1

Loan Status	Eligible for FFELP and Federal Perkins loans	Eligible for Federal Pell, SEOG, FWS, and LEAP
Defaulted	No	No
Written off after default	Yes ¹	Yes ¹
Conditional discharge or post-discharge monitoring period due to based on a determination of total and permanent disability	Yes ³	Yes
Final discharge due to total and permanent disability	Yes ²	Yes
Paid in full after default	Yes	Yes
Satisfactory repayment arrangements made after default	Yes	Yes
Compromised after default	Yes	Yes
Discharged by bankruptcy or determined to be dischargeable in bankruptcy	Yes	Yes

¹ To be eligible, the applicant must (a) repay each written-off loan in full or (b) reaffirm each Title IV loan obligation with the holder of the note that was written off and make satisfactory repayment arrangements as part of the reaffirmation (for any loan in default before the write-off).

² To be eligible, the applicant must (a) obtain a physician's statement certifying that the borrower may now engage in substantial gainful activity, and (b) sign a statement acknowledging that any new loan the borrower receives may not be discharged ~~due to~~ based on the same or any disability existing at the time the loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met, ~~and (c) reaffirm any loan that had been discharged due to total and permanent disability on or after July 1, 2001, but before July 1, 2002, if the borrower applies for a new loan within three years from the date the borrower became totally and permanently disabled, as certified by a physician. The borrower must reaffirm the previously discharged loan before receiving a new loan.~~ [§682.201(a)(6)(i) through (iii); §682.402(c)]¹

³ To be eligible, the applicant must (a) submit a request to the Department's Conditional Discharge Disability Unit indicating that the conditionally discharged loan(s) or loan(s) in a post-discharge monitoring period be returned to repayment and advise the school that the process of returning the conditionally discharged loan(s) to repayment has been initiated; (b) obtain a physician's statement certifying that the borrower may now engage in substantial gainful activity; ~~and (c)~~ sign a statement acknowledging that any loan that has been conditionally discharged may not be discharged ~~due to~~ based on the same or any disability existing at the time the borrower applied for a total and permanent disability discharge or when the new loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met; ~~and (d)~~ sign a statement acknowledging that collection activity will resume on any conditionally discharged loan(s) or loan(s) in a post-discharge monitoring period in a conditional discharge period. [§682.201(a)(5); §682.201(a)(6)(i); §682.201(a)(7)(ii)(A) and (B)]^{2, 3}

¹. Policy 1203 (Batch 169), approved April 15, 2010

². Policy 1149 (Batch 162), approved November 19, 2009

³. Policy 1203 (Batch 169), approved April 15, 2010

Application for Federal Student Aid (FAFSA). The school is notified of the student's eligibility on the **Institutional Student Information Record (ISIR)**. However, if the school has conflicting information regarding a drug conviction that affects the student's eligibility, this discrepancy must be resolved.

[HEA §484(r)(1); §668.40(a); DCL GEN-06-05]

Convictions that are reversed, set aside, or removed from the student's record, or a determination arising from a juvenile court proceeding, do not affect eligibility and do not need to be reported by the student.

[§668.40(a)(2)]

A student who is convicted of a drug-related offense that occurred while the student was **enrolled** in school and receiving Title IV aid loses Title IV eligibility as follows:

- For the possession of illegal drugs:
 - 1st offense: one year from the date of conviction.
 - 2nd offense: two years from the date of the second conviction.
 - 3rd offense: indefinitely from the date of the third conviction.

[§668.40(b)(1)]
- For the sale of illegal drugs:
 - 1st offense: two years from the date of conviction.
 - 2nd offense: indefinitely from the date of the second conviction.

[§668.40(b)(2)]

A school must provide a student who loses Title IV eligibility due to a drug-related conviction with a timely, separate, clear, and conspicuous written notice. The notice must advise the student of his or her loss of Title IV eligibility and the ways in which the student may regain that eligibility.

[HEA §485(k)(2)]

A student may regain eligibility at any time by successfully completing an approved drug rehabilitation program or successfully passing two unannounced drug tests conducted by an approved drug rehabilitation program, and by informing the school that he or she has done so. A student regains Title IV eligibility on the date he or she successfully completes the program, or in the case of a student who successfully passes two unannounced drug tests, on the date that the student passes the second unannounced drug test. A drug rehabilitation program is considered approved for these purposes if it includes at

least two unannounced drug tests and meets one of the following criteria:

[HEA §484(r)(2)(B); §668.40(c)]¹

- The program received or is qualified to receive funds directly or indirectly under a federal, state, or local government program.
[§668.40(d)(2)(i)]
- The program is administered or recognized by a federal, state, or local government agency or court.
[§668.40(d)(2)(ii)]
- The program received or is qualified to receive payment directly or indirectly from a federally or state-licensed insurance company.
[§668.40(d)(2)(iii)]
- The program administered or recognized by a federally or state-licensed hospital, health clinic, or medical doctor.
[§668.40(d)(2)(iv)]

For a student whose Title IV eligibility is reinstated after a drug conviction, the maximum **loan period** that a school may certify is the **academic year** during which the student regains eligibility. However, the school may not certify eligibility prior to the date on which eligibility is regained. A student who loses eligibility during a loan period is immediately ineligible to receive subsequent **disbursements** of FFELP funds and is required to repay any Title IV funds received after the date he or she loses eligibility. Schools are not required to recalculate a student's loan amount.
[§668.40(c)]

¹. Policy 1187 (Batch 168), approved April 15, 2010

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. [[§668.32\(a\)\(1\)\(ii\)](#)]

- *Teacher Certification or Recertification*

A student is exempt from the degree or certificate program requirement if he or she is enrolled at least half time in a required teacher-certification program, even though the teacher-certification program does not lead to a degree or certificate awarded by the school (e.g., the certificate may instead be granted by the [state](#)). A student who is not enrolled in a formal teacher certification program but who is taking a series of courses necessary to obtain certification from the state is also exempt from the degree requirements. The program, or series of courses, must be required for elementary or secondary teacher certification or recertification in the state where the student plans to teach or in the state where the student is completing the program or series of courses. This exemption is not intended to cover optional courses that the student elects to take for professional recognition or advancement, nor does it cover courses that the school recommends but that are not required for certification or recertification. In addition, this exemption does not apply to students seeking a professional credential or certification that is required for employment as a non-teaching professional (e.g., a school administrator, nurse, or librarian), or to students [enrolled](#) in a teacher certification or recertification course that uses direct assessment rather than credit hours or clock hours to measure student progress.

The school must develop a process to identify the student as pursuing teacher certification or recertification (e.g., collect a written statement from the student or have a special classification assigned by the school), and must document that the courses are required by the state for teacher certification or recertification. A student who is enrolled in a teacher-certification or recertification program is considered a fifth-year [undergraduate student](#) (see [Section 6.11](#) for applicable loan limits).

[[HEA §484\(b\)\(4\)](#); [§668.2](#); [§668.32\(a\)\(1\)\(iii\)](#); 08-09 FSA Handbook, Volume 1, Chapter 1, p. 1-5]

For more information about defining a student's enrollment status, see [Section 6.9](#).

5.12 Use of Telecommunications-Distance Education and Correspondence in Programs of Study

A student's enrollment in ~~telecommunications~~ [distance education](#) or [correspondence](#) courses can affect his or her eligibility for Stafford loans and [Grad PLUS loans](#), and a parent's eligibility for [parent PLUS loans](#).

5.12.A Distance Education Telecommunications-Program of Study

An otherwise [eligible student](#) enrolled in a [program of study](#) offered ~~in whole or in part~~ [principally](#) through ~~telecommunications~~ [distance education](#) is eligible for Title IV aid if each of the following applies:

- The program leads to a recognized certificate, or to an associate, bachelor's, or graduate degree. [[HEA §484\(l\)\(1\)\(A\)](#); [DCL GEN-06-05](#)]
- The school providing the program has been evaluated by an [accrediting agency](#) recognized by the Department as having the evaluation of distance education programs within its scope of recognition. The accrediting agency must determine that the school has the capability to effectively deliver distance education programs. Beginning July 1, 2006, the Department provides an 18-month waiver of the distance education evaluation component. The waiver applies to certain distance education programs that were offered as of July 1, 2006, but for which the Department did not recognize the accrediting agency as having the evaluation of distance education programs within its scope of recognition. [[HEA §481\(b\)\(3\)](#); [§668.8\(m\)](#); [DCL GEN-06-05](#); [GEN-06-17](#)]

If a [foreign school](#) offers a program of study that includes even a single ~~telecommunications~~ [distance education](#) course, that program of study is ineligible for Title IV aid. ~~Telecommunications~~ [Distance education](#) technologies may be used in the foreign school classroom to supplement and support instruction offered as part of an otherwise eligible program, as long as the student and instructor are physically present in the classroom. [[§600.51\(d\)\(4\)](#); [§668.8\(m\)](#); [DCL GEN-06-11](#)]¹

¹. Policy 1188 (Batch 168), approved April 15, 2010

There is one exception to this rule: a school may consider a student who transfers to a different program at the same school to remain in the same payment period if all of the following conditions are met:

- The student is continuously enrolled at the school.
- The coursework in the payment period the student is transferring out of is substantially similar to the coursework the student will be taking when he or she first transfers into the new program.
- The payment periods are substantially equal in length in weeks of instructional time and credit or clock hours.
- There are little or no changes in institutional charges associated with the [payment period](#)
- The credits from the payment period the student is transferring out of are accepted toward the new program.

[§668.4(g)(3)]

6.4 Determining the Disbursement Schedule

Federal regulations require a school to specify a [disbursement](#) schedule that provides for disbursements to be made on a payment-period basis for each Stafford and PLUS loan it certifies. The school, or a [guarantor](#) acting on behalf of the school, may subsequently modify that schedule. The school may delegate its responsibility for assigning disbursement dates to a guarantor with whom it participates.

A school should attempt to assign disbursement dates with which the lender may reasonably comply. The school should not specify a [disbursement date](#) that will likely pass before the loan is guaranteed. An expired disbursement date may result in delayed processing of the loan.

In establishing the disbursement schedule, a school must allow for necessary mail and processing time. The school should provide the dates on which it would expect the lender to issue the [check](#) or [master check](#) or generate the [EFT](#) transaction—not the date on which the school anticipates receiving the funds. In addition, the school must schedule disbursement dates that comply with applicable delivery requirements. For more information on delivery requirements, see [Section 8.7](#).

The requirement that disbursements be made on a payment-period basis (see [Section 6.3](#) for information regarding payment periods) does not eliminate any applicable multiple disbursement requirement (see [Subsection 6.4.A](#)) for a school to deliver [loan proceeds](#) in substantially equal installments, with no installment exceeding one half of the loan amount. See [Subsection 6.4.A](#) for information about multiple disbursement and [Section 8.7](#) for information about proportional disbursement and special delivery requirements for programs with nonstandard terms. [§682.604(c)(6) and (7)]

6.4.A Multiple Disbursements and Exceptions Low Cohort Default Rate Exemptions

The school must establish a [disbursement](#) schedule that ensures that a Stafford or PLUS loan is disbursed in two or more installments, regardless of the loan amount. A school may deliver a A-Stafford or PLUS loan may be disbursed by in a single disbursement installment only in the following cases:

- The school has a [cohort default rate](#) of less than 10% for each of the three most recent fiscal years for which data are available, and any one of the following conditions applies:
 - = The loan is ~~made~~ [certified](#) for a [period of enrollment](#) that is not more than one semester, trimester, or quarter, ~~or, for a school without standard terms,~~
 - = In a nonstandard term-based program with terms that are substantially equal and at least 9 weeks of instructional time in length ([SE9W](#)), the loan is certified for a period of enrollment that is not more than one nonstandard term. However, a school must schedule at least two disbursements of a loan made for a single, nonstandard term that is SE9W, but that is more than 4 months in length.^{1, 2}

¹. Policy 1160 (Batch 164), approved January 21, 2010

². Policy 1189 (Batch 168), approved April 15, 2010

- In a nonstandard term-based program with terms that are not SE9W - i.e., the terms are not substantially equal or each term is not at least 9 weeks of instructional time in length - or in a non-term-based program, the loan is certified for a period of enrollment that is not more than 4 months, and if the school's official cohort default rate is less than 10% for each of the three most recent fiscal years for which information is data are available is less than 10%.
[HEA §428G(a)(3); §682.604(c)(8)(i); 09-10 FSA Handbook, Volume 3, Chapter 1, p. 3-18]^{1, 2}
- The loan is ~~made~~ certified to a student enrolled in a study-abroad program, ~~and if the eligible school at which the student will receive course credit for the study-abroad program has an official cohort default rate of that is less than 5% for the most recent fiscal year for which information is data are available.~~
[HEA §428G(e); §682.604(c)(8)(ii)]

A school may begin certifying loans based on these exemptions when it receives from the Department its official cohort default rate notification letter (see [Section 16.1](#)) or notification of a successful adjustment or appeal. A school must cease to certify loans based upon these ~~exceptions~~ exemptions no later than 30 days after the date it receives ~~notice~~ notification from the Department of an official cohort default rate that causes the school to no longer meet the necessary qualifications for an exemption.
[§682.603(a)(i)(2); [Cohort Default Rate Guide](#)]³

6.4.B When Disbursements May Be Scheduled

For a Stafford loan disbursed by EFT or master check, the earliest date for which a first disbursement may be scheduled is:

- The 28th day of the first payment period if the student is a first-year undergraduate, first-time borrower and the school is subject to delayed delivery provisions for such students.
[§668.167(a)(1)(i)]
- 13 days before the first day of the first payment period for all other borrowers, including first-year undergraduate first-time borrowers at schools not subject to delayed delivery.
[§668.167(a)(1)(ii)]

For a Stafford loan disbursed by individual check, the earliest date for which a first disbursement may be scheduled is:

- The first day of the first payment period if the student is a first-year undergraduate, first-time borrower and the school is subject to delayed delivery provisions for such students.
[§668.167(a)(2)(i)]
- 30 days before the first day of the first payment period for all other borrowers, including first-year undergraduate first-time borrowers at schools not subject to delayed delivery.
[§668.167(a)(2)(ii)]

For a PLUS loan, the earliest date for which a first disbursement may be scheduled is:

- 13 days before the first day of the first payment period for a loan disbursed by EFT or master check.
[§668.167(a)(3)(i)]
- 30 days before the first day of the first payment period for a loan disbursed by individual check.
[§668.167(a)(3)(ii)]

If the loan period for a Stafford or PLUS loan consists of one payment period, the school must schedule the second disbursement so that the disbursement is delivered no earlier than:

- The calendar midpoint between the first and last scheduled days of class of the loan period in the following types of programs:
 - A standard term-based, credit-hour program.
 - A nonstandard term-based, credit-hour program in which all of the terms are at least nine weeks and substantially equal in length.
- The date the student successfully completes half of the credit or clock hours (or half of the academic coursework) and half of the weeks of instructional time in the loan period in the following types of programs:
 - A nonstandard term-based, credit-hour program that does not have substantially equal terms.
 - A nonstandard term-based, credit-hour program that has terms substantially equal in length, but are not all at least nine weeks in length.

¹. Policy 1160 (Batch 164), approved January 21, 2010

². Policy 1189 (Batch 168), approved April 15, 2010

³. Policy 1160 (Batch 164), approved January 21, 2010

certification unless the preparation is part of the eligible program.

[DCL GEN-06-05; DCL GEN-06-10]

- For a physically or intellectually challenged student, an allowance for expenses related to the student's special needs. Expenses may be included for special services, personal assistance, transportation, equipment, and supplies—provided they are reasonably incurred and the services are not provided by other agencies.
- For a student participating in a study-abroad program, reasonable costs for that program—provided the program is approved for credit by the student's home institution.
- For a student working as part of a cooperative education program, an allowance for reasonable costs associated with such employment.
- Origination and [guarantee fees](#) associated with each Stafford or PLUS loan for which the student or [parent borrower](#) has applied.
[HEA §472]

6.5.B COA Exceptions for Correspondence and ~~Telecommunications Distance Education~~ Program of Study

Generally, the [cost of attendance \(COA\)](#) for a [correspondence program of study](#) student may include only tuition and fees, which often include books and supplies. If the cost of books and supplies is separate, then it may also be counted in the COA. However, if the student is fulfilling a required period of residential training, the COA may include required books; supplies; [an allowance for travel](#); and ~~specific~~ room and board costs incurred [for the period of residential training](#).

[09-10 FSA Handbook Volume 3, Chapter 2, p. 3-38]

The COA for a student receiving instruction via ~~telecommunications distance education~~ technology (see [definition in Section 5.12](#)) may include the documented cost of renting or purchasing equipment required to accommodate the study.

[09-10 FSA Handbook Volume 3, Chapter 2, p. 3-36]

For a [distance education program of study](#) in which ~~telecommunications are~~ technology is used to deliver to students any course that is also delivered in person to other students at the school, a [financial aid administrator \(FAA\)](#) at the school must use [professional judgment](#) to determine

whether the use of ~~telecommunications distance education technology~~ would result in a substantially reduced COA. If the COA would be substantially reduced, the FAA must reduce the student's eligibility for grants, loans, or work-study assistance.

[HEA §484(l)(2)]

~~For these purposes, telecommunications is defined as the use of television, audio, or computer transmission—including open broadcast, closed circuit, cable, microwave, satellite, audio conferencing, computer conferencing, or video cassettes or discs.~~

~~[HEA §484(l); §668.38; DCL GEN 92-21]~~¹

6.5.C COA Documentation Requirements

Federal regulations require that the data used to construct a student's budget for COA purposes, or the school's itemized standard budget for COA purposes, be made part of the school's [records](#) and be available for review. See [Section 4.5](#) for school record retention requirements.

[HEA §472; §668.24; §682.610(b)]

6.5.D Use of Professional Judgment to Determine COA

A financial aid administrator (FAA) is permitted to increase or decrease a student's [cost of attendance \(COA\)](#) based on extenuating circumstances. Alterations must be documented in the student's file.

[HEA §479A]

In determining whether a student has extenuating circumstances, an FAA may request and use additional information concerning the financial status or personal circumstances of a student or the student's family.

[DCL GEN-92-21; 08-09 FSA Handbook, Volume 3, Chapter 2, p. 3-20]

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

¹. Policy 1188 (Batch 168), approved April 15, 2010

loans were not eligible for [interest benefits](#). Nonsubsidized Stafford loans remain eligible for all [deferments](#) and repayment options applicable to other Stafford loans.

6.15 School Certification of the Loan

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

A school must certify the borrower's loan eligibility by the end of the [loan period](#) or the date on which the student ceases to be [enrolled](#) at least half time, whichever is earlier. If the school does not certify the loan by the earlier of these two dates, the loan cannot be disbursed. See [Subsection 7.7.G](#) for complete information regarding [late disbursement](#). [\[§668.164\(g\)\(2\)\(ii\)\(A\); §682.207\(f\)\]](#)

Before a school may certify a new loan for a borrower whose prior Title IV loan(s) is conditionally discharged or in a post-discharge monitoring period due to an initial based on a determination that the borrower is [totally and permanently disabled](#), the school must:

- eConfirm that the borrower has initiated the process to return the [conditionally discharged](#) loan(s) to repayment. ~~The school also must~~
- dDetermine whether the status of the loan (default or non-default) will trigger additional requirements before it certifies a new loan for the borrower.

If the loan(s) was in default prior to being conditionally discharged or placed in a post-discharge monitoring period, the school may be required to document that the borrower has either made [satisfactory repayment arrangements](#) with the loan holder in order to reinstate Title IV eligibility or has rehabilitated the defaulted loan(s) (see [Subsection 5.2.D](#)). See [Subsection 5.4.A](#) for more information regarding borrower eligibility for a new loan when the borrower's prior loan(s) is conditionally discharged or placed in a post-discharge monitoring period. [\[§682.201\(a\)\(5\)\]^{1, 2}](#)

¹ Policy 1149 (Batch 162), approved November 19, 2009

² Policy 1203 (Batch 169), approved April 15, 2010

A school may not refuse to certify or delay the certification of a Stafford or PLUS loan based on the borrower's selection of a particular lender or [guarantor](#). Also, a school may not assign a first-time borrower's loan to a particular lender through the award packaging process or other methods. See Subsection 6.15.E for information regarding when the school is permitted to refuse to certify a FFELP loan or to reduce the loan amount. [\[§682.603\(f\)\(2\) and \(4\)\]](#)

A school may not assess a Stafford or PLUS loan borrower, or the [dependent student](#) in the case of a parent PLUS loan, a fee for the completion or [certification](#) of any [FFELP](#) form or for providing any information necessary to receive a FFELP loan or any benefits associated with a FFELP loan. Examples include loan certifications, promissory notes, enrollment verification requests, or deferment forms. [\[§682.603\(i\)\]](#)

Schools on the Reimbursement Payment Method or the Cash Monitoring Payment Method

A school that [the Department](#) has placed on the reimbursement payment method or the cash monitoring payment method for the Federal [Pell Grant](#) Program, the [FDLP](#), or the [campus-based programs](#) must comply with any additional requirements established by the Department regarding the certification and delivery of Stafford or PLUS funds to its borrowers. [\[§668.167\(d\)\]](#)

A [school](#) participating solely in the [FFELP](#) may be required to seek the [Department's](#) approval to certify loan eligibility and deliver Stafford or PLUS loan [funds](#) if the Department determines a need to monitor the school's participation. [\[§668.167\(d\)\(1\)\(i\) and \(ii\)\]](#)

A school needing additional information from the Department on its individual requirements under the reimbursement payment method or the cash monitoring payment method should refer to [Appendix D](#) for contact information.

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

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. The lender must provide the following loan- and lender-specific information separate from the Borrower's Rights and Responsibilities statement or Plain Language Disclosure:

- 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](#) and an explanation of whether those charges will be collected by the lender before or at the time of each disbursement of the loan, deducted from the [loan proceeds](#), 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 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.

~~▲The lender must also provide a borrower with~~ A separate statement, 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:¹

- 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 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. Policy 1204 (Batch 169), approved April 15, 2010

- The minimum and maximum number of years for repayment and the minimum annual payment amount.
- A statement that the lender may sell or [transfer](#) the loan to another party, in which case the address and identity of the party to which correspondence and 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 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 on the basis of military service.
- A statement on the definition and consequences of default, including litigation, 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 the possible effects of accepting a loan on the student's eligibility for other financial aid.¹
- An explanation of any costs the borrower may incur during repayment or 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 (h)]

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.
- 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)]

7.6.C Guarantee Disclosure

A guarantor provides a [guarantee disclosure](#) to the lender when the loan is guaranteed (see [Subsection 3.3.B](#) for information about loans made under a blanket guarantee agreement). The lender must review this guarantee disclosure for accuracy. If the lender finds that information on the guarantee disclosure is inaccurate, the information must be corrected. The guarantor may allow the lender to make the corrections and notify the guarantor of the

¹ Policy 1204 (Batch 169), approved April 15, 2010

of proceeds and the student's revised [financial need](#). The school should request that the lender redispurse the revised amount and, if necessary, revise subsequent disbursements to eliminate the overaward.

[§682.604(h)(2)(i) and (ii)]

- Return to the lender the portion of the [disbursement](#) for which the student is ineligible and provide the lender with a written statement explaining the return of proceeds.

[§682.604(h)(3)]

- ▲ Schools may contact individual guarantors for more information on procedures for reducing or eliminating overawards. See [Section 1.5](#) for contact information.

If a school determines that an overaward exists, it must contact the lender or guarantor promptly to request an adjustment to the amount of each remaining disbursement. If all disbursements of the loan have been delivered to the student before the overaward occurs, no adjustment is required under current federal regulations. However, the school may adjust campus-based aid, as appropriate, to offset the student's receipt of Title IV funds. [§682.604(h)]¹

8.7 Delivering Loan Funds at Eligible Schools

The school must hold Stafford and PLUS [loan proceeds](#) until the student is [enrolled](#) in classes for the applicable [payment period](#). (For more information on payment periods, see [Section 6.3](#).) The school must deliver loan proceeds on a payment-period basis in substantially equal installments, with no installment exceeding one half of the loan amount. For a [loan period](#) that consists of more than one payment period, the school must deliver loan proceeds at least once in each payment period. If a loan period consists of only one payment period, the school must deliver loan proceeds at least twice during that payment period (see [Subsection 7.7.B](#), subheading “[Exceptions to Multiple Disbursement Requirements](#)”).

[§668.164(b)(1); §682.604(c)(1), (6), and (7)]

A school must ensure that it does not deliver the proceeds of a Stafford loan or a [Grad PLUS loan](#) to a student who has lost his or her eligibility to receive the loan, or for whom the school never certified a loan. A school also must ensure that it does not deliver the proceeds of a [parent PLUS loan](#) to a student (to whom the [parent](#) borrower authorized the

delivery of proceeds) if the student and/or the parent borrower has lost his or her eligibility to receive the loan, or if the school never certified a loan.

A school must not deliver any new loan funds to a borrower whose prior Title IV loan(s) is conditionally discharged or in a post-discharge monitoring period ~~due to based on an initial determination that the borrower is~~ [totally and permanently disabled](#) until it confirms that the [conditionally discharged loan\(s\) has been returned to repayment](#).^{2, 3}

Generally, a school may deliver the proceeds of any loan disbursement only if it determines that the student has maintained continuous eligibility for the [loan period](#) certified by the school. See [Subsections 8.7.E](#) (Late Delivery), [8.7.G](#) (Delivery to Borrowers in Special Circumstances, subheading “[Temporary Change in Enrollment Status](#)” and [8.11.A](#) (Exceptions to Delivery Restrictions at Ineligible Schools) for exceptions to this general rule.

[§668.164(b)(3); §682.604(b)(2)(i), (iii) and (iv)]

[Figure 8-3](#) illustrates a school's required activities before delivering a FFELP loan.

8.7.A Delivery Time Frames

The time frame within which schools must deliver or return loan proceeds covers three separate periods:

- **Initial Period** — A period of time a school has to deliver loan proceeds directly to the student or parent borrower, or to credit the student's account at the school. The length of this period of time is determined by whether the proceeds were received by the school by [electronic funds transfer \(EFT\)](#), [master check](#), or individual check.
- **Conditional Period** — A 10-business-day delivery period after the last day of the initial period. A school may deliver funds during this period only if the school expects the student to complete the required number of [clock or credit hours](#) in a preceding [payment period](#), or the school expects the student to meet all FFELP eligibility requirements within the conditional period.
- **Return Period** — A 10-business-day period following the initial or conditional period, as applicable, during which the school must return undelivered proceeds to

¹ Policy 1174 (Batch 166), approved March 18, 2010

² Policy 1149 (Batch 162), approved November 19, 2009

³ Policy 1203 (Batch 169), approved April 15, 2010

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. 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)]

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 selects an [income-based repayment schedule](#) (see [Subsection 10.8.D](#)).¹
- 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 1190 (Batch 168), approved April 15, 2010

A lender must offer the borrower the choice of a [standard](#), a [graduated](#), an income-sensitive, an income-based, or, if applicable, an extended repayment plan. 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 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. 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\(h\)](#)]

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\(f\)](#)]

If the repayment disclosure for a Stafford or SLS loan borrower is returned to the lender as undeliverable, thereby indicating that the lender has an invalid address for the borrower, the lender is not required to resend the repayment disclosure unless a valid address is obtained before the borrower's loan becomes 241 days delinquent. Despite this exception, 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). [[§682.205\(j\)](#)]

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.¹

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.
- 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.

¹ Policy 1205 (Batch 169), approved April 15, 2010

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\(a\)\(6\)\(viii\)\(D\)](#)]

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, based on the borrower's documentation, if the borrower has a [partial financial hardship \(PFH\)](#) for the initial year in which the borrower selects this repayment plan and annually for each subsequent year that the borrower remains in the ~~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 based on the loan balance of all of his or her eligible, outstanding 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 and state of residence. The annual payment amount is calculated under a [standard repayment schedule](#) and based on a 10-year [repayment period](#). The loan balance used is the greater of the following:

- The amount due on all eligible loans when the borrower initially entered repayment (i.e., [standard-standard](#)).
- The amount due on all eligible loans when the borrower requests the IBR plan (i.e., [permanent-standard](#)).¹

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 lender must collect either: ~~borrower must provide the lender with~~

- A signed copy of the page(s) of the borrower's most recent federal tax return that contains the borrower's AGI. If the borrower's tax return was filed electronically, the lender must ensure that the copy obtained from the electronic submission process is signed. If the borrower provides a copy of his or her most recent federal tax return, the borrower is not required to provide copies of any other tax return forms, schedules, attachments, or worksheets, including W-2 Forms. Unless the lender has reason to believe that the information on the tax return is not accurate, it may rely upon the AGI amount reported on the tax return for purposes of the PFH determination. If the lender questions the accuracy of the signed copy of the tax return submitted by the borrower, it must require the borrower to provide the lender with a signed consent form (IRS Form 4506-T) or the tax transcript that is received after submitting Form 4506-T to the Internal Revenue Service (IRS). [[Department's Electronic Announcement dated June 12, 2009](#)]
- The tax transcript information from the IRS, which can be obtained by the borrower submitting a signed written consent form (IRS Form 4506-T) for the disclosure of the applicable adjusted gross income AGI and other tax return information from the Internal Revenue Service IRS directly to the IRS, or to the lender for submission to the IRS. The borrower provides this consent by signing a consent form and returning the form to the lender. [[§682.215\(e\)\(1\)](#)]

~~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~~ AGI is not available or if the lender believes that the borrower's ~~adjusted gross income~~ AGI does not reflect the borrower's current income, the lender may use other documentation, provided by the borrower, to verify income.²

¹ Policy 1190 (Batch 168), approved April 15, 2010

² Policy 1143 (Batch 161), approved October 15, 2009

For a married borrower filing taxes separately, AGI includes only the borrower's income. For a married borrower filing taxes jointly, AGI includes both the borrower's and spouse's income. For a married borrower filing separately, AGI includes only the borrower's income. A married borrower who files a joint tax return may include with his or her eligible loans any eligible loans owed by the borrower's spouse for purposes of determining PFH eligibility. In this situation, the lender must:

Step 1: Determine each spouse's percentage of the couple's total eligible loan debt.

Step 2: Adjust the borrower's monthly payment amount by multiplying the calculated total payment amount by the percentage calculated in Step 1.

If a borrower's loans are held by multiple lenders, the lender must adjust the monthly payment amount by multiplying the payment calculated in Step 2 by the percentage of the total outstanding principal balance of eligible loans held by the lender.

Step 3: Apply the PFH payment amount rules explained under the Payment Amount Calculation subheading below.

[§682.215(a)(1) and (b)(1)]^{1, 2}

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.

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 DHSS poverty guideline is \$25,790.

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

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 $\$11,315 \times .15 = \$1,697.25$.

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

¹ Policy 1143 (Batch 161), approved October 15, 2009

² Policy 1190 (Batch 168), approved April 15, 2010

10.11.E Applying Funds Returned by the School

Funds that the lender receives from a school must be applied to the unpaid **principal balance** of the loan but must not affect the borrower's next payment due date. How a lender processes the borrower's loan fees depends on which party originally paid the fees, as follows:

- If the lender deducted the **federal default fee** (or **guarantee fee**), and/or the **origination fee** from the borrower's **loan proceeds**, the lender must reduce the fee(s) proportionate to the returned amount.
- If the lender paid the federal default fee (or guarantee fee) and/or origination fee instead of deducting the fee(s) from the borrower's loan, the lender may retain the fee(s) and not refund the fee(s) to the borrower.

The lender must notify the **guarantor** promptly whenever funds returned by the school are applied to a loan and must provide the amount of the returned funds and the date the returned funds were received from the school. The lender may provide notification using a guarantor's loan status change document or an equivalent tape file or electronic exchange. See **Subsections 7.8.C** and **7.9.C** for more information about the refund of fees.

[§682.202(c)(7) and (d)(4)]

Funds received from the school during the **in-school period** of the loan may be an indication that the borrower's enrollment status has changed. As a result, the lender should verify that the borrower remains **enrolled**, unless the school already has provided this information.

Lenders may—but are not required to—verify the enrollment status of the borrower after receiving funds from the school, when those funds are designated as an **overaward**.

[§682.209(i)]

If the lender receives funds from a school for a loan it no longer holds (including a loan paid in full by refinancing or consolidation), the lender must transmit the funds to the new **holder** within 30 days of the lender's receipt of the funds. The transmission also must be accompanied by an explanation of the source of the funds, the reason the funds were returned (if noted by the school), and the date the lender received the funds. The new holder must apply the funds to the borrower's unpaid **principal balance** with an effective date that reflects the date the previous holder received the funds from the school. The new holder also

must notify the borrower promptly in writing that the funds have been received.

[§682.209(i)]

If the lender applies funds received from the school to the borrower's account after it has established the borrower's repayment terms, the lender is strongly encouraged to recalculate the repayment terms when doing so will result in a reduced payment amount. If the lender recalculates the repayment terms and the borrower's payment amount is reduced due to the returned funds, the lender must provide the borrower with a revised repayment disclosure. Under no circumstances should the lender advance the borrower's payment due date as a result of funds being returned by the school. School requirements for the **return of Title IV funds** are outlined in **Section 9.5**.

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 of interest that the borrower has paid in interest on the loan since the last bill or statement.
- The aggregate amount the borrower has paid on the loan, including all as well as separate aggregate amounts identifying the interest paid, and the fees paid, and the amount paid against the principal 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 repayment options, payment, and billing error purposes.¹

¹ Policy 1191 (Batch 168), approved April 15, 2010

- 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.

These disclosures may be provided to a borrower based on the lender's or loan servicer's current system methodology and, therefore, may be disclosed at the loan, account, or borrower level.

[\[HEA §433\(e\)\(1\); §682.205\(c\)\(3\); Preamble to the Notice of Proposed Rulemaking, *Federal Register* dated July 23, 2009, pp. 36571-36572; DCL GEN-08-12/FP-08-10\]](#)¹

Exception for Invalid Address

A lender is not required to send the disclosures listed above, including the bill or statement, if the lender does not have a valid address for the borrower. However, if the lender receives a valid address for the borrower before the borrower's loan becomes 241 days delinquent, the lender must resume sending the required bill or statement (the lender is not required to resend previously undeliverable bills or statements), as well as any other disclosure information not previously provided.

[\[§682.205\(j\)\]](#)²

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\]](#)

10.13 Paid-in-Full Loans

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 1191 (Batch 168), approved April 15, 2010

² Policy 1205 (Batch 169), approved April 15, 2010

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 or PLUS Loan

~~Before or at the time a lender grants an in-school, graduate fellowship, unemployment, military, or economic hardship deferment on an unsubsidized Stafford or PLUS loan, a lender must provide general information, including an example, 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)]

The lender must also notify the borrower of the option to pay the accruing interest or cancel the deferment and continue to make payments on the loan.
[§682.210(a)(3)(ii)]¹

¹ Policy 1192 (Batch 168), approved April 15, 2010

11.4 Economic Hardship Deferment

An [economic hardship](#) deferment is available to a borrower who earns less than minimum wage or an amount equal to 150% of the poverty guideline applicable to the borrower's family size.

11.4.A Eligibility Criteria—Economic Hardship

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

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

1. The borrower has been granted an economic hardship deferment under either the [FDLP](#) or [Federal Perkins Loan Program](#) for the period of time for which the borrower has requested an economic hardship deferment for his or her FFELP loan.
2. The borrower is receiving payment or benefit under a federal or [state](#) public assistance program, such as Aid to Families with Dependent Children, Supplemental Security Income, Food Stamps, or state general public assistance.
[*Federal Register* dated June 29, 1994]
3. The borrower is working full time and has a monthly income that does not exceed the greater of (a) the minimum wage rate described in section 6 of the Fair Labor Standards Act of 1938 or (b) an amount equal to 150% of the poverty guideline applicable to the borrower's family size, as published annually by the Department of Health and Human Services pursuant to [42 U.S.C. §9902.2](#) (see *Note 4* below).

For the purpose of this deferment, *family size* is defined as the number that is determined by counting the borrower, the borrower's spouse, and the borrower's children (including unborn children who will be born during the period covered by the deferment) if the children receive more than half of their support from the borrower. A borrower's family size also includes

other individuals if, at the time the borrower requests the economic hardship deferment, the other individuals meet both of the following criteria:

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

Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, and payment of college costs.

[§682.210(s)(6)(ix)]

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

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

[DCL GEN-98-16]

Note 4: A borrower is considered to be working full time if he or she is expected to be employed for at least three consecutive months at 30 or more hours per week. For a period of deferment granted under item 3 above, the lender must require the borrower to submit evidence showing the amount of the borrower's monthly income. If the borrower does not have an income when applying for an economic hardship deferment under item 3, despite working full time as required, the borrower must provide a self-certifying statement, either on the deferment form or in a separate statement, indicating that he or she has no income.¹ A borrower's monthly income is the gross amount the borrower received from employment, if applicable, and from other taxable sources, or one-twelfth of the borrower's adjusted gross income (AGI), as recorded on the borrower's most recently filed federal income tax return. Non-taxable income such as child support, life insurance proceeds, and

¹ Policy 1158 (Batch 168), approved April 15, 2010

gifts and bequests that are not included in the computation of the AGI should not be treated as income for purposes of determining eligibility for an economic hardship deferment. ~~A borrower who is unemployed, incarcerated, disabled, or on a temporary unpaid leave of absence from work may qualify for an economic hardship deferment if he or she provides the lender with documentation of his or her income. Any borrower who does not have income when applying for an economic hardship deferment must provide a self-certifying statement, either on the deferment form or in a separate statement, indicating that he or she has no income.~~ If the borrower resides in a foreign country and submits proof of income in foreign currency, the amounts must be converted to U.S. dollars before the lender determines [deferment](#) eligibility. Deferment eligibility for ~~a borrowers with foreign income not residing in a state identified in the poverty guidelines will be~~ is based on the poverty guidelines for the last state in which the borrower resided 48 contiguous states.

[§682.210(s)(6)]¹

11.4.B Deferment Documentation—Economic Hardship

If a borrower requests an economic hardship deferment, the lender should forward to the borrower the following common deferment form:

HRD

Economic Hardship Deferment Request

Documentation should include pay stubs, a copy of the borrower's most recently filed federal tax return, or other official documents noting the borrower's income. A borrower who qualifies for deferment based on his or her Peace Corps service is not required to submit income documentation, but must submit documentation from the Peace Corps showing that he or she is or will be serving as a volunteer.

[DCL GEN-98-16]

A borrower who is newly self-employed may not be able to provide traditional documentation of income. In order for a newly self-employed borrower to qualify for an economic hardship deferment, the borrower must provide the lender with a self-certifying statement of projected monthly income from all sources. In addition, the borrower must provide documentation of the newly formed business and

documentation of the borrower's involvement in that business. Documentation that may be used for newly self-employed borrowers includes, but is not limited to:

- A statement from the borrower's accountant.
- A copy of the Articles of Incorporation for the business venture.
- A copy of the Business Charter showing the borrower's involvement.
- An application for a tax identification number.

11.4.C Length of Deferment—Economic Hardship

The [deferment](#) begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends on the date the condition establishing the borrower's eligibility for the deferment ends. This deferment may be granted for periods of up to 1 year at a time and may be renewed for a total that, collectively, do not exceed 3 years. For a borrower who is serving as a volunteer in the Peace Corps, the deferment may be granted for the lesser of the borrower's full term of service or the borrower's remaining period of [economic hardship](#) deferment eligibility under the 3-year maximum. [HEA §428(b)(1)(M)(iv); §682.210(s)(6); DCL GEN-98-16]

11.4.D Simplified Deferment Processing

A lender may grant an [eligible borrower](#) an economic hardship deferment based on information that the borrower has been granted an economic hardship deferment by another FFELP loan [holder](#) or the Department (for a Direct loan) for the same time period. The borrower must request the deferment either verbally or in writing but does not have to provide a completed economic hardship deferment form or the other required documentation listed in [Subsection 11.4.B](#).

In granting the deferment in this manner, the lender may rely in good faith on the information obtained from another FFELP loan holder, the Department, or an authoritative electronic database maintained or authorized by the Department, unless the lender has information indicating that the borrower does not qualify for the economic

¹ Policy 1158 (Batch 168), approved April 15, 2010

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.
- As of the date of the notice, the minimum payment the borrower must make to avoid default, including the payment amount needed either to bring the loan current or to pay the loan in full.
- 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 from which the borrower may receive additional advice and assistance on loan repayment, 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.

The lender must provide this disclosure notice within five days of the date the borrower becomes 60 days delinquent, unless the lender has sent a similar notice to that borrower within the preceding 120 days. [HEA §433(e)(1)(3); §682.205(c)(5)]¹

¹ Policy 1193 (Batch 168), approved April 15, 2010

Exception for Invalid Address

A lender is not required to send the disclosures listed above if the lender does not have a valid address for the borrower. However, if the lender receives a valid address for the borrower before the borrower's loan becomes 241 days delinquent, the lender must send the required information not previously provided.
[§682.205(j)]¹

12.2 Situations Requiring Collection Activities

The collection activities that are known as “due diligence” in the FFELP must be performed in the following situations:

- A **borrower** is delinquent in making payments.
- A lender is unable to determine the address of a borrower whose loan is delinquent.
- A borrower is determined to be ineligible for a loan (due to the borrower's or student's error).

A loan is considered delinquent if the lender has not received a borrower's payment by the day after the payment due date. A **lender** must ensure that the due date of the first payment is established according to the requirements described in [Section 10.5](#).
[§682.411(b)]

12.3 Factors Relating to Collection Activities

There are a number of factors related to servicing a FFELP loan that lenders must consider in conducting collection activities. The following subsections identify some of these factors.

12.3.A Bankruptcy Petition Filing

Lenders must suspend collection activities upon receipt of official notice that the borrower has filed a **bankruptcy** petition.
[§682.402(f)(2)]

Some guarantors permit the suspension of collection activities in response to “unofficial” notification of a borrower's bankruptcy filing. These provisions are noted in [Appendix C](#).

See [Subsection 13.8.A](#) for more information regarding acceptable notifications with respect to a borrower's filing of a bankruptcy petition.

12.3.B Deferment of Loans in Delinquency or Default

If, at any time during the performance of collection activities, a lender learns that a borrower may be eligible for a **deferment**, the lender must explain the conditions for obtaining the deferment and make the deferment option available. A lender must grant a deferment to a borrower whose delinquent loan is not in **default** if the borrower is eligible for the deferment. See [Subsection 11.1.F](#) for more information about deferment of delinquent loans.
[§682.210(a)(7)]

A lender *must* grant a deferment to a borrower whose loan is in default if the borrower's deferment eligibility began *before* the date of default. A lender *may* grant a deferment to a borrower whose loan is in default if the borrower's deferment eligibility begins *after* the date of default and the borrower makes payment arrangements acceptable to the lender to resolve the default prior to the payment of a default **claim** by a **guarantor**. See [Subsection 11.1.G](#) for more information about deferment of defaulted loans.
[§682.210(a)(8)]

Collection activities are no longer required if a deferment, or the combination of a deferment and other actions (e.g., **forbearance** or payments), brings the loan current. If the loan remains delinquent, see [Subsections 12.4.A](#) and [12.4.B](#) for more information on collection activities required for a **rolling delinquency**.

12.3.C Forbearance Option

A lender is encouraged to grant a discretionary **forbearance** to a borrower or **endorser** who intends to repay a loan, but who is temporarily unable to make payments due to poor health or other personal problems and does not qualify for a deferment, **mandatory administrative forbearance**, or **mandatory forbearance** (see [Sections 11.1](#), [11.23](#), and [11.24](#), respectively). If either the borrower or the **endorser** is granted a **forbearance** for the temporary cessation of

¹ Policy 1205 (Batch 169), approved April 15, 2010

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 History Appendix for more information. [\[§682.415\(b\)\(7\)\(i\)\]](#)

- The *Standard Review Status* is applicable to a lender for whom the guarantor has identified no significant servicing deficiencies. Lenders under this status may file claims using documentation requirements as outlined in [Subsection 13.1.D](#).
- The *Program Review Status* is applicable to a lender for whom the [guarantor](#) has identified significant servicing deficiencies. For lenders assigned this claim filing status, the guarantor may require additional information and documentation to support the [claim](#).

▲ Some guarantors may require a separate claim for subsidized and unsubsidized loans and/or for loans with different interest rates. Lenders may contact individual guarantors for more information. See [Section 1.5](#) for contact information.

Some guarantors have additional or alternate requirements. These requirements are noted in [Appendix C](#).

Claim Form Instructions

[Figure 13-1](#) will help lenders determine what information must be provided on the Claim Form. Detailed descriptions of these items are located in the instructions on the Claim Form.

▲ Lenders may contact individual guarantors for more information on required data elements associated with the Claim Form. See [Section 1.5](#) for contact information.

Information to Be Provided on the Claim Form

Figure 13-1

Item Description	Field Name	Required ¹	If Available ²
CLAIM INFORMATION			
Claim Type of claim being submitted.		•	
Date condition occurred.	<u>DCO</u>	•	
Claim Review Type		•	
BORROWER INFORMATION			
Borrower's Social Security # number (SSN).		•	
Borrower's last name, first name, and middle initial.	<u>Name (Last, First, MI)</u>	•	
AKA (previous or alternate name used by the borrower).			•
Borrower's last known complete address.	<u>and Valid?</u>	•	
Validity of the borrower's address.		•	
Borrower's Home #, telephone number, Work # number, and Other # number.			•
Validity of the borrower's telephone numbers.	<u>Home #, Work #, Other #, and Valid?</u>	•	
Name, telephone number, and address of the borrower's place of employment.	<u>Employer</u>		•
LOAN INFORMATION			
Loan Type for each loan identified on the Claim Form (i.e., SF = subsidized Stafford, including nonsubsidized prior to 10/92; SU = unsubsidized Stafford; PL = Parent PLUS; GB = Grad PLUS; SL = SLS; CL = Consolidation).		•	
Loan ID for each loan identified on the Claim Form (e.g., the loan identifier code, file number, guarantee date, or amount, as indicated by the guarantor).		•	
1 st Disb Dt		•	
\$ Current Prin Bal		•	
\$ Unpd Fee/Int		• ⁴	
Date the Dt Loan sSold (as applicable).		•	
Date on which the current servicer assumed responsibility for servicing the loan for each loan identified on the Claim Form (as applicable).	<u>Dt Servicer Resp</u>	•	
First disbursement date for each loan identified on the claim request.		•	
Interest rate, interest rate type, and the date loan converted (as required by HEA 1986 or HEA 1992 rebate requirements) for each loan identified.	<u>Int Rate/Type/Conv Dt</u>	•	
Current principal balance (including all insured and uninsured capitalized interest) due for each loan identified on the date of the claim request.		•	

Item Description Field Name	Required ¹	If Available ²
Amount of unpaid origination fee and, separately, amount of unpaid capitalized interest.	4	
Amount of cure interest capitalized and unpaid cure interest not capitalized for each loan claimed. \$ Uninsured Interest	•	
ENDORSER/COMAKER/PLUS STUDENT (E/C/S) INFORMATION		
Loan ID	•	
E/C/S Code, ID #	•	
PLUS student's Social Security number (SSN), and name. E/C/S Name	•	
PLUS Student Social Security #	•	
Endorser's or Comaker's Social Security #	2	
PLUS \$Student's last known complete aAddress.	•	
E/C Address	3	
Validity of the PLUS student's address. E/C/S Address and Valid?	•	
PLUS \$Student's hHome telephone number. #	•	
E/C Home #	3	
Validity of the PLUS student's home telephone number. E/C/S Home # and Valid?	•	
Full name of the endorser or comaker, the identifying code (i.e., E=endorser, C=comaker), and the numeric identifier.	4	
Endorser's or comaker's SSN.	3	
Endorser's or comaker's last known complete address.	3	
Validity of the endorser's or comaker's address.	4	
Endorser's or comaker's home telephone number.	3	
Validity of the endorser's or comaker's home telephone number.	4	
CONVERSION TO REPAYMENT INFORMATION		
The out of school date. Stafford loans—the date the borrower ended enrollment on at least a half-time basis, before any grace period and the initial conversion of the loan to repayment. PLUS/SLS loans—the date the student or borrower ceased eligibility for an in-school deferment (for immediately deferred loans only). Consolidation loans and PLUS/SLS loans not immediately deferred—the date of the last disbursement. For Consolidation loans, the latest disbursement date on the beginning loan balance should be used if the lender did not establish a new due date when an add-on was accomplished. If the lender did establish a new due date with the add-on loan, the disbursement date for the add-on should be provided. OSD	•	
Date the lender was notified of the original out of school date. Notification Dt	•	
Note whether the original out of school date changed after the account entered repayment. Repayment Change?	•	
Due date of the first monthly payment. 1 st Pmt Due Dt	•	
REPAYMENT INFORMATION		
Total amount of payments made by or on behalf of the borrower. \$ Total Borrower Pmts	•	
For disability claims, total amount of payments made by or on behalf of borrower after the date the borrower became unable to work and earn money. \$ DI Refund	•	
Number of months due date advanced by payments made by or on behalf of the borrower. # Mnths Pmts	•	
Number of regular monthly payments deferred or forborne. # Mnths Def/Forb	•	
Number of months account was out of guarantee. # Mnths Violation	•	
Total number of noncontinuous individual periods of deferment and forbearance. # Events	•	
Number of reconversion months. # Reconv Mnths	•	
Due date of the first unmet payment of the borrower's delinquency. Pmt Due Dt	•	
REQUESTED CLAIM AMOUNT		
Total original principal value disbursed to the borrower for the loans claimed. Total Amount Disb/Repurchased	•	
Total amount of interest capitalized. Capitalized Int	•	
Total principal repaid on the borrower's account before and after entering repayment. Prin Repaid	•	
Total principal value of the borrower's debt which is used to compute the interest claimed. Prin Used For Int Claimed	•	
Amount of interest capitalized not eligible for claim payment. Cure Int Capitalized	•	
Total principal value of the claim. Prin Claimed	•	
Date through which interest was last paid. Int-Paid-Through Dt	•	
Amount of outstanding insured interest claimed and the date through which it was accrued. Int Claimed As Of	•	
Amount of unpaid cure interest not capitalized. Unpaid Cure Int Not Capitalized	•	
Amount of any other insured costs incurred on the account. Other Charges Claimed	•	

Item Description-Field Name	Required ¹	If Available ²
LENDER/SERVICER INFORMATION AND CERTIFICATION		
Lender's six digit lender ID assigned by the Department and, as applicable, four digit non-Department suffix: <u>Lender ID</u>	•	
Servicer's six digit servicer ID assigned by the Department: <u>Servicer ID</u>	•	
Claim review status for which the institution currently qualifies (i.e., 1=Exceptional performer status, 2=standard review status, 3=Program review status):	•	
Current servicer's name and address: <u>Lender/Servicer Name</u>	•	
<u>Lender/Servicer Address</u>	•	
Preparer's name and telephone number: <u>Prepared By</u>	•	
<u>Preparer's #</u>	•	
COLLECTION HISTORY (THE 270-DAY PERIOD PRIOR TO DEFAULT DATE)		
Borrower, endorser, and comaker collection activity codes and dates the activities were performed: <u>Collection History</u>	•	
INCOME BASED REPAYMENT		
<u>Loan ID</u>	• ⁵	
<u>Standard-Standard \$</u>	• ⁵	
<u>Permanent-Standard \$</u>	• ⁵	
<u>25-Year Forgiveness Date Begin Dt</u>	• ⁵	
<u># Qualifying Forgiveness Mnths</u>	• ⁵	
<u>IBR Start Dt</u>	• ⁵	
<u># Days HRD Def</u>	• ⁵	

¹ Refers to information the lender must provide on the Claim Form.

² Refers to information that the lender may or may not have. If the lender has the information, it must be provided on the Claim Form.

³ Refers to information that the lender must provide on the Claim Form for loans first disbursed on or after September 1, 1998. For loans first disbursed prior to September 1, 1998, if the lender has the information, it must be provided on the Claim Form.

⁴ Refers to information that the lender is required to provide on the Claim Form for claims filed for loans first disbursed on or after September 1, 2004.

⁵ Refers to information that the lender is not required to provide for BC, BH, or DI claims for which no first payment due date has been established; for parent PLUS loans or Consolidation loans that include a parent PLUS loan; or for claim types CS, DE, FC, ID, or IN.¹

¹ Policy 1169 (Batch 166), approved April 15, 2010

Total and Permanent Disability Claims – Regular¹

For a total and permanent disability [claim](#), the lender must submit—in addition to the preceding items 1 through 5, and each of the following:—

- ~~a~~ A completed Discharge Application: Total and Permanent Disability or other form(s) approved by the [Department](#).
- ~~The lender must also submit a~~ A [record](#) of any payments received after the date the physician completed and certified the [discharge](#) application.
- A FFELP Assignment Support Supplemental Form (TPD-Specific worksheet) when filing a total and permanent disability claim that is not based on a determination by the Department of Veterans Affairs (VA). This form requires the lender to provide certain electronic signature and disbursement information. [§682.402(e)(5)(vii); §682.402(g)(1)(iv); the Department's Mandatory Assignment Guidance dated July 2, 2009]²

Total and Permanent Disability Claims – VA

For a total and permanent disability claim, the lender must submit—in addition to the preceding items 1 through 5—a Discharge Application: Total and Permanent Disability with Sections 1 and 3 completed by the borrower along with the 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. [§682.402(c)(8); DCL GEN-09-07/FP-09-05]³

Some guarantors have additional or alternate requirements. These requirements are noted in [Appendix C](#).

13.1.E Missing Claim File Documentation

If a [lender](#) submits a [claim](#) file with any required [documentation](#) missing or incomplete, or if the [guarantor](#) determines that more information is needed to process the claim, the guarantor may attempt to obtain the necessary documentation or return the claim file to the lender with a request for the missing documentation.

To expedite the claim filing process and avoid the return of claim files to the lender, the guarantor may use a fax machine to request and receive missing information from lenders. The types of documentation that may be transmitted and received by fax include, but are not limited to, the [application](#), [promissory note](#), promissory note [assignment](#), specialty claim documentation, payment history information, [deferment](#) or [forbearance](#) documentation, and missing collection history. In the case of documentation where an original or true and exact copy, or an accurate and complete photocopy of the original or certified copy, may be required (such as the promissory note and death certificate), the lender may fax a copy of the document so that the guarantor can continue processing the claim. However, the lender must, within the time frame established by the guarantor, forward the original document—or a copy certified as true and exact, or an accurate and complete photocopy of the original or certified copy—to the guarantor to avoid a future claim return.

- ▲ Lenders may contact individual guarantors for information on faxing claim file documentation. See [Section 1.5](#) for contact information.

If a lender is unable to provide requested documentation, the loan may be subject to [interest](#) penalties or [due diligence](#) violations. If a lender is unable to provide accurate payment information, as required on the Claim Form, the [guarantee](#) on the loan may be canceled. However, the lender may attempt to have the loan's guarantee reinstated in many cases by following the applicable [cure](#) procedures (see [Section 14.5](#)).

In some cases, an indemnification [agreement](#) will be accepted if a lender is unable to provide required documentation for claim filing.

- ▲ Lenders may contact individual guarantors for information on the use of indemnification agreements to substitute for documents required in the claim file. See [Section 1.5](#) for contact information.

13.1.F Missing Payment History

A guarantor views a period of missing payment history as a serious due diligence violation that must be cured, regardless of the length of the period. A loss of guarantee on a loan will result during any period for which all, or a portion of, the payment history is missing. For more information on this violation and how it may be cured, see [Subsections 14.1.C](#) and [14.5.C](#), respectively.

¹. Policy 1206 (Batch 169), approved April 15, 2010

². Policy 1142 (Batch 161), approved October 15, 2009

³. Policy 1206 (Batch 169), approved April 15, 2010

13.1.G

Additional Documentation Requested by the Guarantor

There are several reasons why a guarantor may require a lender to provide additional information or documentation, such as:

- The guarantor requests additional information due to the [subrogation](#) of the loan.
- The borrower disputes the loan amount.
- The school disputes its [cohort default rate](#).

For a loan that is subrogated to the Department or upon the request of the guarantor, the lender must provide the following within the guarantor's required time frame:

- A record of the lender's disbursement of Stafford and/or PLUS loan proceeds to the school for delivery to the borrower.
- If the promissory note was signed electronically, the name and location of the entity in possession of the original electronically signed promissory note. [[§682.409\(c\)\(4\)\(vii\)](#) and [\(viii\)](#)]
- ▲ Lenders may contact individual guarantors for more information on when the additional documentation is required.

13.2

Claim Returns

A [guarantor](#) will return (send back) a [claim](#) to the [lender](#) under certain circumstances. The guarantor will notify the lender of the reason for the return. Most claim returns occur for one or more of the following reasons:

- The lender incurs a violation(s) that results in a loss of guarantee on the loan.
- The claim package contains inadequate documentation.
- The borrower is found not to be in a [default](#) status.
- The lender is unable to provide sufficient documentation to justify the claim.

- The borrower is actually eligible for a loan when a lender incorrectly determines that he or she is ineligible, or if ineligible, is not ineligible *solely* due to his or her own error (e.g., when a lender receives retroactive information that a student never [enrolled](#) although the student actually attended classes).

The [guarantor](#) is required to return the [claim](#) or [discharge](#) request to the lender within a specific number of days after receiving the claim or discharge request, as follows:

- 90 days for a [default](#), total and permanent disability regular, or closed school claim.
- 45 days for a [total and permanent disability – VA claim](#).
 - = The guarantor must, within 45 days after receiving a total and permanent disability – VA claim from the lender, determine if the documentation is complete.
- 45 days for a [bankruptcy](#) claim, a death claim, or an unpaid refund discharge.
- 120 days for a false certification claim (90 days to determine the loan's eligibility for discharge, and another 30 days to authorize payment of the claim or return it to the lender). [[§682.402\(d\)\(6\)\(ii\)\(G\)\(2\)](#); [§682.402\(e\)\(6\)\(iv\)](#) and [\(e\)\(7\)](#); [§682.402\(h\)\(1\)\(i\)](#); [§682.402\(h\)\(1\)\(v\)\(A\)](#); [§682.406\(a\)\(8\)](#)]¹

If a claim is returned with a request that the lender resume servicing, the lender must resume servicing the loan at the point of [delinquency](#), if any, that existed on the loan immediately before the claim was filed (see [Section 12.9](#)).

13.2.A

Refiling the Returned Claim

A lender may refile a returned claim if it reviews the returned claim, satisfies all requirements for refiling the claim, and determines that the loan is still eligible for claim purchase. The lender's refiling of a claim is subject to the following requirements, as applicable:

- A [bankruptcy](#) claim must be refiled within 30 days after the lender's receipt of the returned claim. Failure to refile a bankruptcy claim by the 30th day will result

¹. Policy 1206 (Batch 169), approved April 15, 2010

13.3 Claim Purchase or Discharge Payment

The [guarantor](#) is required to purchase an approved claim or a Department – approved [total and permanent disability – VA discharge](#) request, or return the claim or Department – denied total and permanent disability – VA discharge request to the lender within a specific number of days after receiving the claim or the Department’s determination on a total and permanent – VA discharge request, as follows:

- 90 days for a [default](#), total and permanent disability – [regular](#), or closed school claim.
- 45 days for a total and permanent disability – VA claim.
 - = The guarantor must, within 45 days after receiving a total and permanent disability – VA claim from the lender, either forward the request to the Department for a final eligibility determination, or return the claim to the lender if the documentation does not establish the discharge eligibility. If the Department approves the discharge, the guarantor must pay the claim to the lender within 45 days after receiving the Department’s approval notification. If the Department denies the discharge, the guarantor must return the claim to the lender within 45 days after receiving the Department’s denial notification.
- 45 days for a [bankruptcy](#) claim, a death claim, or a closed school unpaid [refund](#) discharge.
- 30 days from the approval date of the false certification loan discharge application, from the date of the guarantor’s independent determination that the borrower is eligible for a false certification loan discharge, or from the guarantor’s receipt of notification from the Department that the borrower is eligible for a false certification loan discharge. (A guarantor may take up to 90 days to determine the borrower’s eligibility for discharge.)
- 45 days from the date the eligibility determination is made for an open school unpaid refund discharge. (A guarantor may take up to 120 days to resolve the unpaid refund with the school. See [Subsection 13.8.H.](#))

If the lender fails to provide complete documentation, or if the lender has committed one or more violations that warrant [cancellation](#) of the loan’s [guarantee](#) (for any claim

except a closed school or false certification discharge claim), the claim will be returned to the lender unpaid within the applicable time frame noted above. Closed school and false certification discharge claims are not subject to review for servicing violations.

[§682.402(d)(6)(ii)(G)(1); §682.402(e)(6)(iv) and (e)(7)(ii); §682.402(h)(1)(i); §682.402(h)(1)(v)(B); §682.402(l)(2)(ii); §682.402(n)(1); §682.406(a)(8)]¹

13.3.A Claim Payment Amount

If a lender has complied with applicable servicing requirements and has not incurred interest penalties or violations sufficient to cause the loss of guarantee on the loan, a claim will be paid as follows:

- The guarantor will use the principal claimed amount provided by the lender on the Claim Form. This figure, which is the outstanding principal value of the claim, is calculated according to the following formula:

$$\begin{aligned} \text{Principal claimed} = & \text{Total amount disbursed} + \\ & \text{Capitalized interest} - \\ & \text{Principal repaid} - \\ & \text{Cure interest capitalized} \end{aligned}$$

(See [Subsections 13.8.G, 13.8.B, and 13.8.D](#) regarding claim payment for total and permanent disability, closed school, and false certification claims.)

- The guarantor will not pay any type of claim for a total amount that is less than \$50.00.
- The guarantor will pay 98% of the outstanding principal and eligible interest for each of the following types of claims:
 - A default claim filed on a loan that was first disbursed or consolidated on or after October 1, 1993, but before July 1, 2006. [[§682.401\(b\)\(14\)\(ii\)](#)]
 - An [ineligible borrower claim](#) filed on a loan that was first disbursed on or after October 1, 1993, but before July 1, 2006. [[HEA §428\(b\)\(1\)\(G\)](#)]

¹. Policy 1206 (Batch 169), approved April 15, 2010

- During the period required by the guarantor to approve the claim and to authorize payment or to return the claim to the lender for additional documentation, not to exceed 90 days.
[§682.407(c)(10)]

Notifying the Borrower and Any Endorser

After being notified that the guarantor has paid a discharge claim, the lender must notify the borrower that the loan has been discharged, or partially discharged in the case of a Consolidation loan. Except in the case of a partially discharged Consolidation loan, the lender must return to the sender any payments received by the lender after the date the guarantor paid the discharge claim and notify the borrower and any **endorser** that there is no further obligation to repay the loan(s).

[§682.407(c)(11)]

13.8.G Total and Permanent Disability

Note: See Section 5.4 for more information about eligibility requirements that a borrower must meet in order for the borrower to receive a new loan after he or she has received a loan discharge due to total and permanent disability.¹

A borrower is not eligible for discharge of a loan that has already been paid in full when the loan holder receives the borrower's total and permanent disability loan discharge request.²

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 Sections 1 and 3 ~~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. If the guarantor determines, based on its review of the VA documentation, that the borrower is not eligible for discharge, the guarantor will return the loan discharge application and VA documentation to the lender with an explanation of the reason for the denial.

If either the lender or the guarantor determines that the documentation from the VA does not indicate that the borrower is eligible for discharge, the lender must notify the borrower that the discharge request has been denied, provide the reason for the denial, and advise the borrower that collection activities will resume. The lender also must inform the borrower that he or she may reapply for a regular total and permanent disability discharge if the documentation from the VA indicates that the veteran may qualify under regular disability provisions. The lender may treat the loan as if it was in **forbearance** during the evaluation process, and **capitalize** the interest.

~~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 ~~guarantor loan holder~~ of the discharge. The guarantor will pay the disability claim and notify the lender. The lender will return ~~Any loan payments made on or after the effective date of the VA determination (that the borrower is unemployable due to a service-connected condition) are refunded to the borrower.~~ The borrower is not subject to the 3-year conditional period or post-discharge monitoring period. Title IV loans received prior to the effective date of the VA determination, including the underlying loans in a Consolidation loan, are eligible for discharge, as well as Title IV loans received on or after the effective date of the VA determination. [HEA §437(a); §682.402(c)(8); DCL GEN-09-07/FP-09-05; DCL GEN-08-12/FP-08-10; Discharge Application: Total and Permanent Disability]³

¹. Policy 1149 (Batch 162), approved November 19, 2009

². Policy 1181 (Batch 167), approved March 18, 2010

³. Policy 1206 (Batch 169), approved April 15, 2010

Discharge Requests ~~Not~~-Based on ~~VA~~ Regular Determinations

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 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.~~ engage in any **substantial gainful activity** by reason of any medically determinable physical or mental impairment that meets any one of the following criteria:

- Can be expected to result in death.
- Has lasted for a continuous period of not less than 60 months.
- Is expected to last for a continuous period of not less than 60 months.

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 borrower submits the discharge application after this 90-day time frame, the borrower must have the physician complete a new application and must submit the new application to the lender within 90 days of the physician's new certification.

[§682.200(b); §682.402(c)(2); *Federal Register* dated July 23, 2009, p. 36559]¹

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 immediately at the level of delinquency at which it was suspended. For more information on the use of administrative forbearance in conjunction with the lender's receipt of a physician's written request for additional time, see **Subsection 11.21.R**. [§682.402(c)(5)]

For a comade Consolidation loan on which one comaker's loan discharge application will not result in the discharge of the entire loan balance, the lender must continue to service the portion of the loan that is not eligible for loan discharge. The lender must ensure that when the comaker who is claiming to be totally and permanently disabled resumes repayment on the remaining balance of the loan, the loan itself has not become delinquent or more delinquent during the conditional discharge period. The lender may apply an administrative forbearance to the entire Consolidation loan for the conditional discharge period, after first exploring with the non-disabled comaker any other available options, such as alternative repayment agreements, **deferment**, discretionary forbearance, or reduced-payment forbearance.

¹ Policy 1207 (Batch 169), approved April 15, 2010

For a comade PLUS loan on which one comaker is applying for loan discharge, the lender must continue to collect on the full balance of the loan from the non-disabled comaker. The lender must ensure that the loan status does not deteriorate during the conditional discharge period, and should work with the non-disabled comaker to discuss deferment options or to negotiate forbearance terms. The lender may apply an administrative forbearance to the entire loan balance if the non-disabled comaker is not eligible for other repayment options or does not choose to defer or forbear the loan. The administrative forbearance may be applied only for the time period that the nondisabled comaker is solely responsible for the loan's repayment and may not begin earlier than the date the loan holder receives the disabled comaker's loan discharge application, or the notification from the guarantor that a loan discharge application was submitted to the guarantor, whichever is earlier. The administrative forbearance may not end later than the date the lender receives notification of the final discharge determination.

For a PLUS loan on which the endorser is applying for loan discharge, the lender may not collect from the endorser but must continue to collect the entire loan amount from the borrower.

General Requirements for Total and Permanent Disability Loan Discharge

If a doctor of medicine or osteopathy, legally authorized to practice in a state, certifies that the borrower, the comaker, or the endorser on a PLUS loan is totally and permanently disabled, the borrower's, comaker's or endorser's obligation to repay all or a portion of the loan may be discharged. If a comaker on a joint Consolidation loan is determined to be totally and permanently disabled, the disabled comaker's underlying loans are discharged but the disabled comaker and the non-disabled comaker both remain jointly and severally liable for repayment of the balance of the loan. For a comade PLUS loan, if one comaker is determined to be totally and permanently disabled, that comaker's obligation on the loan is discharged and the non-disabled comaker assumes responsibility for repayment of the entire loan balance. If the lender has begun collection activities with respect to the endorser's obligation on a PLUS loan, and if the endorser is determined to be totally and permanently disabled, the endorser's obligation on the loan is discharged and the primary borrower assumes sole responsibility for repayment of the entire loan balance.

[§682.402(a)(2) and (3)]

For these purposes, a borrower, comaker, or endorser is considered **totally and permanently disabled** if he or she is unable to work and earn money because of an injury or

~~illness that is expected to continue indefinitely or result in death.~~ engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that meets any one of the following criteria:

- Can be expected to result in death.
- Has lasted for a continuous period of not less than 60 months.
- Is expected to last for a continuous period of not less than 60 months.

Substantial gainful activity is defined as a level of work performed for pay or profit that involves doing significant physical or mental activities, or combination of both. "For profit" is intended to cover self-employed individuals who are not paid by an employer. It does not refer to income from sources other than employment. Non-employment income will not be considered when determining whether a borrower is capable of substantial gainful activity. [§682.200(b); *Federal Register* dated July 23, 2009, p. 36559]

If a borrower, comaker, or endorser receives a new **TEACH grant** or a new **Title IV** loan ~~under the Federal Perkins Loan Program, the FFELP, or the Federal Direct Loan Program~~ (with the exception of a Consolidation loan that does not include any loans that are in a conditional **discharge** status, or post-discharge monitoring period) during the 3-year conditional discharge period or the 3-year post-discharge monitoring period, as applicable ~~within 3 years of the date the physician completed and certified the discharge application stating that he or she is unable to work and earn money,~~ the borrower, comaker, or endorser is not eligible for discharge on the loan on which he or she is a signatory or any loan made prior to that date. (See explanations of the terms "conditional discharge status" and "post-discharge monitoring period" later in this subsection under the subheading "Discharge Based on a Determination of Total and Permanent Disability.") ~~If a FFELP loan was certified prior to the date the physician certified the discharge application, any proceeds of the loan that will be or are disbursed after the date of the physician's certification must be canceled, or if the disbursement is made, must be returned to the holder within 120 days of the disbursement date(s) for the borrower to preserve his or her discharge eligibility. The 3 year period, i.e., the conditional discharge period, begins on the date the physician completes and certifies the discharge application.~~¹

¹ Policy 1207 (Batch 169), approved April 15, 2010

The lender must review its records for any new loan(s) or disbursements of prior loans made to the borrower, comaker, or endorser after the date the physician certified the discharge application stating that he or she is totally and permanently disabled. If the lender's records indicate (or the lender is otherwise aware) that a new loan(s) was made during the 3-year conditional discharge period or the 3-year post-discharge monitoring period, the lender must deny the discharge and inform the borrower, comaker, or endorser. If any FFELP loan was certified prior to the date the physician certified the discharge application, any proceeds of the loan that are disbursed after the date of the physician's certification must be returned to the holder within 120 days of disbursement or the lender must deny the discharge and inform the borrower, comaker, or endorser. For information regarding a borrower's eligibility for a new loan(s) after the conditional period, see [Section 5.4](#).

~~§682.402(c)(45)(i)(B) and (C); §682.402(c)(5)(vi)(B)~~

If a borrower, comaker, or endorser received a [TEACH grant](#) or Title IV loan prior to the date the physician certified the borrower's discharge application and a disbursement of that loan or grant is made during the period from the date of the physician's certification until the date the Department grants a discharge, the Department will suspend processing of the borrower's loan discharge request until the borrower ensures that the full amount of the disbursement has been returned to the loan holder or to the Department, as applicable.

[\[§682.402\(c\)\(4\)\]](#)

The Department may require the borrower to submit additional medical evidence if it determines that the borrower's application does not conclusively prove that the borrower is totally and permanently disabled. As part of the Department's review of the borrower's discharge application, the Department may arrange for an additional review of the borrower's condition by an independent physician at no expense to the borrower.

[\[§682.402\(c\)\(3\)\(iv\)\]](#)

Discharge When Guarantee Is Lost

If there have been servicing errors on the loan such that the loan has lost its [guarantee](#), and those violations were not [cured](#) before the date the lender determined that the borrower was totally and permanently disabled, the lender must discharge the loan—even though the balance will not be reimbursed by the [guarantor](#).

[\[§682, Appendix D, I.E.2\]](#)

~~Conditional Discharge Due to~~ Based on a Determination of Total and Permanent Disability

Total and permanent disability loan discharge determinations made by the lender on or after July 1, 2002, and subsequently paid as a [claim](#) by the guarantor, may be permanently assigned to the Department. The Department then determines if the certification and information provided by the borrower, comaker, or endorser support the conclusion that he or she meets the criteria for a total and permanent disability loan discharge. If the Department determines that the certification and information provided by the borrower, comaker, or endorser do not support the conclusion that he or she meets the criteria for a total and permanent disability loan discharge, the Department notifies the borrower, comaker, or endorser that the application for a total and permanent disability loan discharge has been denied and that the loan is due and payable under the terms of the [promissory note](#).

[\[§682.402\(c\)\(3\)\(iii\)\]](#)

For a total and permanent disability loan discharge application received on or after July 1, 2002, through June 30, 2010, a borrower who meets certain eligibility criteria receives an initial disability determination and is placed in a 3-year conditional discharge status. For a total and permanent disability loan discharge application received on or after July 1, 2010, a borrower who meets certain eligibility criteria receives a loan discharge and is placed in a 3-year post-discharge monitoring period.

1. Conditional Discharge Status¹

If the Department makes an initial determination that the borrower, comaker, or endorser is totally and permanently disabled, the Department sends notification to the borrower, comaker, or endorser that the loan—or the comaker's or endorser's obligation on the loan—is in a conditionally discharged status and that the conditional discharge period will last for up to 3 years after the date the physician completed and certified the discharge application. The Department's notification identifies the following conditions that apply during the 3-year conditional discharge period:

- The disabled borrower, comaker, or endorser is not required to make any payments on the loan.
- The disabled borrower, comaker, or endorser is not considered delinquent or in [default](#) on the loan, unless he or she was delinquent or in default at the time the conditional discharge was granted.

¹ Policy 1207 (Batch 169), approved April 15, 2010

- The disabled borrower, comaker, or endorser must promptly notify the Department of any changes in address or phone number.
- The disabled borrower, comaker, or endorser must notify the Department if his or her annual earnings from employment exceed 100% of the poverty line for a family of two.
- The disabled borrower, comaker, or endorser must provide the Department, upon request, with additional documentation or information related to his or her eligibility for a total and permanent disability loan discharge.
[§682.402(c)(4)(i)(C)(ii)(E)]
- The disabled borrower, comaker, or endorser must provide the Department, upon request, with additional medical evidence if the Department determines that the borrower's, comaker's, or endorser's application does not conclusively prove that the borrower, comaker, or endorser is disabled. As part of this review or at any time through the end of the conditional discharge period, the Department may arrange for an additional review of the borrower's, comaker's, or endorser's condition by an independent physician at no expense to the applicant.
[§682.402(c)(4)(v)]
- The disabled borrower, comaker, or endorser must not receive a new TEACH grant or a new loan under the Federal Perkins Loan Program, the FFELP, or the Federal Direct Loan Program, except for a FFELP or Direct Consolidation loan that does not include any loans that are in a conditional discharge status.
[§682.402(c)(4)(i)(B)]
- If any FFELP loan was certified prior to the date the physician certified the discharge application, any proceeds of the loan that are disbursed after the date of the physician's certification must be returned to the holder within 120 days of the disbursement date(s) to preserve the borrower's discharge eligibility.
[§682.402(c)(4)(i)(C)]

The Department also notifies the disabled borrower, comaker, or endorser, for those loans assigned to the Department, that if at any time during the 3-year conditional discharge period he or she does not continue to meet the eligibility requirements for a total and permanent disability discharge, the Department or the loan holder, as applicable, will resume collection activity on the loan but will not require the borrower to pay any interest that accrued on the loan from the date of the initial

determination of total and permanent disability through the end of the conditional discharge period.
[§682.402(c)(4)(ii)(C)(ii)(E)]

2. Post-Discharge Monitoring Period

If the Department makes a determination that the borrower, comaker, or endorser is totally and permanently disabled, the Department notifies the borrower, comaker, or endorser that the loan—or the comaker's or endorser's obligation on the loan—is discharged and that the loan is placed in a post-discharge monitoring period. The post-discharge monitoring period will last for 3 years after the date the Department grants the discharge. The Department's notification identifies the following conditions that apply during the 3-year post-discharge monitoring period:

- The disabled borrower, comaker, or endorser must promptly notify the Department of any changes in his or her address or phone number.
- The disabled borrower, comaker, or endorser must promptly notify the Department if his or her annual earnings from employment exceed 100% of the poverty line for a family of two.
- The disabled borrower, comaker, or endorser must provide the Department, upon request, with documentation of his or her annual earnings from employment.
- The Department reinstates the borrower's, comaker's, or endorser's obligation to repay a loan that was discharged if any of the following apply to the disabled borrower, comaker, or endorser:
 - = He or she has annual earnings from employment that exceed 100% of the poverty line for a family of two.
 - = He or she receives a new TEACH grant or a new Title IV loan, except for a Federal or Direct Consolidation loan that includes loans that were not discharged.
 - = He or she fails to ensure that the full amount of any disbursement of a Title IV loan or TEACH grant received prior to the discharge date that is made during the 3-year period following the discharge date is returned to the loan holder or to the Department, as applicable, within 120 days of the disbursement date.

[§682.402(c)(5)(i)(A-C); §682.402(c)(6)]¹

¹ Policy 1207 (Batch 169), approved April 15, 2010

NSLDS Reporting during the Conditional and Post-discharge Period for Comade Loans

In cases where a comaker of a joint Consolidation or PLUS loan has applied for a total and permanent disability loan discharge, the lender must ensure accurate reporting to the [guarantor](#) for NSLDS purposes. The lender must report the correct status of the non-dischargeable portion to the guarantor for subsequent reporting to the NSLDS in a timely manner. The NSLDS currently reports joint Consolidation loans and comade PLUS loans under one primary borrower only. However, to ensure proper reporting during the conditional or post-discharge period, as applicable, the lender should report the non-dischargeable portion under the non-disabled borrower's name and [Social Security number \(SSN\)](#) to the guarantor. If the borrower on record with the guarantor and the NSLDS is the disabled borrower, the guarantor's records and the NSLDS must be updated to reflect the non-disabled borrower as the borrower of record. If the discharge is denied, the lender may resume reporting the full balance of the loan under the borrower currently being reported. If a final discharge is granted, the lender continues to report the non-discharged portion of the Consolidation loan under the non-disabled borrower's name and SSN.¹

Total and Permanent Disability Loan Discharge Payment

Federal regulations require a guarantor to determine if the borrower, [comaker](#), or [endorser](#) meets the eligibility criteria for a total and permanent disability (TPD) [discharge](#). If the guarantor determines that the borrower, comaker, or endorser meets the criteria, the guarantor will take the following action, as appropriate:

- For a loan made solely to the borrower, or a PLUS loan with an endorser where the borrower is the party applying for the loan discharge, the guarantor will pay the lender the remaining balance on the loan and assign the loan to the Department.
- For a comade (spousal) Consolidation loan, the guarantor will pay the lender the amount that represents the disabled comaker's portion of the Consolidation loan. The guarantor will forward the disability documentation to the Department for determination of the final discharge eligibility.
- For a comade PLUS loan or a PLUS loan with an endorser where the endorser is the party applying for the loan discharge, the guarantor will forward the

documentation to the Department for a determination of final discharge eligibility. The guarantor will not remit a [claim](#) payment to the lender.

Timely Filing Deadline for Total and Permanent Disability Claims

A lender must file a disability claim within 60 days of receiving a complete loan discharge application or other form(s) approved by the Department. If a disability claim is not filed by the 60th day, the [guarantor](#) will still purchase the claim—unless prior servicing violations were not cured appropriately. 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 expiration of the 60-day deadline.

[§682.402(g)(2)(i)]

Some guarantors have additional or alternative requirements. These requirements are noted in [Appendix C](#).

Notification Requirements after Claim Filing or Filing of a Partial Discharge Request

After a lender receives payment of a total and permanent disability [claim](#), the lender must notify the borrower that the loan will be assigned to the Department for determination of [discharge](#) eligibility and no payments are due on the loan. The notification must also inform the borrower that, to remain eligible for final discharge, he or she cannot earn income from employment exceeding the poverty line for a family of two, receive any new Title IV loans (with the exception of a FFELP or Direct Consolidation loan that does not include loans to be discharged), and must ensure the full amount of any Title IV loan made on or after the date the physician completed and certified the discharge application is returned to the [holder](#) within 120 days of the [disbursement date](#).

[§682.402(c)(5)(vi)]

After the lender receives payment of a total and permanent disability claim for a loan made solely to a single borrower or for a portion of a Consolidation loan attributable to a [comaker](#), the lender must notify the borrower or comaker that the loan or a portion of the loan will be assigned to the Department for determination of eligibility for a total and permanent disability loan discharge. After the lender receives notification from the [guarantor](#) that the loan discharge application has been forwarded to the Department for a determination of total and permanent discharge eligibility, the lender must notify the PLUS loan

¹ Policy 1207 (Batch 169), approved April 15, 2010

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. Congress has authorized programs that provide loan forgiveness, as a result of public service, to qualified FFELP borrowers. These programs and their corresponding borrower eligibility criteria are outlined in [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)]

13.9.A Teacher Loan Forgiveness Program

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); §682.216(a) and (c)(9); DCL GEN-05-02/FP-05-02; DCL GEN-08-12/FP-08-10]

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.

[§682.216(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.

[§682.216(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).

[§682.216(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.
[§682.216(a)]
- 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 [eligible educational service agency](#) (see definitions of [qualifying school](#) and ~~information regarding educational service agency locations below~~ later in this subsection) or a combination of these entities, as certified by the chief administrative officer(s) at the [qualifying school\(s\)](#) or educational service [agencies-agency](#).
[HEA §428J(c)(3); §682.216(a); DCL GEN-08-12/FP-08-10]¹
 - Any consecutive 5-year period of qualifying service may be counted for teacher loan forgiveness purposes.

¹. Policy 1195 (Batch 169), approved April 15, 2010

- = Teaching at a qualifying school may be counted toward the required 5 consecutive complete academic years only if at least one year of teaching service was after the 1997-1998 academic year.
- = Teaching at an eligible educational service agency may be counted toward the required 5 consecutive complete academic years only if the 5-year period includes teaching service at an eligible education service agency after the 2007-2008 academic year.¹

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.
[§682.216(c)(2)]
- 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](#).
[§682.216(c)(10)]
- The loan for which [forgiveness](#) is sought must have been made before the end of the 5th year of qualifying teaching service.
[§682.216(a)]

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.
[§682.216(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 1195 (Batch 169), approved April 15, 2010

15.1.C Notifying the Guarantor

The lender is required to notify the [guarantor](#) of each Federal Consolidation loan it makes. The lender must report the making of a Consolidation loan in a format acceptable to the guarantor. When the guarantor receives the notification, it will record the loans under the lender's insurance capacity.

The lender must report to the guarantor that a Consolidation loan has been made within 60 days of the date on which the loan is initially disbursed. If a lender adds a loan within the 180-day add-on period or makes any other adjustment to the outstanding original balance of a Consolidation loan, the lender must report the new Consolidation loan information to the guarantor within 60 days of the date on which the additional loan [funds](#) are disbursed or the adjustment is made. If there is a data discrepancy, the lender will be granted an additional 60 days from the date the guarantor rejects the application (plus five days mail time) to provide additional or corrected information.

The guarantor reserves the right to take appropriate corrective action, including the imposition of interest penalties, if the lender fails to report the making of a Consolidation loan, fails to report the [disbursement](#) of additional funds, or fails to report any other adjustment of the outstanding original balance within 60 days after that activity occurs. Repeated or intentional noncompliance (including failure to reconcile) may result in the withdrawal of the loan [guarantee](#).

- ▲ Lenders may contact individual guarantors to verify the acceptability of notification formats. See [Section 1.5](#) for contact information.

15.2 Borrower Eligibility and Underlying Loan Holder Requirements

To qualify for a Federal Consolidation loan, a [borrower](#) must meet the following eligibility criteria at the time he or she applies for the Consolidation loan:

- A borrower must be in the [grace period](#) or have entered repayment on each loan chosen for consolidation. [[§682.201\(d\)\(1\)\(i\)\(A\)\(1\) and \(2\)](#)]

- If any Title IV loans being considered for consolidation are in [default](#), the borrower must either make [satisfactory repayment arrangements](#) with the [holder](#) of each defaulted loan or agree to repay the consolidating lender under an [income-sensitive or income-based repayment schedule](#). Satisfactory repayment arrangements for consolidation purposes are defined later in this section. The [income-sensitive repayment schedule](#) is described in [Subsection 10.8.C](#); the income-based repayment schedule is described in [Subsection 10.8.D](#). [[§682.201\(d\)\(1\)\(i\)\(A\)\(3\)](#)]¹

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

The following additional criteria must be met in order for a borrower to receive a Federal Consolidation loan. By completing and signing the common [Federal Consolidation Loan Application and Promissory Note](#), the borrower certifies that he or she meets those eligibility criteria that are specifically required by statute and regulations to be certified. Separate certifications are not necessary.

- A borrower may not consolidate a loan for which the borrower is wholly or partially ineligible due solely to the borrower's error (see [Subsection 5.16.A](#)). However, a borrower with an ineligible loan may consolidate another eligible loan(s). [[§682.201\(d\)\(2\)](#)]
- A borrower must not be subject to a judgment secured through litigation or an order of [administrative wage garnishment](#) on a Title IV loan that is being considered for consolidation. If the judgment has been vacated or the wage garnishment order has been lifted, the loan is eligible for consolidation and eligible for inclusion in an existing Consolidation loan during the 180-day add-on period (see "Adding Loans After Consolidation" later in this section). [[HEA §428C\(a\)\(3\)\(A\)\(i\)](#); [§682.201\(d\)\(1\)\(i\)\(B\) and \(C\)](#)]
- A borrower must certify that he or she does not have another Federal Consolidation loan or Direct Consolidation loan application pending. [[§682.201\(d\)\(1\)\(ii\)](#)]

¹. Policy 1208 (Batch 169), approved April 15, 2010

record for the add-on portion of the loan. That is, the lender must perform due diligence activities on a single payment due date and amount for the single Consolidation loan that contains multiple loan servicing records. (See [Section 12.4](#) for more information on due diligence requirements.) For portions of the Consolidation loan attributable to HEAL loans, the [variable interest rate](#) is based on the average of the 91-day [Treasury bill](#) rate plus 3%, with no cap.

[[HEA §428C\(c\)\(1\)\(D\)](#)]

Some [guarantors](#) require lenders to report the adding of loans to Consolidation loans within specific time frames. These requirements are noted in [Appendix C](#).

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 disclose all of the following information to a prospective Consolidation loan borrower in simple and understandable terms, at the time the lender provides a Consolidation application, all of the following 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, but not limited to, loan forgiveness, cancellation, ~~and~~ deferment, or a reduced interest rate, through the FFELP or the [Federal Direct Loan Program \(FDLP\)](#).
- 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.
- The process and deadline for canceling the Consolidation loan (see [Section 15.4](#)).

[[HEA §428C\(b\)\(1\)\(F\)](#); [§682.205\(i\)](#)]¹

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.

¹. Policy 1194 (Batch 168), approved April 15, 2010

borrower was informed that the lower interest rate expires upon claim purchase) with default and ineligible borrower claim files. The lender will be required to provide this documentation if a borrower challenges the guarantor or the Department for charging the applicable statutory maximum interest rate during postclaim interest accrual. If the issue goes to court and the decision is in favor of the borrower such that the loan is unenforceable at the statutory maximum interest rate, the lender will be required to **repurchase** the loan and the **guarantee** will be withdrawn permanently. The lender may be required to reimburse the guarantor for any court costs or court-imposed fines or penalties.

15.4 Disbursement

~~The lender may disburse a Consolidation loan.~~ Upon receiving the borrower's signed **application** and **promissory note** and completed **loan verification certificates (LVCs)** from the **holder(s)** of all the loans to be consolidated and prior to making any payments to the holders of the underlying loans, the lender must notify a borrower of his or her option to cancel a Consolidation loan. The lender must also provide the borrower a deadline of at least 10 days from the date of the notice to notify the lender that he or she wishes to cancel the loan. If the lender does not receive the cancellation request from the borrower on or before the deadline, and the lender has received the necessary signed notes and LVCs, the lender may disburse the Consolidation loan. In disbursing the loan, the consolidating lender must pay to each holder of a loan that is being consolidated the outstanding **principal balance** plus any accrued unpaid interest, **late charges** (as certified on the **LVC verification certificate**), and **collection costs**, as applicable.

[§682.206(f)]¹

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.

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**, and a 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.")

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)]

¹ Policy 1194 (Batch 168), approved April 15, 2010

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. Starting with the official FY 2008 cohort default rate cycle in September 2010, the Department will exclusively transmit the CDR notification electronically. [[Cohort Default Rate Guide](#); [Federal Student Aid Newsletter](#), [FY 2008 Draft Cohort Default Rate](#), dated February 2010]¹
- *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

¹. Policy 1209 (Batch 169), approved April 15, 2010

16.3

School Draft Cohort Default Rates and Challenges

Generally, the Department notifies each school of the scheduled transmittal date of its draft cohort default rate and then transmits the draft rates on that scheduled date annually in February or March, prior to the calculation of its official cohort default rate. The Department's notification to the school is electronic and is sent through the eCDR notification package process. This package 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, and may not be otherwise released by the data manager. 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); §668.204]¹

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 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 within 45 days of the time frame begin date. For domestic schools, the time frame begin date is defined as the sixth business day after the Department officially releases the draft cohort default rates. For foreign schools, the time frame begin date is the day after the school's 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.

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

¹ Policy 1209 (Batch 169), approved April 15, 2010

challenge will not exempt the school from any other loss of eligibility.

[§668.185(c)(4) and (5)]

If the Department determines that the school qualifies for continued FFELP, FDLP, or Federal Pell Grant Program eligibility based on its PRI challenge, it will notify the school of that determination prior to the publication of official cohort default rates. A successful challenge that is based on the draft cohort default rate does not preclude the school from any other loss of eligibility.

[§668.185(c)(4) and (5)]

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.

16.4

School Official Cohort Default Rates, Adjustments, and Appeals

Each year, approximately six months after the release of the draft cohort default rate and prior to September 30th, the Department electronically notifies each school of its official cohort default rate through the eCDR notification package. A loan record detail report (LRDR) is included in the eCDR package if the school has one or more borrowers entering repayment or is subject to sanctions, or if the Department believes the school will have an official cohort default rate calculated as an average rate. Following notification, the Department publishes a list of official cohort default rates for all FFELP-participating schools. The timeline for submitting a challenge, adjustment, or appeal begins on the sixth business day following the successful transmission date of the eCDR package as posted on the Department's Website, and lasts for 45 days. If a school reports a problem with the receipt of the eCDR package within 5 business days following the transmission and the Department agrees that the problem was not caused by the school, then the timeline for challenge, adjustment, or appeals is extended for that school to account for retransmission of the eCDR notification package once the technical problem is resolved. The school's 45-day timeline for submitting a challenge, adjustment, or appeal begins with the school's receipt of the eCDR package. If the school does not notify the Department of a transmission problem within the 5 business days following the transmission date of the eCDR package, the Department does not extend the timeline for submitting a challenge, adjustment, or appeal. If a school's official cohort default rate is greater than or equal to 10%, the Department will include a copy of the loan record detail report with the notification of the official rate. If a school's official cohort default rate is less than

10%, the school may request a copy of its loan record detail report. If a school plans to request an adjustment to its rate or submit an appeal of its official cohort default rate, the school's request for a copy of the loan record detail report must be mailed to the Department within 15 days after the school receives its official cohort default rate notification. [§668.186(a) and (b); §668.205]¹

What Official Rates Mean for Schools

If the school's official cohort default rate is excessively high (most recent rate exceeds 40%), the school may lose eligibility to participate in the FFELP or FDLP. If the school's official cohort default rates are persistently high (three most recent rates equal or exceed 25%), the school may lose its eligibility to participate in the FFELP, the FDLP, and the Federal Pell Grant Program.

[§668.187(a)(1)]

In addition, schools with an official cohort default rate of 25% or more in the three most recent fiscal years for which rates are available may be subject to provisional certification of the school's Title IV program participation. [§668.16(m); §668.187(a)(2)]

For HBCUs and tribally controlled and Navajo community colleges, high official cohort default rates may also result in requirements for additional default reduction measures. [§668.187(d); §668.198(a)]

Low official cohort default rates may qualify the school for exemption from selected disbursement requirements (see Subsection 7.7.B).

Responding to Rates: Adjustment or Appeal?

A school's eligibility to appeal or request an adjustment to its official cohort default rate depends on the default rate and the type of adjustment or appeal the school is considering, as follows:

- Any school may request a new data adjustment to its official cohort default rate (see Subsection 16.4.A). [§668.191]
- Any school that successfully challenged the accuracy of the data in the loan record detail report supporting its draft cohort default rate may submit an uncorrected data adjustment request covering any approved changes that are not reflected in the school's official cohort default rate. [§668.190]

¹ Policy 1209 (Batch 169), approved April 15, 2010

- Any school may submit an appeal based on improper loan servicing or collection.
[§668.193]
- A school that is subject to loss of FFELP, FDLP, or Federal Pell Grant Program eligibility or provisional certification because of its cohort default rate may appeal the official cohort default rate based on erroneous data.
[§668.192]
- For all types of appeals, a school may appeal its official cohort default rate only if the school would be subject to a loss of FFELP, FDLP, or Federal Pell Grant Program eligibility based on that rate.

However, the school may not submit the adjustment request to the Department if the [guarantor](#) does not concur that the data is inaccurate. The school must submit the new data adjustment request to the guarantor, with a copy to the Department (unless the disputed loans have been assigned to the Department), within 15 days after receiving the loan record detail report. If the Department determines that incorrect data was used to calculate the cohort default rate, it will recalculate the cohort default rate based on the correct data and electronically correct the rate that is publicly released. Additional steps for this adjustment process are detailed in the *Cohort Default Rate Guide* and federal regulations.
[§668.191; *Cohort Default Rate Guide*]¹

16.4.A School Requests for Adjustment

Two options are available for a school to request an adjustment of ~~their~~ its official [cohort default rates](#):

- Uncorrected Data Adjustment**
The uncorrected data adjustment is used to identify and correct data that has been included in the published, official cohort default rate ~~and that the school, guarantor, and Department agreed was incorrect in the draft cohort default rate calculation.~~ The school may submit this type of adjustment request if it had, during the “draft” phase, submitted a timely challenge regarding data included in its draft cohort default rate and the guarantor agreed that the changes were necessary, but the revised data is not included in the official cohort default rate. The school must submit the uncorrected data adjustment request to the Department within 30 days after receiving the [loan record detail report](#). If the Department determines that incorrect data was used to calculate the cohort default rate, it will recalculate the cohort default rate based on the correct data and electronically correct the rate that is publicly released. Additional instructions for this adjustment process are detailed in the *Cohort Default Rate Guide* and federal regulations.
[§668.190; *Cohort Default Rate Guide*]
- New Data Adjustment**
A school may request a new data adjustment if the loan data reported to the [National Student Loan Data System \(NSLDS\)](#) is changed during the period between the calculation of the draft [cohort default rate](#) and the official rate, and if the school believes that the new, modified, or excluded data is inaccurate.

16.4.B School Appeals

Appeal criteria, procedures, and time frames are explained in federal regulations and the *Cohort Default Rate Guide*. Depending on circumstances, a school may appeal for one or more of the following reasons:

- Erroneous data.
- Improper loan servicing or collection.
- Economically disadvantaged population.
- Participation rate index.
- Average rates.
- Thirty or fewer borrowers entering repayment in the three most recent cohort periods.
- HBCU or tribally controlled or Navajo community college exemption.
[§668.198; HEA §435(a)(2)(C)]

Appeals must be initiated and submitted within strict time frames and must include specific information in formats prescribed by federal regulation. Each appeal type is subject to different requirements.
[§668.189; *Appendix A to Subpart M of Part 668*; *Cohort Default Rate Guide*]

¹ Policy 1210 (Batch 169), approved April 15, 2010

Erroneous Data Appeals

Generally, a school that is initially subject to provisional certification or loss of [FFELP](#), [FDLP](#), or Federal [Pell Grant](#) Program eligibility due to high official cohort default rates may appeal a cohort default rate based on erroneous data for any of the years used to make that determination. A school subject to continued loss of eligibility may appeal only its most recent official cohort default rate. A school may submit an erroneous data appeal if either of the following criteria is applicable:

- The school submitted a timely challenge to data in its draft cohort default rate and it still considers that data to be inaccurate in the official cohort default rate calculation, regardless of whether the guarantor concurred with the school's assertion that the data was inaccurate.
- The data in the [loan record detail report](#) provided with the official cohort default rate notification varies from that provided with the draft rate, and the school believes new, modified, or excluded data is inaccurate, regardless of whether the guarantor concurs.

The school must submit a request for verification of data errors to the [guarantor](#), with a copy to the Department (unless the disputed loans have been assigned to the Department), within 15 days after receiving its official [cohort default rate](#) notification. If the Department determines that incorrect data was used to calculate the cohort default rate, it will recalculate the cohort default rate based on the correct data and electronically correct the rate that is publicly released. Additional steps for this appeal process are detailed in the [Cohort Default Rate Guide](#) and federal regulations.

[§668.192(b) and (c); [Cohort Default Rate Guide](#)]¹

Improper Loan Servicing or Collection Appeals

Any school may submit an improper loan servicing or collection appeal. A school subject to an initial loss of eligibility may appeal any of the applicable rates. A school subject to continued loss of eligibility may appeal only its most recent official cohort default rate. This appeal alleges that improper servicing or collection caused defaults on specific loans that were included in the calculation of the official cohort default rate.

[HEA §435(a)(3)(C); §668.193(a)]

A school may submit an improper loan servicing or collection appeal if both of the following criteria are met:

- The borrower never made a payment on the loan.
 - The school proves that the lender failed to perform at least one of the following servicing or collection activities, if that activity was required:
 - Sending at least one letter, other than the [final demand](#) letter, urging the borrower or [endorser](#) to make payments on the loan.
 - Attempting at least one telephone call to the borrower or endorser.
 - Submitting a request for [default aversion assistance](#) to the [guarantor](#).
 - Sending a final demand letter to the borrower.
 - Submitting a certification or other evidence that [skip tracing](#) was performed.
- [§668.193(b)]

The timeline for submitting a challenge, adjustment, or appeal begins on the sixth business day following the transmission date of the eCDR package as posted on the Department's Website and lasts for 45 days. The loan record detail report (LRDR) is included in the eCDR package. The school has 5 business days from the transmission date of the eCDR package, as posted on the Department's Website to report any problem with receipt of the eCDR package. If the school reports a transmission problem within the 5-day period and the Department determines that the problem was not caused by the school, the timeline for submitting a challenge, adjustment, or appeal will be extended for that school to account for retransmission of the [eCDR notification package](#) once the technical problem is resolved. The school's 45-day timeline for submitting a challenge, adjustment, or appeal will begin with the school's receipt of the eCDR package. If the school does not notify the Department of a transmission problem within the 5 business days following the transmission date of the eCDR package, the Department will not extend the timeline for submitting a challenge, adjustment or appeal.²

¹. Policy 1210 (Batch 169), approved April 15, 2010

². Policy 1209 (Batch 169), approved April 15, 2010

If the school intends to appeal its official cohort default rate based on improper loan servicing and collection and the [loan record detail report](#) was not included with the official cohort default rate notice, the school must request the loan record detail report within 15 days after receiving that notice. A school must request loan servicing records from the guarantor, with a copy of that request sent to the Department (unless the disputed loans have been assigned to the Department) within 15 days after receiving the loan record detail report.¹ (Guarantors may charge for copies of loan servicing records.) Based on the Department's determination of the number of loans improperly serviced, it will use a statistically valid methodology to exclude the corresponding percentage of borrowers from both the numerator and denominator of the calculation of the school's cohort default rate, and electronically correct the rate that is publicly released. Additional steps for this appeal process are detailed in the *Cohort Default Rate Guide* and federal regulations.² [[§668.186](#); [§668.193\(c\)](#) and [\(f\)](#); [§668.205](#); *Cohort Default Rate Guide*]^{3, 4}

Economically Disadvantaged Population Appeals

If a school is subject to loss of its [FFELP](#), [FDLP](#), or Federal [Pell Grant](#) Program eligibility due to high cohort default rates but can successfully demonstrate that it serves an economically disadvantaged student population, the school may submit this type of appeal if an independent auditor certifies that the school's low-income rate is two-thirds or more and that either of the following conditions exist: [[§668.194\(a\)](#)]

- The school offers an associate, baccalaureate, graduate, or [professional degree](#), and its program completion rate is 70% or more. [[§668.194\(a\)\(1\)](#)]
- The school does not offer an associate, baccalaureate, graduate, or professional degree, and its job placement rate is 44% or more. [[§668.194\(a\)\(2\)](#)]

The components and formulas for calculating the school's low-income rate, completion rate, and placement rate are carefully detailed in the *Cohort Default Rate Guide*. An economically disadvantaged population appeal must include, in addition to the school's assertions and documentation, an independent auditor's opinion that the school's assertions meet the requirements for an

economically disadvantaged population appeal and are fairly stated in all material respects. [[§668.194\(b\)](#) through [\(d\)](#)]

A school appealing on the basis of an economically disadvantaged student population must submit its management's written assertions as described in the *Cohort Default Rate Guide*, within 30 days after receiving the official cohort default rate notice. The auditor's opinion must be submitted to the Department within 60 days after receiving the notice. Detailed instructions for this appeal process can be found in the *Cohort Default Rate Guide* and federal regulations. [[§668.194\(f\)](#); *Cohort Default Rate Guide*]

Participation Rate Index (PRI) Appeals

The PRI puts into perspective the impact of the school's [cohort default rate](#) on the federal fiscal interest. Thus, a low PRI indicates that the overall impact of a school's students' defaults is not significant in terms of federal dollars. (See [Section 16.1](#) for information regarding the calculation of the PRI.) A school that is subject to a loss of [FFELP](#), [FDLP](#), or Federal [Pell Grant](#) Program eligibility may use the PRI appeal based on either of the following conditions:

- The school has one cohort default rate over 40% and the PRI for that cohort's fiscal year is less than or equal to 0.06015. [[§668.195\(a\)\(1\)](#)]
- The school has three consecutive cohort default rates of 25% or more and the PRI for any of the three cohorts' fiscal years is less than or equal to 0.0375. [[§668.195\(a\)\(2\)](#)]

A school appealing a loss of eligibility based on its PRI must submit that appeal to [the Department](#) within 30 days after receiving the notice of loss of eligibility. Detailed instructions for this appeal process can be found in the *Cohort Default Rate Guide* and federal regulations. [[§668.195\(c\)](#); *Cohort Default Rate Guide*]

¹. Policy 1209 (Batch 169), approved April 15, 2010

². Policy 1210 (Batch 169), approved April 15, 2010

³. Policy 1209 (Batch 169), approved April 15, 2010

⁴. Policy 1210 (Batch 169), approved April 15, 2010

Average Rates Appeals

A school may submit an average rates appeal if it is subject to a loss of FFELP, FDLP, or Federal Pell Grant Program eligibility due to high cohort default rates and the school meets either of the following criteria:

- The school's official [cohort default rate](#) is greater than 40% and that cohort default rate was calculated as an average because there are fewer than thirty borrowers entering repayment in that cohort.
[§668.196(a)(1)]
- The school's three most recent cohort default rates are 25% or more, at least two of those rates were calculated as average rates, and those two rates would be less than 25% if calculated for the applicable fiscal year alone.
[§668.196(a)(2)]

The Department makes the initial determination that a school qualifies for an average rates appeal. Notice of that determination is included in the official cohort default rate notification. If the Department makes an initial determination that a school does not qualify for an average rates appeal and the school disagrees with that determination, the school must submit its appeal and all supporting documentation to the Department within 30 days after receiving the official cohort default rate notification. If the Department determines the school meets the requirements for the appeal, the school will not lose Title IV eligibility. Detailed instructions for this appeal process can be found in the *Cohort Default Rate Guide* and federal regulations.

[§668.196(b) and (c); *Cohort Default Rate Guide*]¹

¹. Policy 1210 (Batch 169), approved April 15, 2010

Summary: Challenges, Adjustments, and Appeals

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]		•	

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.

Agent: An officer or employee of a school or an institution-affiliated organization. This definition is applicable to the disclosure and reporting requirements for schools, institution-affiliated organizations, and lenders that issue, recommend, promote, endorse, or provide information relating to FFELP and private education loans. See Subsections 4.4.A and 4.4.E. [§601.2(b) definition of agent]¹

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 subtracting any refunds, payments to comply with the requirements for the return of Title IV funds, prepayments, payments, cancellations, funds discharged, or any other reductions to the principal. Capitalized interest or any collection costs that may have been added to the principal balance are not included in the borrower's aggregate loan limit. See [Subsection 6.11.B](#).

Agreement: Any written contract, agreement, or letter of understanding between the guarantor and another entity that specifies the rights and duties of each party with respect to participation in the guarantor's programs and/or utilization of the guarantor's services.

ALAS: See [Auxiliary Loans to Assist Students \(ALAS\)](#)

AmeriCorps: A national and community service program created by the [National and Community Service Trust Act of 1993](#) and administered by the Corporation for National Service. For each year of full-time service in the program, participants will receive education awards to help finance their postsecondary education or pay back their student loans.

Annual Loan Limit: The maximum loan amount a student may borrow for each academic year of study under the Federal Stafford Loan Program.

Anticipated Completion (Graduation) Date: The date on which a student is expected to complete an academic program. This date is provided by a school official when certifying the borrower's loan, and in subsequent enrollment status updates.

Application: The form the borrower uses to apply for a Stafford, PLUS, or Consolidation loan.

Applicable Interest Rate: The maximum annual interest rate (under the Higher Education Act) that a lender may charge on a loan. Sometimes referred to as the [Statutory Interest Rate](#). Past and present applicable interest rates for FFELP loans are included in [Section 7.4](#), and [Appendix A](#).

Assignment: Language placed on or attached to the promissory note indicating a change or transfer of loan ownership.

Assignment of a Loan: Any change in the ownership interest of a loan, including a pledge of such an ownership interest as security.

ATB: See [Ability-to-Benefit \(ATB\)](#)

Authority: Any private nonprofit or public entity that may issue tax-exempt obligations to obtain funds to be used for the making or purchasing of FFELP loans. "Authority" also includes any agency, including a state postsecondary institution or any other instrumentality of a state or local government unit, regardless of the designation or primary purpose of that agency, that may issue tax-exempt obligations, any party authorized to issue those obligations on behalf of a governmental agency, and any nonprofit organization authorized by law to issue tax-exempt obligations.

Auxiliary Loans to Assist Students (ALAS): A previous name for what became the SLS loan. The Omnibus Reconciliation Act of 1981 extended the Parent Loans for Undergraduate Students (PLUS) program to include loans for independent undergraduate students and graduate and professional students. These loans were called Auxiliary Loans to Assist Students or ALAS. The Higher Education Amendments of 1986 repealed the ALAS program and authorized two separate loan programs in its place—Supplemental Loans for Students, or SLS loans, for graduate students, professional students, and independent undergraduates, and PLUS loans for parents of dependent students.

Award Year: The period between July 1 of a given calendar year and June 30 of the following calendar year.

B

Bankruptcy: Judicial action to stay the normal collection of debts against the petitioner, and cause those debts to be satisfied at the direction of the court. Bankruptcies are

¹ Policy 1211 (Batch 169), approved April 15, 2010

Correspondence Study Course: A ~~home study~~ typically self-paced course in which the school provides instructional materials, including examination ~~on~~ of those materials, by mail or electronic transmission, to students who are ~~not physically attending classes at the school~~ separated from the instructor. Interaction between the instructor and student is limited, is not regular and substantive, and is primarily initiated by the student. If a course is a combination of correspondence work and residential training, the ~~entire~~ course is considered to be a correspondence ~~study~~ course. A correspondence course is not distance education. See [Subsection 4.1.D](#) and [Section 5.12](#) for more information.

[\[§600.2 definition of correspondence course\]](#)¹

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](#).

Cost of Education: See [Cost of Attendance \(COA\)](#)

Cost-Less-Aid: A figure calculated by deducting all financial assistance the student has been or will be awarded for the loan period from the cost of attendance for the same loan period.

Cumulative Loan Limit: See [Aggregate Loan Limit](#)

Cure: Reinstatement of a loan's guarantee upon completion of a prescribed series of loan collection activities; also the process by which the loan's guarantee is reinstated.

Curing Instrument: Documentation the lender must obtain and retain to substantiate a cure. Examples of a curing instrument include, but are not limited to, a signed repayment agreement, evidence of one full payment received from or on behalf of the borrower, or documentation of the activities performed in an Intensive Collection Activities (ICA) cure.

D

DAA: See [Default Aversion Assistance \(DAA\)](#)

DCL: See [Dear Colleague Letter \(DCL\)](#)

Deactivation: Loss of eligibility for a lender to participate in the FFELP. The Department will notify lenders that have failed to submit a Lender's Interest and Special Allowance Request and Report (LaRS report) for two consecutive quarters that they are candidates for deactivation.

Dear Colleague Letter (DCL): A communication from the Department that explains and clarifies the Department's guidance regarding federal regulations and statutes.

Dear Partner Letter (DPL): A communication from the Department that explains and clarifies the Department's guidance regarding federal regulations and statutes.

Debt-Management Counseling: Counseling provided to a student about debt and accumulated indebtedness. See [Subsections 4.4.C](#) and [4.4.D](#).

Default: The failure of a borrower (or endorser or comaker, if any) to make installment payments when due, provided that this failure persists for the most recent period of 270 days (for a loan repayable in monthly installments) or the most recent 330-day period (for a loan repayable in less frequent installments). A loan also may be considered in default if the borrower (or endorser or comaker, if any) fails to meet other terms of the promissory note or other written agreement(s) with the lender under circumstances where the Department or guarantor of the loan reasonably concludes that the borrower no longer intends to honor the borrower's obligation to repay the loan. See [Section 13.6](#).

Default Aversion Assistance (DAA): The help provided to a lender by the guarantor in order to prevent a delinquent loan from defaulting. See [Section 12.5](#).

Default Aversion Assistance Request Period: The period during which a lender must submit a request for default aversion assistance from a guarantor. This period begins no earlier than the 60th day and ends no later than the 120th day of the borrower's delinquency.

Deferment: A period of time during repayment in which the borrower, upon meeting certain conditions, is not required to make payments of loan principal. See [Chapter 11](#).

Delayed Delivery: The federally mandated delay in the school's delivery of the first disbursement of loan funds for first-year, first-time undergraduate Stafford loan borrowers. Schools subject to delayed delivery must delay the delivery of the first disbursement until the student completes the first 30 days of his or her program of study. For more information on delayed delivery provisions, see [Subsection 8.7.D](#).

¹ Policy 1188 (Batch 168), approved April 15, 2010

Delayed Disbursement: The federally mandated delay of the first disbursement of loan funds for first-year, first-time undergraduate Stafford loan borrowers. The school is prohibited from scheduling the first disbursement of a loan to these students earlier than:

- The 28th day of the first payment period if the loan is disbursed by EFT or master check.
- The first day of the first payment period if the loan is disbursed by individual check.

See [Subsection 8.7.D](#).

Delinquency: A period that begins on the day after the due date of a payment when the borrower fails to make the equivalent of one full payment. See [Section 12.2](#).

Department, the: The U.S. Department of Education or an official or employee of the Department acting for the Department under a delegation of authority.

Dependent Student: A student who does not meet the eligibility requirements for an “Independent Student,” under the Higher Education Act of 1965, as amended. See [Independent Student](#).

Diligent Effort: An attempt to perform a required activity in a matter that complies with federally mandated procedures and requirements. See [Chapter 12](#).

Disability: ~~A medically determined condition that renders a person unable to work and earn money, or, in some cases, to attend school. A borrower (or his spouse or dependent) is considered to be temporarily totally disabled if the condition is expected to be of a short and finite duration (see Section 11.17); a borrower is considered totally and permanently disabled if this condition is expected to continue for a long or indefinite period of time, or to result in death (see Subsection 13.8.G).~~¹

Disbursement: The transfer of loan proceeds by individual check, master check, or electronic funds transfer (EFT) by a lender to a borrower, a school, or an escrow agent (see [Section 7.7](#)). For a Consolidation loan, disbursement is the transfer of borrower loan proceeds from the consolidating lender to the current holder of the loan being consolidated (see [Section 15.4](#)).

Disbursement Date: For a loan disbursed by check or draft, the date the check or draft is issued. For a loan disbursed by electronic funds transfer (EFT) or wire transfer, the date the funds are transferred from the lender to the school or escrow agent.

Discharge: The release of a borrower or any comaker from all or a portion of his or her loan obligation, as applicable, due to bankruptcy, school closure, death, spouses and parents of victims of September 11, 2001, total and permanent disability, an unpaid refund by the school, the school’s false certification of a FFELP loan, or the crime of identity theft. See [Section 13.8](#).

Distance Education: Education that uses one or more technologies to deliver instruction to a student who is separated from the instructor and to support regular and substantive interaction between the student and the instructor, either simultaneously or at different times. Any of the following are permissible distance education technologies:

- The Internet.
- One-way and two-way transmissions through open broadcast, closed circuit, cable, microwave, broadband lines, fiber optics, satellite, or wireless communications devices.
- Audio conferencing.

Videocassettes, DVDs, and CD-ROMs may also be used in conjunction with any of the technologies listed above. [[§600.2 definition of distance education](#)]²

Documentation: A written or printed paper, a supporting reference, or a record that can be used to furnish evidence, proof, or information.

DPL: See [Dear Partner Letter \(DPL\)](#)

Dual-Program Cohort Default Rate: For a school that has former students entering repayment in a fiscal year on both FFELP and FDLP loans, the Department calculates a dual-program cohort default rate. See [Section 16.2](#) for calculation formulas.

Due Diligence: The procedures required for attempting to satisfactorily resolve a delinquency and prevent a default in accordance with federal regulations. The lender must document the performance of these attempts, and the attempts must be at least as forceful as those generally used for consumer loans. See [Chapter 12](#).

¹ Policy 1207 (Batch 169), approved April 15, 2010

² Policy 1188 (Batch 168), approved April 15, 2010

E

Economic Hardship: A period during which the borrower is ~~working full time but is earning an amount that does not exceed the greater of the minimum wage or 150% of the poverty line for the borrower's family size.~~ Economic hardship also exists if a borrower's monthly payments on federal education loans are equal to or greater than 20% of the borrower's monthly income, as defined experiencing financial difficulty in making his or her student loan payments due to a qualifying condition that is recognized in FFELP federal regulations. See Subsection 11.4.A for a list of the eligibility criteria for the economic hardship deferment.¹

EFA: See [Estimated Financial Assistance \(EFA\)](#)

EFC: See [Expected Family Contribution \(EFC\)](#)

Effective Commercial Skip Tracing: Techniques used to locate a person whose address is unknown. Examples of these techniques may include contacting an endorser (e.g., to locate a borrower), a borrower (e.g., to locate an endorser or comaker), a relative, a reference, individuals, entity identified in a borrower's loan file, Directory Assistance or a comparable service; attempting to contact the person by calling the last known telephone number; performing a Social Security number search via a credit report; reviewing city directories; processing information contained on the current credit report; or checking with a state licensing agency, a trade association, or a motor vehicle bureau (see [Section 12.7](#) for address skip tracing requirements). See also [Skip Tracing](#).

EFT: See [Electronic Funds Transfer \(EFT\)](#)

Electronic Cohort Default Rate (eCDR) Notification

Package: The electronic process the Department uses to notify a domestic school of its cohort default rates. A school will receive a loan record detail report in the eCDR package if the school had one or more borrowers entering repayment in the applicable fiscal year or is subject to sanctions or the Department believes that the school will have an official cohort default rate calculated as an average rate. Beginning with the official FY 2008 cohort default rate cycle in September 2010, the Department will exclusively transmit the CDR notifications to foreign schools electronically through the eCDR process. See [Chapter 16](#).²

Electronic Funds Transfer (EFT): The electronic transfer of Stafford or PLUS loan proceeds from the lender to an account at the school or the school's financial institution. See [Subsection 7.7.D](#).

Electronic Signature: Information in electronic format that is attached to or logically associated with an electronic record and used by a person with the intent to sign the electronic record.

Eligibility Letter: A term used to describe the materials the Department's Institutional Participation Division sends to a school that has received federal approval for participation in the Title IV programs. The "letter" includes an Approval Notice and a copy of the school's Program Participation Agreement (PPA).

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 [§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.

See [Subsection A.2.A](#) for more information on eligible not-for-profit holder designations.

Eligible Student: A student who meets federal student eligibility criteria. See [Subsection 5.1.B](#) for specific criteria.

¹ Policy 1158 (Batch 168), approved April 15, 2010

² Policy 1209 (Batch 169), approved April 15, 2010

writing and must include the reason for the leave. In an approved leave of absence, the student does not incur any additional charges. The total number of days of all approved leaves of absence may never exceed 180 days in any 12-month period.

For information on an *unapproved* leave of absence (i.e., a leave of absence that is not considered approved for Title IV purposes), see [Sections 9.3](#) and [9.4](#).

Lender: For purposes of the Federal Family Education Loan Program (FFELP), a lender is an entity that has entered into an agreement to participate in the FFELP. A lender may be a national or state chartered bank, a mutual savings bank, a savings and loan association, a stock savings bank, a credit union, a pension fund, an insurance company, a single state agency, the Student Loan Marketing Association (SLMA), a Rural Rehabilitation Corporation, a nonprofit private agency functioning in a state as a secondary market, a consumer finance company subsidiary of a national bank, a guarantor, or a school. Each entity must meet the specific eligibility qualifications, as applicable, outlined in [Sections 3.1](#) and [3.2](#).

Lender Fee: A fee that the holder of the loan must pay to the Department. For any loan first disbursed on or after October 1, 1993, and prior to October 1, 2007, the fee is equal to 0.5% of the principal amount of the loan. For loans first disbursed on or after October 1, 2007, the fee is equal to 1.0% of the principal amount of the loan. This fee is deducted from interest and special allowance due the lender. The lender remits the fee by making an entry on the Lender's Interest and Special Allowance Request and Report (LaRS report) that results in an offset of the amount of quarterly interest and special allowance benefits due to the lender. The lender may not pass this fee on to the borrower. For more information about the lender fee, see [Appendix A](#).

Lender of Last Resort (LLR): A lender or guarantor that agrees to make Stafford and/or PLUS loans to each of the following:

- Student and/or parent borrowers who are otherwise unable to obtain loans from other eligible lenders for the same period of enrollment.
- Student borrowers who are attending schools that have been designated as LLR schools and parents of students attending such schools. See [Section 3.7](#) and [Subsection H.4.E](#).

Lender Participation Questionnaire for New Lenders:

The application form that a lender must complete and return to the Department before receiving approval to participate in the FFELP.

Lender's Interest and Special Allowance Request and Report (LaRS Report):

An accounting mechanism that a lender uses to report to the Department the loans that it has made and to request from the Department interest benefits and special allowance that it has earned. The federal origination and lender fees that the lender must pay to the Department are usually deducted from the amount that the Department owes the lender for interest benefits and special allowance. The lender may submit the report using the automated Lender Reporting System or the paper form. See [Appendix A](#).

Limitation: The continuation of a school's eligibility to participate in the guarantor's programs, subject to compliance with special conditions or restrictions established by agreement with the Department or the guarantor. See [Subsection 18.1.A](#).

LLR: See [Lender of Last Resort \(LLR\)](#)

Loan Assignment: See [Assignment](#)

Loan Period: The period of time for which a loan is certified.

Loan Proceeds: The amount of loan funds that have been guaranteed.

Loan Record Detail Report (LRDR): The report issued by the Department that contains the detailed data used to calculate a school's draft or official cohort default rate. See [Chapter 16](#).¹

Loan Sale: The change in ownership of a loan from one eligible FFELP lender or holder to another lender or holder.

Loan Transfer: Any action that results in a change of the system used to monitor or conduct collection activities on the loan, such as a change in servicer. See [Subsections 3.4.B](#) and [3.5.E](#).

Location Cure Procedure: See [Intensive Collection Activities \(ICA\)](#)

¹. Policy 1209 (Batch 169), approved April 15, 2010

NSLDS: See [National Student Loan Data System \(NSLDS\)](#)

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 of points, premiums, additional interest, or financial support 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: The Any amount of a student's total estimated financial assistance (excluding Pell grants) need-based aid that exceeds the student's financial need, or the amount of the student's estimated financial assistance (EFA), including any need-based aid, that exceeds the student's COA. See [Section 8.6](#).²

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 on all eligible FFELP and Direct Loans, 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 and state of residence. 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 [Subsection 10.8.D](#) for more specific information on how to determine if a borrower has a PFH.³

See [Income-Based Repayment \(IBR\) Schedule](#).

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

¹ Policy 1176 (Batch 167), approved March 18, 2010

² Policy 1174 (Batch 166), approved March 18, 2010

³ Policy 1190 (Batch 168), approved April 15, 2010

Professional Degree: A degree that signifies both completion of the academic requirements for beginning practice in a given profession and a level of professional skill beyond that normally required for a bachelor's degree. Professional licensure is also generally required. Examples of a professional degree include, but are not limited to: Pharmacy (Pharm. D.), Dentistry (D.D.S. or D.M.D.), Veterinary Medicine (D.V.M.), Chiropractic (D.C. or D.C.M.), Law (L.L.B. or J.D.), Medicine (M.D.), Optometry (O.D.), Osteopathic Medicine (D.O.), Podiatry (D.P.M., D.P., or Pod. D.), and Theology (M. Div. or M.H.L.).

Professional Judgment: The flexibility given to a financial aid administrator (FAA) under the Higher Education Act to make adjustments to student eligibility for federal aid on a case-by-case basis. See [Subsections 6.5.D](#) and [6.6.B](#).

Professional Student: See [Graduate or Professional Student](#), and [Professional Degree](#).

Program of Study: A Department-authorized postsecondary educational program that leads to a degree, certificate, or other educational credential.

Program Participation Agreement (PPA): An agreement that a school and the U.S. Department of Education must sign, permitting participation in one or more of the Title IV federal student aid programs. This agreement also states that the initial and continued eligibility to participate in the Title IV federal student aid programs is conditional upon compliance with the provisions of applicable laws and program regulations. The agreement includes a school's participation in the following federal programs: Federal Pell, Federal Supplemental Educational Opportunity Grant, Federal Work-Study, Federal Family Education Loans, and Direct Loans.

Program Review: A comprehensive review of a lender's, school's, or servicer's administrative procedures for handling Federal Stafford, PLUS, SLS, and Consolidation loans. The review is conducted to ensure that those procedures are in compliance with federal regulations and with the guarantor's policies and procedures. Chapter 17 addresses several aspects of program reviews.

Promissory Note: A legally binding agreement the borrower signs to obtain a loan under the FFELP, in which the borrower promises to repay the loan, with interest, in periodic installments. The agreement also includes information about any grace period, deferment, or cancellation provisions and the student's rights and responsibilities with respect to the loan.

Proration: A reduction of the standard annual loan limit for an undergraduate student. Proration of the loan amount is required if the student's program or the remainder of the student's program is less than a full academic year in length.

Proportional Proration: A required calculation performed to determine the applicable annual Stafford loan limit for an undergraduate student whose program of study is less than an academic year, or whose remaining program of study is less than an academic year. See [Figure 5-1](#).

Public Service Loan Forgiveness Program: A program intended to encourage individuals to enter and continue in full-time public service employment by forgiving the remaining balance of their Direct loan(s) after they satisfy the public service and loan payment requirements of the program.

Q

Qualified Education Benefit: Refers to qualified tuition programs (e.g., 529 prepaid tuition plans and savings plans), prepaid tuition plans offered by a state, and Coverdell education savings accounts.

R

Reaffirmation: A borrower's acknowledgment of a loan repayment obligation—including all principal, interest, collection costs, legal-court costs, attorney fees, and late charges—in a legally binding manner.¹

Reauthorization: Refers to the legislative process—generally carried out every 5 years in the case of the Higher Education Act—whereby Congress reviews and either renews, terminates, or amends existing programs. The most recent reauthorization of the Act, as amended, was in 1998.

Recall (of a claim): A lender request that the guarantor return a default claim that has already been filed before claim reimbursement because the claim no longer qualifies for default. (Please refer to [Subsection 13.2.B](#) for the definition of recall (of a claim) for CCI purposes.)

Recognized Equivalent of a High School Diploma:

A recognized equivalent of a high school diploma is any one of the following:

- A General Education Development (GED) Certificate.
- A state certificate received by the student after passing a state-authorized examination recognized by the state as the equivalent of a high school diploma.

¹. Policy 1202 (Batch 169), approved April 15, 2010

Subsidized Loan: A loan eligible for interest benefits paid by the federal government. The federal government pays the interest that accrues on subsidized loans during the student's in-school, grace, authorized deferment, and (if applicable) post-deferment grace periods, if the loan meets certain eligibility requirements.

Substantial Gainful Activity: A level of work performed for pay or profit that involves doing significant physical or mental activities, or a combination of both. "For profit" covers a self-employed individual who is not paid by an employer and does not refer to income from sources other than employment. Non-employment income will not be considered when determining whether a borrower is capable of substantial gainful activity.¹

Suspension: Suspension of the eligibility of a school, lender, or servicer to participate in a guarantor's programs for a specified period of time until specified requirements are met. See [Subsection 18.1.B](#).

T

T-bill: See [Treasury Bill \(T-bill\)](#).

TEACH Grant: See Teacher Education Assistance for College and Higher Education (TEACH) Grant.

Teacher Education Assistance for College and Higher Education (TEACH) Grant: A non-need-based grant intended for undergraduate, certain post-baccalaureate, and graduate students enrolled at TEACH grant-eligible schools who plan to become teachers. In exchange for the grant, a student must agree to serve as a full-time teacher in a high-need field, in a low-income school for at least four academic years within eight years of completing the program of study for which the student received the grant. If a TEACH grant recipient does not satisfy the service obligation, the TEACH grant funds that the student received convert to an unsubsidized Direct Stafford loan that must be repaid with interest accruing from the date of disbursement. See the [FSA Handbook](#) for more information about the TEACH grant.

Teacher Shortage Area: A federally designated geographic area, grade level, or academic, instructional, subject matter, or discipline that has been classified as a shortage area as defined by the Department. See [Section 11.16](#).

Teach-Out Program: A program of study offered by a school that is substantially similar to a borrower's program of study at a school that closed and ceased to provide educational services during the borrower's loan period.

Telecommunications Course: A course offered during an award year that principally uses one technology or a combination of technologies including television, audio, or computer transmission, through open broadcast, closed-circuit, cable, microwave or satellite, audio conferencing, computer conferencing, or video cassettes or discs. These technologies may be used to deliver instruction to students who are separated from the instructor and to support regular and substantive interaction between these students and the instructor, either simultaneously or at different times. A course is not considered to be a telecommunications course if the course is delivered using video cassettes or discs unless that same course is also delivered to students who are physically attending classes at the school providing the course during the same award year.²

Temporarily Totally Disabled: The condition of an individual who, though not totally and permanently disabled, is unable to work and earn money or attend school during a period of at least 60 days needed to recover from injury or illness. With regard to a disabled dependent of a borrower, this term means a spouse or other dependent who, during a period of injury or illness, requires continuous nursing or similar services for a period of at least 90 days.³

Term-Based School: A school that uses standard academic terms, such as semesters, trimesters, or quarters.

Termination: Withdrawal of the eligibility of a school, lender, or servicer to participate in the guarantor's programs. See [Subsection 18.1.C](#).

Third-Party Servicer: In the case of a lender or guarantor, a state or private for-profit or nonprofit organization or an individual that enters into a contract with the lender or guarantor to administer any aspect of the lender's or guarantor's FFELP as required by statutory or regulatory provisions related to [part B of Title IV of the Higher Education Act](#). In the case of a school, a state or private for-profit or nonprofit organization or an individual that enters into a contract with the school to administer any aspect of the school's participation in any Title IV program.

Three-Times Rule: The federal requirement that no single installment of a graduated or income-sensitive repayment schedule may be more than three times greater than any other installment.

¹ Policy 1203 (Batch 169), approved April 15, 2010

² Policy 1188 (Batch 168), approved April 15, 2010

³ Policy 1207 (Batch 169), approved April 15, 2010

Title IV: A section of the Higher Education Act of 1965, as amended, that authorizes federal loan, work, and grant education financial assistance programs.

Totally and Permanently Disabled – Regular: The condition of an individual who is unable to ~~work and earn money due to an injury or illness that is expected to continue indefinitely or result in death~~ engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death, has lasted for a continuous period of not less than 60 months; or can be expected to last for a continuous period of not less than 60 months.¹

Totally and Permanently Disabled – VA: The condition of an individual who has been determined by the U.S. Department of Veterans Affairs (VA) to be unemployable due to a service-connected condition.²

Trailer, Summer Term: A summer term that comes at the end of a school's Scheduled Academic Year.

Transfer: For purposes of defining due diligence time frames, a transfer is any action (such as the sale of a loan) that results in a change of the system used to monitor or conduct collection activities on the loan.

Treasury Bill (T-bill): A note or bill issued by the U.S. Treasury as legal tender for all debts.

Treasury Offset: An interception by the United States Treasury Department's Financial Management Service or a state agency of any payment of applicable federal funds (tax refunds, Social Security benefits, federal retirement benefits, etc.) or state funds otherwise due a borrower who has defaulted on a FFELP loan.

U

Unconsummated Loan: Loan proceeds that the school returned to the lender prior to the borrower's having cashed the check, if an individual check, or the school having applied the proceeds to the student's account, if included in a master check or EFT transmission. This includes checks that may have been released by the school but remain uncashed by the 120th day following disbursement and EFT and master check transactions that have not been completed by the 120th day following disbursement.

Undergraduate Student: A student enrolled at an eligible school who:

- Is enrolled in a four- or five-year program that is designed to lead to an undergraduate degree. A student enrolled in a program of any other longer length is considered to be an undergraduate student for only the first four years of that program.
- Has completed a baccalaureate program of study and is subsequently completing state-required teacher certification or recertification coursework.
- Is enrolled in a dual-degree program that allows an individual to complete a bachelor's degree and either a graduate or professional degree within the same program. A student is considered to be an undergraduate student for at least the first three years of a dual-degree program.

Undue Hardship (Adversary Complaint) Petition:

A motion to have a loan discharged in a bankruptcy case on the grounds of undue hardship. See [Subsection 13.8.A](#).

Unknown Telephone Number: The lack of any telephone number assigned to a particular borrower, endorser, or reference.

Unsubsidized Loan: A non-need-based loan such as an unsubsidized Federal Stafford loan or a Federal PLUS loan. The borrower is responsible for paying the interest on an unsubsidized loan during in-school, grace, and deferment periods, in addition to repayment periods.

U.S. Citizen or National: The term "citizen" includes all native or naturalized persons who owe allegiance to the United States and are entitled to protection by it. The U.S. includes the fifty states, the District of Columbia, Guam, Northern Mariana Islands, Puerto Rico, and the Virgin Islands. The term "national" includes all U.S. citizens and citizens of American Samoa and Swain's Island.

V

Variable Interest Rate: An interest rate that changes, usually annually, according to prescribed methods (see [Sections 7.4](#) and [7.5](#)).

Variable Interest Rate Conversion: The conversion of a fixed interest rate to an annually variable interest rate, which carries a federally mandated cap.

Verbal Request: A request that is made orally, as opposed to in writing.

¹. Policy 1207 (Batch 169), approved April 15, 2010

². Policy 1206 (Batch 169), approved April 15, 2010

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Index of History Categories

This appendix contains information on topics pertinent to the history of the FFELP and the *Common Manual*. Under each applicable date in this history, these topics are listed alphabetically by category. Following is an index of the categories under which these topics have been organized.

Ability to benefit	Guarantee transfer
Additional unsubsidized Stafford funding	Holder
Academic year	Inducements
Aggregate loan limit	Insurance
Annual loan limit	Interest payment and capitalization
Audit	Interest rates
Authorizations and certifications	Interest subsidy
Bankruptcy	<u>Late delivery</u>
Blanket guarantee	<u>Late disbursement/post-withdrawal disbursement</u>
Borrower dispute	Leave of absence
Child-care provider loan forgiveness	Lender fee
Claim filing requirements	Lender of Last Resort
Claim payment	Loan amount
Claim repurchase/recall	Loan amount – adjustment
Claims – returned and refilled	Loan certification
Closed school loan discharge	Loan forgiveness for service in areas of national need
Cohort default rate	Loan guarantee
Common forms	Loan origination
Consolidation loans	Loan period
Consumer credit reporting	Loan repayment for civil legal assistance attorneys
Consummated loan	Loan sales and transfers
Cost of attendance	Loan types
Credit balance	Need analysis
Credit bureau reporting	Negotiated rulemaking
Cure	Notification – borrower and student
Data matches	NSLDS
Death discharge	Origination fee
<u>Default</u>	Payment application
Deferment	Payment period
Delivering loan funds	Period of enrollment
Disability discharge (total and permanent)	PLUS credit check
Disbursements rules	Post-deferment grace period
Disclosure requirements	<u>Post-withdrawal disbursement</u>
<u>Distance Education</u>	<u>Program of Study</u>
Due diligence	Program Participation Agreement
Electronic processing requirements	Recommended lender list
Eligibility – borrower and student	Record retention
Eligibility – lender	Refinancing (PLUS and SLS loans)
Eligibility – school	Refunds
Endorser	Rehabilitation of defaulted loan
Enrollment status	Reinstatement of Title IV eligibility
Entrance counseling	Reinsurance
Estimated financial assistance	Reissued disbursements
Exceeding loan limits	Repayment start
Exceptional performance	Repayment terms
Excess interest rebate	Return of Title IV funds
Exit counseling	Social Security number documentation/reporting
FAFSA	Special allowance
False certification loan discharge	Spouses and Parents of Victims of September 11, 2001, Loan Discharge
Federal default fee	Status changes and reporting
Federal reporting	Statute of limitations
Financial aid transcript (FAT)	Summer bridge extension
Financial responsibility standards (school)	Teacher loan forgiveness
Forbearance	Third-party servicer
Foreign school	Unpaid refund discharge
Grace period	Voluntary Flexible Agreement
Guarantee fee	Withdrawal

H.1 History of the FFELP and the *Common Manual*

Today's education loan program is the result of a long evolutionary process that began with the enactment of the Higher Education Act in 1965. By law, the Act must be reviewed and reauthorized every 5 years, and the review often results in changes (amendments) to the law. Some [reauthorizations](#) have resulted in subtle changes; others have dramatically revised the program. Following is a chronology of milestones in the evolution of education loans. This information pertains to Federal Stafford (once called GSL) loans unless otherwise specified.

1965

November 8, 1965

The Higher Education Act of 1965 is signed into law. The Act requires the periodic reexamination and [reauthorization](#) of its congressional mandate. Reauthorizations must occur every 5 years, or loans may no longer be made under the program.

Interest subsidy: The new law provides an in-school [interest](#) subsidy of 5%, paid by the federal government for families with annual incomes less than \$15,000. A 3% interest subsidy is paid for periods during which the loan is in repayment. [Nonsubsidized loans](#) are available for students with annual family incomes of more than \$15,000.

1967

July 2, 1967

Aggregate loan limit: [Aggregate loan limits](#) are increased to \$9,000.

Annual loan limit: [Annual loan limits](#) are increased to \$1,500.

August 10, 1967

Interest rates: Interest rates increase to 6% for families earning less than \$15,000 in annual income.

Loan guarantee: The [guarantee](#) amount is increased from 80% to 90% of unpaid principal and interest.

1968

August 3, 1968

Interest rates: Interest rates increase from 6% to 7% for families with less than \$15,000 annual income.

October 16, 1968

Eligibility – lender: Interstate lenders are permitted to make loans under the Federally Insured Student Loan Program (FISLP).

December 15, 1968

Interest subsidy: Interest subsidy for loans in repayment is eliminated.

1969

August 1, 1969

Special allowance: [Special allowance](#) is authorized for lenders to ensure they receive a market-rate yield on their student loans. Special allowance yields no more than 3% per year based on the outstanding [principal balance](#) of eligible loans.

1972

June 23, 1972

Amendments to the Higher Education Act are signed into law. The Student Loan Marketing Association (Sallie Mae) is authorized.

July 1, 1972

Interest subsidy: Interest subsidy is determined based on an evaluation of family income and resources.

Need analysis: A needs test is established.

August 18, 1972

Interest subsidy: Interest subsidy is reinstated for students whose families have annual incomes of \$15,000 or less.

October 1, 1972

Repayment terms: The maximum [repayment period](#) of 63 months is increased to 120 months.

1973

March 1, 1973

Interest subsidy: Eligibility for interest subsidy is determined by an evaluation of family income and resources.

Need analysis: [Need analysis](#) is required again.

June 1, 1973

Aggregate loan limit: [Aggregate loan limits](#) increase to \$7,500 for undergraduate students and \$10,000 for graduate students (including undergraduate aggregates).

Annual loan limit: [Annual loan limits](#) increase to \$2,500 for third- and fourth-year [undergraduate students](#) and for [graduate students](#). Loan limits are \$1,000 for first-year students and \$1,500 for second-year students.

1974

June 2, 1974

Eligible borrower: Undergraduate students [enrolled](#) at least half time, but less than full time, are eligible borrowers.

Interest subsidy: Eligibility for [interest](#) subsidy is returned to students whose families have annual incomes of \$15,000 or less.

Need analysis: Need analysis is required for families earning more than \$15,000 and for loan amounts exceeding \$2,000.

1976

March 1, 1976

Annual loan limit: Graduate students may receive a student loan of up to \$2,500.

Eligibility – borrower and student: Graduate students enrolled at least half time, but less than full time, are eligible borrowers.

October 1, 1976

Deferment: “New borrowers” are eligible for a one-year unemployment [deferment](#), which is subsidized if the borrower otherwise qualifies for interest subsidy.

Disbursement rules: [Disbursement checks](#) must be endorsed by the borrower. Lenders may make checks copayable to both the borrower and the [school](#). Multiple disbursement of loan [funds](#) is encouraged.

Interest subsidy: Lenders are permitted to bill for interest subsidy on the full loan amount from the date of the first disbursement (even if the second disbursement was not made yet), provided the lender has signed a Multiple Disbursement Agreement with the [Department](#).

Special allowance: Lenders are permitted to bill for [special allowance](#) on the full loan amount from the date of the first disbursement (even if the second disbursement was not made yet), provided the lender has signed a Multiple Disbursement Agreement with the Department.

October 12, 1976

Amendments to the Higher Education [Act](#) are signed into law, with provisions effective January 1, 1977.

November 12, 1976

Need analysis: For loan terms beginning on or after November 11, 1976, [need analysis](#) is required only for [subsidized loans](#) for borrowers whose families report adjusted gross incomes of \$25,000 or more, regardless of the loan amount being requested.

1977

January 1, 1977

Special allowance: Special allowance is authorized for all loans disbursed between November 8, 1965, and August 1, 1969, for which balances remained outstanding. Special allowance payments for these loans are in addition to payments for other loans previously considered eligible for special allowance.

May 20, 1977

Aggregate loan limit: For [loan periods](#) beginning on or after July 1, 1977, aggregate limits are increased to \$7,500 for undergraduate borrowing and \$15,000 for cumulative graduate and undergraduate borrowing.

Annual loan limit: For loan periods beginning on or after July 1, 1977, [annual loan limits](#) are increased to \$2,500 for [undergraduate students](#) and \$5,000 for graduate and [professional students](#).

September 30, 1977

Bankruptcy: **Bankruptcy discharge** of student loans is prohibited for the first 5 years after the borrower graduates or withdraws from school, unless the borrower proves that payment of the loan would present an undue hardship.

December 1, 1977

Special allowance: **Special allowance** payments become a derivative of the Treasury-bill formula, yielding no more than 5% annually based on a quarterly determination.

1978**November 1, 1978**

Deferment: The rehabilitation **deferment** is established for borrowers in rehabilitation training programs for disabled individuals.

Interest subsidy: All loans disbursed on or after November 1, 1978, qualify for interest benefits regardless of family income.

Special allowance: Special allowance is paid on both the subsidized and unsubsidized loans.

November 6, 1978

Bankruptcy: The prohibition against the bankruptcy discharge of student loans that have been in repayment for less than 5 years is repealed.

1979**July 1, 1979**

Special allowance: The annual cap on special allowance is eliminated. Yield floats with the Treasury-bill (**T-bill**) formula (T-bill plus 3.5%).

October 1, 1979

Bankruptcy: **Bankruptcy Reform Act** is effective. The prohibition against the discharge of a student loan in bankruptcy during the first 5 years of repayment is reinstated. Loans may be discharged in the first 5 years of repayment only if the repayment of the loan would present an undue hardship to the borrower.

1980**November 3, 1980**

Education Amendments of 1980 are signed; provisions are effective January 1, 1981.

Special allowance: Special allowance paid on loans made or purchased with tax-exempt **funds** is reduced by half, effective for loans disbursed on or after October 1, 1980.

1981**January 1, 1981**

Aggregate loan limit: **Aggregate loan limits** are revised to \$15,000 for independent **undergraduate students**, \$12,500 for dependent undergraduate students, and \$25,000 for **graduate students** (including undergraduate loans).

Annual loan limit: **Annual loan limits** increase to \$3,000 per year for independent undergraduate students, \$2,500 for dependent undergraduate students, and \$5,000 for graduate students.

Deferment: **Deferments** are authorized for medical internship or residency, service in a nonprofit agency, service as an officer in the Commissioned Corps of Public Health, and temporary total disability.

Grace period: Loans to “new borrowers” with loan periods beginning on or after January 1, 1981, and **applicable interest rates** of 9% are eligible for a 6-month **grace period**.

Interest rates: The **applicable interest rate** is 9% for “new borrowers” with **loan periods** beginning on or after January 1, 1981. New PLUS and ALAS loans have an applicable interest rate of 9%.

Loan types: Parental Loans for Undergraduate Students (PLUS loans) and Auxiliary Loans for Students (**ALAS**) loans are established.

Post-deferment grace period: Loans with a deferment end date on or after January 1, 1981, are eligible for a 6-month **post-deferment grace period**.

August 23, 1981

Origination fee: Effective for **subsidized loans** on which the **lender** provided the **borrower’s promissory note** on or after August 23, 1981, an **origination fee** of 5% is assessed. The

fee may be deducted from the loan's proceeds by the lender and must be paid to the [Department](#) quarterly via the ED Form 799.

October 1, 1981

Post-deferment grace period: [Post-deferment grace periods](#) are eliminated for loans first disbursed on or after October 1, 1981.

Need analysis: [Need analysis](#) is reinstated for borrowers with annual family incomes exceeding \$30,000.

October 1, 1981

Aggregate loan limit: [Aggregate loan limits](#) are \$12,500 for undergraduate students and \$25,000 for graduate students (including undergraduate loans).

Annual loan limit: [Annual loan limits](#) are revised to remove the difference between independent and dependent borrowers. Limits of \$2,500 and \$5,000 apply for undergraduate and graduate students, respectively. ALAS loan limits for undergraduate students permit an annual maximum of \$2,500 through combined GSL and ALAS borrowing. Graduate and professional students may borrow up to \$3,000 annually in ALAS, in addition to their \$5,000 GSL maximum.

Interest rates: PLUS/ALAS interest rate increases to 14%.

Repayment terms: The minimum monthly payment amount increases from \$30 to \$50 for loans first disbursed on or after October 1, 1981.

Special allowance: [Nonsubsidized loans](#) disbursed on or after October 1, 1981, are no longer eligible for [special allowance](#). Special allowance for loans first disbursed on or after October 1, 1981, is calculated without rounding up to the nearest one-eighth of one percent.

1982

November 1, 1982

Interest rates: PLUS/ALAS interest rates are reduced to 12% for loans first disbursed on or after November 1, 1982.

1983

July 24, 1983

Eligibility – borrower and student: Students must meet Selective Service Registration requirements to receive [Title IV](#) funds on or after July 24, 1983.

August 1, 1983

Eligibility – borrower and student: For [applications](#) certified on or after August 1, 1983, the [financial aid administrator](#) may not certify an application for any student unless the Statement of Registration Compliance is presented with the application.

August 15, 1983

Deferment: PLUS borrowers with loans first disbursed on or after August 15, 1983, are not eligible for [deferment](#) of their loans.

September 13, 1983

Interest rates: The [applicable interest rate](#) for new GSL borrowers with loan periods beginning on or after September 13, 1983, is reduced to 8%.

1986

March 1, 1986

Origination fee: Loans first disbursed on or after March 1, 1986, and before October 1, 1986, are subject to the provisions of sequester. Origination fees are increased to 5.5% of the loan's [principal balance](#).

Special allowance: Due to the sequester, [lenders](#) must collect a reduced [special allowance](#) on new loans for four consecutive reporting quarters beginning with the quarter in which the loan was first disbursed.

April 7, 1986

The [Consolidated Omnibus Budget Reconciliation Act \(COBRA\) of 1985](#) is signed into law.

Consolidation loans: Consolidation loans are authorized to permit a borrower to combine multiple obligations into a single debt.

Credit bureau reporting: Credit bureau reporting is required for all lenders and [guarantors](#).

Disbursement rules: GSL and ALAS disbursement checks must be mailed directly to the school.

Default: The statutory default date is extended from 120 days delinquent to 180 days delinquent.

Eligibility – borrower and student: Schools must determine a student's eligibility for Pell grant funding before certifying a GSL application.

Interest rates: The interest rate for the newly authorized Consolidation loans is the greater of 9% or the weighted average interest rate of the loans being consolidated, rounded to the nearest whole percent, effectively establishing a 9% minimum interest rate.

Lender of Last Resort: Guarantors must ensure that a Lender of Last Resort Program is available to borrowers in each state.

May 15, 1986

Eligibility – borrower and student: Schools, lenders, and guarantors are prohibited from certifying, approving, or guaranteeing an application if the borrower advises that he or she has a student loan in default.

July 1, 1986

Disbursement rules: All GSL and ALAS loans first disbursed on or after July 1, 1986, must be multiply disbursed if the loan amount is \$1,000 or more and there are more than 180 days remaining in the loan period after the date of first disbursement.

Eligibility – borrower and student: Students may not receive additional Title IV assistance if they have defaulted on a Title IV loan.

Origination fee: The origination fee must be deducted proportionately from each disbursement of a GSL loan.

October 17, 1986

The Higher Education Amendments of 1986 are signed into law and reauthorize the program through 1991.

Aggregate loan limit: The aggregate loan limit for PLUS or SLS loans is \$20,000.

Annual loan limit: The annual loan limit for PLUS or SLS loans is \$4,000.

Deferment: Eligibility for an unemployment deferment is extended from 12 to 24 months for GSL, SLS, and PLUS loan borrowers.

Disbursement rules: Multiple disbursements are no longer required for SLS loans. GSL multiple disbursement requirements are revised. Lenders must disburse loans in two or more installments if the loan amount is more than \$1,000 or if the loan period for which the loan is intended ends more than 180 days from the scheduled date of the first disbursement. The second disbursement may not be made before the midpoint of the period of enrollment, except as necessary to coincide with the start of the next quarter, trimester, or semester. Loans to borrowers attending foreign schools are exempt from multiple disbursement requirements.

Eligibility – borrower and student: Parents may borrow PLUS funds for dependent undergraduate or dependent graduate students.

Exit counseling: Schools must perform exit counseling for all student borrowers.

Interest payment and capitalization: Interest accruing during in-school or other deferred periods on PLUS and SLS loans is payable in monthly or quarterly installments or may be capitalized no more frequently than quarterly.

Interest rates: The PLUS/SLS interest rate becomes a variable rate, not to exceed 12%.

Loan types: The ALAS Program is replaced with the SLS Program. PLUS and SLS loans are to be administered under separate programs.

Need analysis: GSL applications are subject to uniform methodology and need analysis, regardless of family income.

Refinancing (PLUS and SLS loans): A borrower may refinance a fixed interest rate PLUS or ALAS/SLS loan that is disbursed prior to July 1, 1987, to obtain a variable interest rate. If the lender denies the borrower the option of refinancing his or her eligible PLUS or SLS loan(s) to secure a variable interest rate, the borrower may apply to another lender for a new loan that pays the loan held by the original lender in full. Under this option, the lender making the new loan must send the proceeds of the new loan to the current holder to retire the borrower's original debt.

Reinsurance: Guarantors are required to pay the Department a reinsurance fee on loans guaranteed to help defray the cost of defaults.

Repayment terms: The 15-year limit on the repayment term of a GSL loan is eliminated.

November 16, 1986

Special allowance: [Special allowance](#) for loans with periods of enrollment beginning on or after November 16, 1986, is reduced to the [T-bill](#) plus 3.25%.

December 26, 1986

Deferment: Unemployment [deferment](#) requests must list three contacts and be reaffirmed every 3 months. An unemployment deferment may be backdated no more than 60 days from the date on which the lender receives the form. Other deferments may be backdated no more than 6 months from the date the lender receives the form.

Delivering loan funds: Schools may credit a student's [loan proceeds](#) to his or her account no more than 21 days before the first day of the [period of enrollment](#) for which the funds are intended. [Checks](#) may be released to the [borrower](#) no more than 10 days before the start of the period of enrollment for which the funds are intended.

Origination fee: [Lenders](#) must refund [origination fees](#) for [disbursements](#) on which the [loan proceeds](#) are returned or the disbursement is paid in full within 120 days of the date on which the [funds](#) are disbursed.

Refunds: A school must make refunds to students within 30 days of the date the school determines that the student is last [enrolled](#) at least half time.

Special allowance: The lender must terminate special allowance billing on the earlier of the date that it receives a returned, uncashed disbursement check for the loan or the 120th day after the disbursement date if the disbursement check has not been cashed or the [EFT](#) or [master check funds](#) have not been released from the school's account to the borrower by that date.¹

1987

January 1, 1987

Aggregate loan limit: [Aggregate loan limits](#) increase to \$17,250 for undergraduate borrowing and \$54,750 for combined undergraduate and graduate borrowing.

Annual loan limit: [Annual loan limits](#) increase to \$2,625 for the first two years of undergraduate study, \$4,000 for any subsequent years of undergraduate study, and \$7,500 for graduate study.

March 10, 1987

Bankruptcy: Lenders must file a [bankruptcy claim](#) no more than 30 days after learning that a borrower has filed for bankruptcy protection.

Disclosure requirements: Lenders must provide a "Plain English Disclosure" to borrowers before disbursing loan funds for periods of enrollment beginning on or after January 1, 1987.

Due diligence: New [due diligence](#) requirements are effective for loans with a first day of [delinquency](#) on or after March 10, 1987.

June 3, 1987

The [Higher Education Technical Amendments of 1987](#) are signed into law.

Disbursement rules: Disbursements for students attending [foreign schools](#) may be made directly to the borrower. Multiple disbursement requirements are returned to previous levels, so that the lender must disburse any loan of \$1,000 or more in two or more installments.

June 26, 1987

Interest rates: Interest may not be calculated on any loan entering repayment using the [Rule of 78s](#).

July 1, 1987

Deferment: New deferment provisions are introduced for "new borrowers" with loans made for periods of enrollment beginning on or after, or for loans disbursed on or after, July 1, 1987. Deferments are made available for periods of at least half-time enrollment (for borrowers with another GSL or SLS loan for the [loan period](#) for which they are applying for the deferment), temporary total disability of dependents or spouses, parental leave, and mothers entering or reentering the work force. PLUS loans may be deferred based on the status of the [dependent student](#) for whom the [parent](#) has obtained a loan. All PLUS loans for that parent may be deferred based on the status of a single dependent student. New PLUS loans disbursed for periods of enrollment beginning on or after July 1, 1987, are eligible for new deferment types: half-time enrollment deferment if the parent or dependent student for whom the parent borrowed is enrolled at least half time, National Oceanic and Atmospheric Administration (NOAA) Corps deferment, teacher shortage deferment, parental leave deferment, and working mother deferment.

¹. Policy 1162 (Batch 164), approved January 21, 2010

Eligibility – borrower and student: Students must be enrolled in a degree or certificate program to receive GSL, SLS, or PLUS loan funds if the funds are intended for periods of enrollment beginning on or after July 1, 1987. A student enrolled in a course of study that is a prerequisite to a degree or certificate program is eligible for one loan for a 12-month period. A dependent student is eligible for an SLS loan if the [financial aid administrator](#) determines that exceptional circumstances preclude the parent(s) from borrowing under the PLUS program.

Guarantee fee: All loans are subject to a [guarantee fee](#) of no more than 3% of the [principal balance](#), collectable by the [guarantor](#).

Interest rates: PLUS and SLS loans first disbursed on or after July 1, 1987, accrue [interest](#) at a variable rate that is subject to change each July 1.

Special allowance: Lenders receive [special allowance](#) payments when the [T-bill](#) rate plus applicable factor exceeds 12%.

October 20, 1987

Origination fee: GSL loans are placed under sequester. Origination fees are increased to 5.5%.

Special allowance: Due to the sequester, special allowance yields are reduced for new loans for the first four reporting quarters following the one in which the loan was first disbursed.

December 26, 1987

Origination fee: The sequester action is rescinded retroactive to October 20, 1987. Lenders are required to refund to [borrowers](#) the additional 0.5% [origination fee](#) that was collected under the terms of the sequester.

1988

March 11, 1988

Cure: The [Department](#) publishes [cure](#) procedures for violations of [due diligence](#) or timely filing provisions.

July 1, 1988

Excess interest rebate: For loans accruing interest at the new “split 8%/10%” interest rates, if the [T-bill](#) rate plus 3.25% is less than the applicable 10% rate, the lender is required to return (rebate) earnings to the borrower at the end of the year in which those “excess” earnings are received.

Interest rates: [Interest](#) rates for “[new borrowers](#)” with Stafford loans first disbursed for periods of enrollment beginning on or after July 1, 1988, are 8% for the [in-school](#) and [grace periods](#), and for the first 48 months of repayment. Interest rates increase to 10% on the first day of the 49th month of repayment.

Interest subsidy: Lenders may no longer use the average quarterly balance in billing for [interest benefits](#).

Loan types: The GSL program is renamed the Stafford Loan Program.

Special allowance: Lenders may no longer use the average quarterly balance in billing for [special allowance](#).

July 18, 1988

Eligibility – borrower and student: Students [enrolled](#) at least half time in a teacher certificate program are eligible to borrow up to \$4,000 per year in Stafford loans.

August 17, 1988

Eligibility – borrower and student: For loans on which the [application](#) is certified on or after August 17, 1988, [schools](#) must determine the applicant’s eligibility for [Pell grants](#) and Stafford loans before certifying an SLS application. If the borrower is eligible for a [Pell grant](#) or Stafford loan, he or she must apply for it.

October 1, 1988

Disbursement rules: SLS loans first disbursed on or after October 1, 1988, must be multiply disbursed if the loan balance is more than \$1,000 or the [loan period](#) ends more than 180 days after the date of the first loan [disbursement](#).

Repayment start: SLS loan repayment begins no more than 60 days after the date the loan is fully disbursed.

1989

July 20, 1989

Delivering loan funds: Schools with [cohort default rates](#) of more than 30% must delay delivery of loan funds to “[new borrowers](#)” for at least 30 days following the first day of the [period of enrollment](#) for which the loan is intended.

Refunds: A school must make refunds within 60 days of the date the school determines that the student has dropped to less-than-half-time attendance.

August 24, 1989

Entrance counseling: Schools must provide [entrance counseling](#) for all first-time borrowers.

October 1, 1989

Origination fee: Loans first disbursed on or after October 1, 1989, but before January 1, 1990, are subject to sequester. Origination fees of 5.5% must be paid to the Department.

Special allowance: Due to the sequester, [special allowance](#) is reduced for new loans for the first four reporting quarters, beginning with the quarter in which the loan was first disbursed.

November 21, 1989

[Department of Labor, Health and Human Services, Education, and Related Agencies Appropriations Act of 1990](#) is signed into law.

Refunds: Schools with cohort default rates exceeding 30% must implement a pro rata refund policy for all [Title IV](#) aid recipients.

December 19, 1989

The [Omnibus Budget Reconciliation Act of 1989 \(OBRA\)](#) is signed into law.

Delivering loan funds: Schools must withhold and return to the lender any [disbursement](#) exceeding the amount of the assistance for which the student is eligible. Provisions are applicable to Stafford and SLS [loan proceeds](#) not delivered to students as of December 19, 1989, for periods of enrollment beginning on or after January 1, 1990. Schools must delay the delivery of SLS proceeds to first-time borrowers who are first-year students until 30 days after the start of the [loan period](#) for which they are intended.

Late delivery: For loans delivered on or after December 19, 1989, for [periods of enrollment](#) beginning on or after January 1, 1990, a school may not deliver a late first disbursement of SLS loan proceeds if the student did not complete the first 30 days of the period of enrollment for which the funds are intended.

Late disbursement/post-withdrawal disbursement: For [disbursements](#) made on or after December 19, 1989, for [loan periods](#) beginning on or after January 1, 1990, late second disbursements of Stafford and SLS loans are prohibited. ~~For loans delivered on or after December 19, 1989, for periods of enrollment beginning on or after January 1, 1990, schools may not deliver late first~~

~~disbursements of SLS proceeds if the student did not complete the first 30 days of the period of enrollment for which the funds are intended.~~

1990**January 1, 1990**

Annual loan limit: [Annual loan limits](#) for SLS loans are reduced for first-time borrowers. SLS [annual loan limits](#) of \$4,000 are restricted to periods of one [academic year](#) or 9 months, whichever is longer. SLS annual limits are prorated at \$2,500 for borrowers who attend at least two-thirds of an academic year but less than a full academic year; \$1,500 for borrowers who attend between one-third and two-thirds of an academic year; and to \$0 for borrowers who attend less than one-third of an academic year.

Deferment: Individuals serving in medical internships and residencies, except those serving in dental programs, are ineligible for in-school [deferments](#).

Disbursement rules: Lenders must delay the disbursement of SLS funds. For loans [guaranteed](#) on or after January 1, 1990, lenders must make Stafford and SLS loans in [multiple disbursements](#), regardless of the loan amount or the length of the [period of enrollment](#) for which the funds are intended.

Eligibility – borrower and student: [Borrowers](#) may no longer borrow Stafford or SLS loans for enrollment in an internship or residency program.

Federal reporting: Lenders must use the newly revised ED Form 799 to file for [special allowance](#) and [interest benefits](#), pay [origination fees](#), and provide information that previously was included in the annual Call Report. Any filing for benefits on or after January 1, 1990, must be on the new form and in the new format, regardless of the quarter for which it is applicable.

Forbearance: [Lenders](#) must grant [forbearance](#) to interns and residents.

Loan certification: [Schools](#) with [cohort default rates](#) of 30% or more may no longer certify SLS loan [applications](#).

March 1, 1990

Disbursement rules: For loans certified on or after March 1, 1990, with loan periods beginning on or after January 1, 1990, schools must determine the [disbursement dates](#) for the loans, and lenders may not disburse funds before the first date on which the school has requested disbursement of the funds.

June 5, 1990

Refunds: Schools with cohort default rates of 30% or more must institute a pro rata refund policy.

November 5, 1990

The **Omnibus Budget Reconciliation Act (OBRA) of 1990** is signed into law.

Bankruptcy: Student loans are determined to be nondischargeable for borrowers filing for protection under Chapter 7 or 13 **bankruptcy** within 5 years of the date the loan entered repayment, excluding periods of **deferment** and **forbearance**.

Due diligence: For delinquencies beginning on or after November 5, 1990, **guarantors** must provide **preclaim assistance** on accounts that are less than 120 days delinquent and must provide supplemental preclaim assistance (SPA) on loans that are more than 120 days delinquent. The **Department** compensates the guarantor for each loan on which SPA is requested and for which the **default claim** is not filed within 150 days.

~~Loan-certification period:~~ The minimum **loan period** for SLS loans is reduced to 7 months or the length of the school's **academic year**, whichever is longer.

1991**January 1, 1991**

Delivering loan funds: Schools must delay for 30 days the release of Stafford loan funds to borrowers who are entering the first year of an undergraduate program and who have not previously obtained a Stafford or SLS loan.

Eligibility – borrower and student: Students applying for **Title IV** funds must have a high school diploma or GED, or must pass an independently administered **ability-to-benefit** test for periods of enrollment beginning on or after January 1, 1991.

Post-deferment grace period: Military personnel serving in Operations Desert Shield/Desert Storm are authorized to receive a 6-month **post-deferment grace period** following either a period of military deferment, or a period of in-school deferment if the borrower previously received a military deferment for such service. This one-time benefit is available for the period from April 9, 1991, to September 30, 1997.

Statute of limitations: The statute of limitations for enforcement of guaranteed student loans is eliminated.

April 9, 1991

Deferment: For active duty status in connection with a military mobilization, the lender is permitted to accept, during specific emergency periods, the borrower's request for the deferment and the supporting documentation from a close family member or an individual in a position to know the borrower's military status (such as the borrower's commanding officer). In the case of a deferment on behalf of a borrower serving in Operation Desert Shield or Desert Storm, the lender is permitted to grant the deferment retroactive to the date the borrower was mobilized—even if that results in backdating the deferment more than 6 months. Furthermore, if a borrower has used the entire 36-month Armed Forces deferment eligibility before being mobilized, the borrower or a close family member has the option of requesting an emergency **administrative forbearance**.

May 28, 1991

Bankruptcy: Student loans that are in repayment for 7 years or less from the date the loan first entered repayment through the date of a bankruptcy action—excluding periods of deferment and/or forbearance—are considered to be nondischargeable under bankruptcy provisions.

July 1, 1991

Eligibility – school: **Schools** with **cohort default rates** of 35% or more for the most recent three fiscal years for which rates are available are ineligible to participate in the GSL Program. In Fiscal Year 1993, the rate drops to 30%.

November 15, 1991

The **Emergency Unemployment Compensation Act of 1991** is signed into law. However, provisions are never enforced based on guidance received from the **Department**, pending regulations. The Higher Education Amendments of 1992 later repeal all but two provisions applicable to student loans.

1992**July 23, 1992**

The Higher Education Amendments of 1992 are signed into law.

Aggregate loan limit: [Aggregate loan limits](#) on Stafford loans are revised to \$23,000 for undergraduates and \$65,500 for graduate students (including undergraduate loans). SLS aggregate loan limits are revised to \$23,000 for undergraduate borrowing and \$73,000 for combined graduate and undergraduate borrowing. These provisions became effective October 1, 1992.

Annual loan limit: The [annual loan limit](#) on Stafford loans of \$2,625 for the first year of full-time undergraduate study must be prorated for some students. Annual loan limits for SLS loans of \$4,000 for first- and second-year full-time enrollment must be prorated for some students. These provisions became effective October 1, 1992.

Audit: [Guarantors](#) must require an annual compliance audit from each lender in the FFELP. The lender's first audit under this requirement is to have covered the lender's first fiscal year that began after July 23, 1992. Submission of the audit report is required within six months after the end of the audit period.

Closed school loan discharge: Loans may be forgiven if the school for which the borrower obtained the loan closed before the borrower's [program of study](#) was complete.

Common forms: The Department, in cooperation with industry participants, is required to develop common loan applications and [promissory notes](#), [deferment](#) forms, and reporting formats.

Exceptional performance: A program to encourage superior servicing performance for lenders, [servicers](#), and guarantors is initiated. For lenders and servicers that receive an [exceptional performer](#) designation, guarantors pay 100% of the principal and [interest](#) due on loans filed as [claims](#) during the period the lender or servicer is designated. Lenders or servicers are not penalized for inadvertent omissions of [due diligence](#) or timely filing violations. For guarantors designated as exceptional performers, the Department pays 100% of the applicable rate payable on loans filed for reinsurance during the period the [guarantor](#) is designated (note that criteria for exceptional performers are not defined in regulation until July 1995).

Excess interest rebates: [Lenders](#) must rebate excess [interest](#) on Stafford loans first disbursed at a fixed rate on or after July 23, 1992, regardless of that rate. Rebates to "[new borrowers](#)" with loans at the 8%/10% rate are applicable when the T-bill rate plus 3.25% is less than the [applicable interest rate](#). Rebates are applicable for the new 8%/10% loan only when the loan reaches the 10% accrual period. For loans first disbursed to [borrowers](#) with outstanding

loans on or after July 23, 1992, the rebate is applicable when the T-bill rate plus 3.10% is less than the loan's applicable interest rate. For second or subsequent loans first disbursed at 8%/10% on or after July 23, 1992, the rebate is applicable both to the 8% period and the 10% period.

False certification: Loans may be forgiven if the [school](#) falsely certified the loan [application](#).

Forbearance: Borrowers participating in medical internship or residency programs may request and the lender must grant a period of [forbearance](#) when the borrower has expended his or her entire [deferment](#) period for internship or residency. Lenders may extend forbearance on loans without a borrower's request (grant [administrative forbearance](#)) in prescribed instances, such as a period of [delinquency](#) preceding an authorized period of deferment.

Interest subsidy: The lender may not bill for interest on a subsidized Stafford loan that is disbursed by [check](#) earlier than 10 days before the first [disbursement](#) of the loan or earlier than 3 days before the first disbursement of [funds](#) by [EFT](#). In this case only, the term "disbursement" is intended to mean delivery to the borrower.

Loan sales or transfers: Borrowers must be notified of the [sale](#) or [transfer](#) of their loan to another [holder](#) or [servicer](#) no more than 45 days from the date the new holder or servicer obtains legal right to receive payments on the loan. Specifically defined information must be included in notices to the borrower, and the notice must be provided by both the seller and holder, or by the previous servicer and new servicer. Lenders may not sell or transfer ownership of a loan that is not yet fully disbursed if the transaction would cause a change in the party to which the borrower will send payments.

Loan types: The GSL Program is renamed the [Federal Family Education Loan Program \(FFELP\)](#). The Stafford Loan Program is renamed the Federal Stafford Loan Program, the SLS Program is renamed the Federal SLS Program, and the PLUS Loan Program is renamed the Federal PLUS Loan Program. Congress authorizes a Federal Direct Loan Demonstration Program as a pilot program for 250 schools.

Negotiated rulemaking: The Department is required to develop regulations from these amendments in a negotiated rulemaking process with the student loan industry and other interested participants.

PLUS credit check: Lenders must perform a credit check on PLUS loan applicants and may not make loans to borrowers determined to have adverse credit unless they determine that mitigating circumstances apply.

Rehabilitation of defaulted loans: All [guarantors](#) must provide for the [rehabilitation of defaulted loans](#) by the [borrower's](#) making 12 consecutive, on-time, reasonable and affordable payments. In addition, the borrower's defaulted loans must be purchased by an eligible [lender](#). There are no federal restrictions that prohibit a loan from being rehabilitated more than once.

Reinstatement of Title IV eligibility: A borrower may have his or her eligibility for additional [Title IV](#) funding reinstated if the borrower makes six consecutive, on-time, reasonable and affordable payments on his or her defaulted loan.

Repayment terms: The \$600 joint minimum annual payment amount for married couples is deleted. A new clause advises that the minimum payment is the amount of interest that is due and payable. Lenders must offer to borrowers who have both Stafford and SLS loans the option of deferring the [repayment start date](#) of the SLS loans to coincide with the repayment start date of the Stafford loans. Interest on the SLS loans continues to accrue and is payable by the borrower in monthly or quarterly installments, or may be capitalized.

Third-party servicer: The [Department](#) is authorized to regulate [third-party servicers](#).

October 1, 1992

Consummated loan: For subsidized Stafford loans first disbursed on or after October 1, 1992, lenders may not bill the Department for interest or [special allowance](#) payments on loans for which the [disbursement](#) check is not cashed or the funds delivered by EFT are not delivered to the student within 120 days of the date of disbursement. Such loans are considered unconsummated.

Delivering loan funds: The school must confirm the eligibility of the [dependent student](#) for whom the [parent](#) is borrowing before delivering PLUS loan funds.

Disbursement rules: PLUS loans must be disbursed by EFT or by a check that is copayable to the borrower and the school and must be sent to the school.

Interest rates: Interest rates on Stafford loans are revised to a [variable interest rate](#) based on the 91-day [T-bill](#) rate plus 3.1%, capped at 9% for loans first disbursed to “new

borrowers” who have no outstanding balance on any [FFELP](#) loan on or after October 1, 1992. Interest rates on SLS loans are revised to a variable rate, calculated at the 52-week T-bill rate plus 3.1%, capped at 11%. Interest rates on PLUS loans are revised to a variable rate based on the 52-week T-bill plus 3.1%, capped at 10%.

Loan types: Effective for periods of enrollment beginning on or after October 1, 1992, unsubsidized Stafford loans are authorized with provisions paralleling those for subsidized Stafford loans, except that interest during [in-school](#), [grace](#), and deferred periods is not paid by the Department. The program provides loans for students who do not qualify for a subsidized Stafford loan or who qualify for only a part of the annual [subsidized loan](#) amount. Borrowers pay a combined [origination fee/guarantee fee](#) of 6.5%, all of which is paid to the Department. Guarantors are prohibited from collecting guarantee fees on unsubsidized Stafford loans.

Origination fee: Lenders must charge SLS and PLUS loan borrowers an origination fee of 5% on all loans with first disbursements on or after October 1, 1992, with the fee being deducted proportionally from each loan disbursement.

1993

January 1, 1993

Consolidation loans: Married couples may consolidate their loans into a single Consolidation loan if they agree to be jointly and severally liable for the obligation, regardless of future marital status. Effective for applications received on or after January 1, 1993, the Consolidation minimum loan amount is increased to \$7,500 and periods during which the borrower qualifies for a deferment are subsidized. A Consolidation loan borrower may add other eligible loans to a preexisting Consolidation loan for a period of up to 180 days from the date the Consolidation loan is made.

Repayment terms: Lenders must offer Consolidation loan borrowers the option of repaying their loans with [graduated](#) or income-sensitive repayment provisions.

February 1, 1993

Special allowance: Provisions for loans made or purchased with tax-exempt obligations are modified.

April 16, 1993

Common forms: The Department issues a Dear Guaranty Agency Director Letter announcing the approval of the common application and [promissory note](#) that combines the Federal Stafford and Federal Unsubsidized Stafford or Federal SLS loan into a single form. Schools are required to use the common application and promissory note for loans certified on or after January 1, 1994.

July 1, 1993

Aggregate loan limit: [Aggregate loan limits](#) for PLUS loans are effectively negated.

Annual loan limit: Stafford [annual loan limits](#) are revised to \$3,500 for the second year of study. SLS annual loan limits for subsequent years of undergraduate enrollment (beyond the second year) are increased to \$5,000 effective July 1, 1993. SLS annual limits for graduate and [professional students](#) are \$10,000. Annual limits for PLUS loans are revised to the [cost of attendance](#) minus other aid, effective for loans first disbursed on or after July 1, 1993.

Deferment: For “new borrowers” on or after July 1, 1993, [deferments](#) are limited to in-school (including periods during which the [borrower](#) is [enrolled](#) at least half time), graduate fellowship or [rehabilitation](#) training, unemployment (not to exceed 36 months), and periods during which the borrower is experiencing [economic hardship](#) that would preclude making student loan payments. For PLUS loans first disbursed to “[new borrowers](#)” on or after July 1, 1993, borrowers may no longer defer their PLUS loan based on the status of the [dependent student](#).

Eligibility – schools: For fiscal year 1993, [schools](#) with [default](#) rates exceeding 30% for the three most recent fiscal years for which data is available are not eligible to participate in the [FFELP](#). For subsequent years, the default rate may not exceed 25%.

Repayment terms: [Lenders](#) must offer new SLS and Stafford loan borrowers [graduated](#) or income-sensitive repayment schedules.

August 10, 1993

The Student Loan Reform Act of 1993, a part of the [Omnibus Budget Reconciliation Act](#), is signed.

Interest subsidy: Consolidation loans made from [applications](#) received on or after August 10, 1993, are eligible for [interest](#) subsidy during authorized periods of [deferment](#) only if all underlying loans are subsidized Stafford loans.

Loan types: The Federal Direct Loan Demonstration Program authorized under the Higher Education Amendments of 1992 is replaced with an expanded pilot. This program is intended to “phase-in” Direct loans from 1994 to 1998.

October 1, 1993

Annual loan limit: Stafford [annual loan limits](#) are increased to \$8,500 for graduate and professional students.

Disbursement rules: PLUS loans first disbursed on or after October 1, 1993, must be multiply disbursed under the same conditions as SLS loans.

Lender fee: Lenders must pay a 0.5% fee for all FFELP loans disbursed on or after October 1, 1993. This fee may not be passed on to the borrower. Lenders of Consolidation loans must pay the [Department](#) monthly consolidation fees of 1.05% of the total outstanding loan balance of Consolidation loans (principal and interest) made on or after October 1, 1993. This fee may not be passed on to the borrower.

Loan guarantee: Loans first disbursed on or after October 1, 1993, are insured at 98% of the principal and outstanding interest filed as a [claim](#) by the lender.

Reinsurance: The reinsurance fee paid by guarantors to the Department is eliminated for loans first disbursed on or after October 1, 1993. Loans first disbursed on or after October 1, 1993, are reinsured at a maximum of 98% of the principal and interest filed with the Department by the [guarantor](#).

1994**April 29, 1994**

Closed school loan discharge: A borrower may be eligible for a closed school loan [discharge](#) as long as the borrower did not transfer any portion of the academic credits or clock hours earned at the closed school through a teach-out at another school.

July 1, 1994

Additional unsubsidized Stafford funding: If a school certifies a PLUS loan for an eligible [parent](#) and the parent dies during the [loan period](#), the parent's death creates a sufficient "exceptional circumstance" to permit the school to certify [additional unsubsidized Stafford loan](#) funds for the student for the current [academic year](#), not to exceed the student's additional unsubsidized Stafford loan limit. Any eligible PLUS [loan proceeds](#) delivered prior to the date of the parent borrower's death must be included in the [estimated financial assistance](#) used in determining the student's eligibility for the additional unsubsidized Stafford loan funds.

Annual loan limit: Loan limits for unsubsidized Stafford loans for [independent students](#) (and students whose parents are unable to receive a PLUS loan) are increased to \$6,625 for first year enrollment (a \$4,000 increase), \$7,500 for second year enrollment (a \$4,000 increase), and \$10,500 for subsequent years of undergraduate enrollment (a \$5,000 increase). Graduate [annual loan limits](#) are increased to \$18,500 (a \$10,000 increase). Borrowers are eligible for these increased limits to the extent that they exceed the amount of funds received under the subsidized Federal Stafford Loan Program.

Consolidation loans: Consolidation loans are no longer subject to a minimum loan amount.

Interest rates: Interest rates for Stafford loans first disbursed on or after July 1, 1994, are variable rates, calculated at the [T-bill](#) rate plus 3.10%, capped at 8.25%. Stafford loan interest rates for "repeat borrowers" are no longer tied to the rate at which the borrower previously received his or her loan. Interest rates for PLUS loans are revised to the T-bill rate plus 3.1%, capped at 9%. The annual [interest](#) rate for Federal Consolidation loans made on or after July 1, 1994, and for which the lender received the consolidation application prior to November 13, 1997, is the weighted average rate of all loans included in the consolidation rounded up to the nearest whole percent. The 9% minimum annual interest rate is no longer applicable.

Leave of absence: Students in an approved [leave of absence](#) are considered to be withdrawn for purposes of calculating refunds and determining continuous in-school status. For [deferment](#) purposes, students are considered to be [enrolled](#) during the leave.

Loan types: The Federal SLS Loan Program is eliminated. As a result, independent [undergraduate students](#) (and dependent students whose [parents](#) are unable to obtain

PLUS loans) are offered [additional unsubsidized Stafford loan](#) eligibility equal to the prior SLS annual and [aggregate loan limits](#).

Origination fee: Origination fees for all FFELP loans first disbursed on or after July 1, 1994, are 3%. Guarantors are prohibited from collecting [guarantee fees](#) exceeding 1%. The combined origination/guarantee fee for unsubsidized Stafford loans is revoked.

Repayment terms: Repayment schedules for loans with original balances of less than \$7,500 may not exceed 10 years.

October 20, 1994

President Clinton signs into law the [Improving America's School Act of 1994 \(P.L. 103-382\)](#), which allows Nursing Student Loans to be included in a Consolidation loan and changes the [record](#) retention requirements for schools.

Consolidation loans: Borrowers are able to consolidate Nursing Student Loans into a Consolidation loan that is made on or after October 20, 1994. A borrower may not retroactively add those loans to a Consolidation loan made before October 20, 1994.

Record retention: All required records relating to a student or [parent](#) borrower's eligibility for, and participation in, the FFELP must be kept for 3 years after the end of the [award year](#) in which the student last attended the school. An award year is the period between July 1 of a given calendar year and June 30 of the following calendar year. In addition, a school must keep copies of all reports (such as its SSCRs) and forms used by the school to administer FFELP loans for 3 years after the end of the award year in which those records were submitted. Any records relating to a loan, [claim](#), or expenditure questioned in an audit, [program review](#), investigation, or other review must be retained until the later of the resolution of the question or the end of the retention period applicable to the [record](#). Schools are encouraged to keep records longer than the minimum 3-year period to aid in their defense of [cohort default rate](#) appeals, claims of false certification, or other borrower defenses. The school must establish and maintain records required under 34 CFR Part 668 (General Provisions) and as required for each Title IV program. These requirements are effective for any record that meets the 3-year retention requirement on or after October 20, 1994.

1995

March 1995

Audit: The Department publishes an audit guide on annual compliance audits. The following provisions are included in the initial instructions published with the audit guide for lenders:

- For initial audits, a lender with a fiscal year ending July 23 through December 31 is required to choose between having separate audits for fiscal years 1993 and 1994 or a combined audit for the two years.
- The initial audit for a lender with a fiscal year ending January 1 through July 22 must cover fiscal year 1994.
- A lender with a fiscal year ending January 1 through March 31 may choose to have a combined initial audit for fiscal years 1994 and 1995.

July 1, 1995

Academic year: A school must use the same [academic year](#) definition for all students enrolled in a particular program. Effective with the publication date of the [95-96 FSA Handbook](#).

Bankruptcy: Borrowers who have had previous [FFELP](#) loans [discharged](#) in [bankruptcy](#) are no longer required to reaffirm the old debt to be eligible to borrow additional FFELP funds.

Deferment: Eligibility criteria for the [economic hardship deferment](#) are revised. Regulations require that deferments be administered as borrower-specific provisions so that the borrower may use those deferment entitlements on which time limits are placed only for the maximum time frame on all their FFELP loans, regardless of when those loans are made. Thus, a borrower who receives a loan and defers it based on internship for 20 months, then takes a second loan, is eligible for only 4 months of internship deferment on that second loan.

Eligibility – school: When a school begins participation in any Title IV program, the school is required to send at least two representatives, including both its president or chief executive officer (CEO) and [financial aid administrator \(FAA\)](#), to the Department’s Fundamentals of Title IV Administration Training workshop. Also, if a school changes ownership, structure, or governance, its representatives must attend the training. The training must be completed up to 12 months prior to but no later than

12 months after the school executes its [Program Participation Agreement \(PPA\)](#) or experiences a change in ownership, structure, or governance.

The CEO may designate another school executive-level officer to attend the training in lieu of the CEO. The school may request from the Department a waiver of the training requirement for the FAA and/or the CEO. The Department may grant or deny the waiver for the required individual, require another official to take the training, or require alternative training.

A school seeking to participate for the first time in a Title IV program must not have a withdrawal rate during its latest completed [award year](#) that exceeds 33% of its regular, undergraduate students. The school must include in its withdrawal calculation every [regular student](#) who was [enrolled](#) during the latest completed award year except a student who, during that period, meets established criteria.

Exceptional performance: [Exceptional performer](#) criteria are defined, permitting some lenders and lender [servicers](#) to obtain a performance rating that will result in their receiving 100% reimbursement on [claims](#) submitted—regardless of the [disbursement date](#) of the loans included in the claims.

Interest rates: Interest rates on Stafford loans are revised; lenders earn interest at one rate ([T-bill](#) plus 2.5%) during [in-school](#), grace, and deferred periods, and a higher rate (T-bill plus 3.1%) during periods of repayment.

Leave of absence: [Leave of absence](#) provisions are reinstated, but are limited to no more than a 60-day period. The student is considered to be [enrolled](#) for purposes of enrollment [verification](#) and [refunds](#). For a one-year period—July 1, 1994, through July 1, 1995—students in an approved leave of absence were considered to be withdrawn for purposes of calculating refunds and determining continuous in-school status. For [deferment](#) purposes, students were considered to have remained enrolled during the leave.

PLUS credit check: A PLUS loan applicant with adverse credit ~~history~~ may obtain an [creditworthy endorser](#) without [adverse credit](#) to receive a PLUS loan. A PLUS loan applicant is considered to have adverse credit if, among other conditions, the applicant had any debt discharged in [bankruptcy](#) during the 5-year period before the date of the applicant’s credit report.¹

¹. Policy 1144 (Batch 161), approved October 15, 2009

Origination fee: Loans on which [origination fees](#) are not paid promptly by the originating lender are deemed to be non-reinsured. The lender or [holder](#) may not collect [interest benefits](#) or [special allowance](#) on the loans.

Repayment start: [Lenders](#) may offer a postponement of repayment start on SLS loans that is consistent with the grace on a [borrower's](#) Stafford loan. Previously, borrowers with both Stafford and SLS loans entering repayment could postpone the beginning of their SLS repayment only for 6 months without requesting a [forbearance](#) for the additional months that coincided with their Stafford [grace period](#).

Special allowance: [Special allowance](#) rates on Stafford loans are revised; lenders earn interest at one rate ([T-bill](#) plus 2.5%) during [in-school](#), grace, and deferred periods, and a higher rate ([T-bill](#) plus 3.1%) during periods of repayment.

September 30, 1995

Audit: A lender must complete its initial audit (or audits) by September 30, 1995. If the lender is required to submit an audit report, the report must be submitted to the Department by September 30, 1995. The deadline for the completion of the audit is extended to June 30, 1996, for any audit period in which a lender originated or held FFELP loans totaling \$5 million or less.

November 29, 1995

The [Department](#) publishes [final regulations](#) on the [Equity in Athletics Disclosure Act](#), effective July 1, 1996.

December 1, 1995

The Department publishes final regulations on default prevention, parity with the FDLP, the Student Right-To-Know Act, regulatory reform, and ability-to-benefit, effective July 1, 1996.

1996

March 1, 1996

[DCL 96-G-287/96-L-186](#) lifts the Department's waiver of enforcement of the lender [due diligence](#) provisions in [§682.411](#), published in the December 18, 1992, [Federal Register](#) and clarifies policy changes pertaining to lender due diligence.

April 1, 1996

The *Common Manual—Unified Student Loan Policy*, which contains both federal and [guarantor](#) policies, is adopted by 23 guarantors. The *Common Manual* was developed from inception to publication in less than one year.

Acknowledgment for this accomplishment is due to many individuals and their organizations:

- To the staff of participating guarantors for their time, patience, and long hours spent going through several drafts and compromising on sensitive issues.
- To National Student Loan Program (NSLP), the Montana Guaranteed Student Loan Program (MGSLLP), and the Northwest Education Loan Association (NELA) for providing administrative leadership and support throughout the development of the Manual.
- To the Iowa College Student Aid Commission for guiding the Manual through the various draft stages, receiving numerous edits from the guarantors involved, and compiling and inserting the edits into a readable format.
- To TG and the Oregon Student Assistance Commission for performing final editing on the Manual.
- To USA Funds, Inc., for providing its December 1994 Manual as the foundation for this Manual, performing final editing on the text, and preparing the Manual for publication.

It is in the spirit of partnership and cooperation that this Manual was created.

Aggregate loan limit: There is no aggregate limit for a PLUS loan. Effective retroactive to the implementation of the *Common Manual*.

Annual loan limit: There is no annual limit for a PLUS loan. A PLUS Loan may not exceed the cost of attendance minus [estimated financial assistance](#) for the student. Effective retroactive to the implementation of the *Common Manual*.

Due diligence: A diligent effort is one successful contact or two attempts to contact the borrower or [endorser](#) by phone. Each effort consists of one successful contact or two attempts to contact the borrower or endorser on different days and at different times. Effective retroactive to the implementation of the *Common Manual*.

Notification – borrower and student: The school is no longer required to retain a signed consumer information disclosure in the student's file. Effective retroactive to the implementation of the *Common Manual*.

By October 1 of each year, a school must publish and distribute to all of its enrolled students and current employees an annual security report. If the school distributes its annual security report by posting it on an *Internet* or *Intranet* Website, the school must notify its enrolled students and current employees of the exact electronic address at which the report is posted, briefly describe the report, and state that the school must provide a paper copy of the report upon request.

The school must notify prospective students and prospective employees about the availability of the annual security report, briefly describe its content and provide an opportunity to request a copy. If a school makes the annual security report available by posting it on an *Internet* Website, the school must include in its notice to prospective students and prospective employees the exact electronic address at which the report is posted, briefly describe the report, and state that the school will provide a paper copy of the report upon request. A school must not use an *Intranet* Website to make student consumer information available to a prospective student or prospective employee.

The annual security report must, at minimum, include all of the following:

- A statement of the school's policies for reporting criminal actions or other emergencies that occur on campus, including the school's policies for responding to these reports.
- A statement of the school's current policies concerning security of and access to campus facilities.
- A statement of the school's current policies on the authority of security personnel and their relationship with state and federal law enforcement agencies.
- A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices.
- A description of programs designed to inform students and employees about crime prevention.

- A statement of policy concerning the monitoring and recording, through law enforcement, of criminal activity in which students engage at off-campus locations of student organizations that are officially recognized by the school.
- A statement of policy regarding the possession, use, and sale of illegal drugs and the enforcement of state and federal drug laws.
- A description of any drug- and alcohol-abuse educational programs.
- A statement of policy regarding the school's campus sexual-assault prevention programs, and procedures to follow when a sex offense occurs.
- A statement advising the campus community where sex offender registration information may be obtained.
- The three most recent calendar years of statistics on campus crimes that are reported to local police agencies or to a campus security authority.
- The school's emergency evacuation response procedures.
- If a school provides on-campus housing facilities, its missing student notification policies and procedures.

A school that provides on-campus housing facilities may, but is not required to, publish its annual fire safety report in its annual security report. If a school that must disclose an annual fire safety report chooses to include it in its annual security report, the school must ensure that the report title clearly states that the report contains both the annual security report and the annual fire safety report. Effective retroactive to the implementation of the *Common Manual*.

Overaward: An **overaward** occurs when any amount of a student's need-based aid exceeds the student's **financial need**, or when the amount of the student's **estimated financial assistance (EFA)**, including need-based aid, exceeds the student's **cost of attendance (COA)**. If the school determines that an overaward exists, the school must contact the lender or guarantor to request an adjustment of any remaining loan disbursements. If all disbursements of a loan have been delivered to the student before the overaward occurs, no adjustments are required. However, the school may be required to adjust campus-based aid or other aid under its control to offset the borrower's

overaward. A school never adjusts a Pell grant to take into account other forms of aid. Effective retroactive to the implementation of the Common Manual.

July 1, 1996

Ability to benefit: **Ability-to-benefit (ATB)** students may receive **Title IV funds** if they obtain passing scores on independently administered tests approved by the Department; obtain passing scores on Department-approved **state** tests; or enroll in schools that participate in state processes that have been approved by the Department. This provision is effective for loan applications certified for the 1996–97 **award year** and thereafter.

Aggregate loan limit: For purposes of determining if a borrower has exceeded the **aggregate loan limit**, a school or lender may make certain assumptions about the underlying Stafford loans (subsidized vs. unsubsidized) in a Consolidation loan.

Annual loan limit: For loan periods beginning on or after July 1, 1996, certain health profession students who attend eligible HEAL participating schools and who have not borrowed under the HEAL program prior to October 1, 1995, are eligible to borrow unsubsidized Stafford loans in excess of annual and aggregate limits. To be eligible, a school must have disbursed HEAL loans in federal fiscal year 1995 (October 1, 1994, through September 30, 1995) and must not have subsequently withdrawn from the HEAL program.

Bankruptcy: If a borrower files for **bankruptcy**, a lender should not make any **disbursement** on any loan for which the borrower applied and that is approved before the borrower's bankruptcy filing. Any funds disbursed but not yet delivered by the school should be recalled. Loans scheduled to be disbursed after the date of the bankruptcy filing should be canceled. These changes apply to disbursements made on or after July 1, 1996.

Any period of **administrative forbearance** that is applied in conjunction with a **cure** period must be included in the calculation of the 7-year **repayment period** for the purpose of determining dischargeability of a loan in **bankruptcy**. If a bankruptcy **claim** is not filed in a timely manner, a lender need not perform cure activities. The lender may consider a loan to have regained reinsurance if the lender is resuming servicing after receiving notice that the loan was not discharged in bankruptcy or that the bankruptcy action was reversed or dismissed. These changes apply to bankruptcy notifications received by the lender on or after July 1, 1996.

Claim payment: For a non-default claim, the **guarantor** purchases all interest that accrues from the interest-paid-through date through the date the guarantor pays a claim (if the lender does not incur any penalties for **due diligence** violations or for failure to meet timely filing or refiling deadlines). This applies to claims received by the guarantor on or after July 1, 1996.

Claims – returned and refilled: Resubmission of a claim on the 31st day through the 60th day, inclusive, after the guarantor returns the claim to the lender will result in loss of eligibility for interest, **interest benefits**, and **special allowance** payments beyond the 30th day after the return. This applies to returned claims received by the lender on or after July 1, 1996.

Cohort default rates: The defaulted loan of a student who attended and borrowed at more than one **school** is attributed to the respective schools at which the student received a loan that entered repayment for the fiscal year. A weighted average **cohort default rate** is required for schools with borrowers entering repayment in both FFELP and FDLP in the same fiscal year; the formula used to calculate the rate depends on the type of school and the number of students entering repayment. Rehabilitated FFELP or FDLP loans are not considered to be in **default** for purposes of **cohort default rate** calculations. “Enclosure B,” which outlines cohort default rate appeal procedures, is renamed the “Official Cohort Default Rate Guide.” Schools are no longer required to notify the Department of their intent to appeal cohort default rates. The criteria for appealing a school's cohort default rate were expanded. A school's chief executive officer (CEO) must provide a **certification**, under penalty of perjury, that all information submitted by the school in support of its cohort default rate appeal is true and correct. For a cohort default rate appeal based on exceptional mitigating circumstances, a school must submit an independent auditor's opinion regarding the CEO's assertion that the information contained in the school's appeal is complete and accurate. Implementation of a default management plan or **Appendix D** is no longer a requirement for schools with cohort default rates greater than 20%. Implementation of **Appendix D** may not be used as a defense to loss of eligibility for **schools** with **FFELP cohort default rates** greater than 40%.

Consolidation loans: A borrower may consolidate **defaulted** loans by agreeing to repay the Consolidation loan under an **income-sensitive repayment schedule**. This applies to Consolidation loan **applications** received on or after July 1, 1996.

Credit bureau reporting: Lenders are strongly encouraged to wait until a borrower is at least 60 days delinquent before reporting a [delinquency](#) to a credit bureau. This applies to credit bureau reporting on or after July 1, 1996.

Cure: These changes are enforced for loans on which the first day of delinquency on the “oldest outstanding due date” is after July 1, 1996.

- Defines the earliest unexcused violation based on the type of violation causing the loss of the loan’s [guarantee](#).
- Codifies that a [lender](#) must complete the prescribed [cure](#) activities and reinstate a loan’s guarantee within a specific 3-year time frame.
- The lender must complete the [intensive collection activities \(ICA\)](#)/location cure procedure (that is, the default [claim](#) must have been filed) by the 3-year deadline.

Data matches: The Department will perform a data match with the Social Security Administration to confirm claims of U.S. citizenship made on the FAFSA. The Department also will conduct a data match with the Selective Service to verify a male student’s registration status. These provisions are applicable to loans certified for periods of enrollment beginning on or after July 1, 1996. For loan [applications](#) certified for the 1996–97 [award year](#) and after, the Department will conduct a data match with the Social Security Administration to verify the [Social Security number](#) a student provides on the FAFSA.

Deferment: A borrower who has [defaulted](#) on a loan is not eligible for a [deferment](#) unless the borrower makes payment arrangements acceptable to the lender to resolve the default prior to payment of the default [claim](#) by the [guarantor](#). This applies to deferment requests received by the lender on or after July 1, 1996.

To obtain an unemployment [deferment](#), a [borrower](#) may provide the titles (in lieu of the names) of the six persons contacted in an attempt to secure employment. This applies to unemployment deferments granted by the [lender](#) on or after July 1, 1996.

Delivering loan funds: The following changes apply to [funds](#) credited to the student’s account on or after July 1, 1996:

- A [school](#) may use Stafford or PLUS [loan proceeds](#) to pay minor prior-year charges that do not exceed \$100; loan proceeds can be applied to prior-year charges that exceed \$100 if doing so will not prevent the student from paying his or her current year costs.

Disability discharge (total and permanent): Within 30 days of receiving payment of a disability [discharge](#) claim, the lender is required to return to the sender any payments received from, or on behalf of, a borrower after the date a physician certifies that the borrower is [totally and permanently disabled](#). This applies to total and permanent disability claims filed by the lender on or after July 1, 1996.

Disclosures: Beginning with the 1996–97 [award year](#) schools must disclose completion/graduation and transfer-out rates to current and prospective students. Correspondence schools are no longer required to provide prospective students with a schedule for submission of lessons for courses of study beginning on or after July 1, 1996.

Due diligence: A lender must give the borrower 30 days from the date the [final demand](#) letter is mailed to repay principal and [interest](#), plus interest and [special allowance](#) paid by the [Department](#), on any portion of a loan that is ineligible. This applies to final demand letters mailed on or after July 1, 1996.

The following changes are enforced for loans on which the first day of [delinquency](#) on the “oldest outstanding due date” is after July 1, 1996. The “oldest outstanding due date” is the date from which the current 180-day [due diligence](#) counter is based and is sometimes referred to as the “latest,” “current,” or “next” due date. The following provisions are included:

- Permits lenders to substitute forceful collection letters for telephone contacts with borrowers who are [incarcerated](#) or live outside a [state](#), Mexico, or Canada.
- Replaces 30-day buckets with new [due diligence](#) windows of 1–10 days delinquent and 11–180 days delinquent.
- Requires a [final demand](#) letter—which gives the borrower 30 days to bring the loan out of [default](#)—on or after 151st day of delinquency (was day 151–180). An exception is permitted if the borrower’s address is

unknown and remains unknown after the lender has exhausted all required [skip tracing](#) activities. In such instances, the lender is excused from sending the borrower a final demand letter, unless a valid address for the borrower is obtained on or before the 150th day of delinquency (the 210th day for loans payable in installments less frequent than monthly).

- Establishes collection rules for a [rolling delinquency](#) or [special occurrence](#) if 1–10 days delinquent, 11–90 days delinquent, 91–120 days delinquent, or more than 120 days delinquent, as a result of the event.
- Permits a lender to continue collection efforts required in the 11–180 days of delinquency after sending the final demand letter to the borrower. Specifies that those collection efforts should be restricted to diligent telephone efforts.
- Requires a lender to perform telephone [skip tracing](#) activities if the lender discovers—even on the last required attempt to make a [diligent effort](#) to contact the borrower—that the telephone number is invalid.
- Clarifies that at least one diligent effort to contact the borrower by telephone must occur on or before the 90th day of delinquency.
- Defines [gap](#) in collection activity.
- Defines [diligent effort](#) for telephone contacts.
- Defines telephone and address [skip tracing](#) requirements and establishes time frames.
- Prescribes [due diligence](#) requirements for [endorser](#)s.
- Preempts any [state](#) law conflicting with lender collection requirements.
- Defines “made-up” collection activity.
- If a lender determines that it does not know the current telephone number for a delinquent [endorser](#), the lender must diligently attempt to obtain a valid telephone number through the use of normal commercial skip tracing techniques. If the lender determines that a delinquent endorser’s telephone number is incorrect after it sends the final demand letter, the lender need not attempt to find a valid telephone number.

- For delinquent borrowers, a lender’s skip tracing techniques must include an inquiry to directory assistance or a comparable service.
- A due diligence gap starts the day after the date the lender receives a new correct telephone number for a delinquent borrower.

Eligibility – borrower and student: For loans certified for periods of enrollment beginning on or after July 1, 1996:

- A stepparent is eligible for a PLUS loan if the stepparent’s income and assets have been taken into account when calculating a [dependent student’s EFC](#).
- Secondary confirmation of an applicant’s eligible noncitizen status is not required if the status was confirmed in a previous [award year](#) or if the school does not have conflicting information or reason to believe that the applicant’s claim of citizenship is incorrect.
- If a [parent](#) is denied a PLUS loan due to adverse credit, this denial can be considered “exceptional circumstances.” Only one parent need be denied a PLUS loan and the student’s family must be otherwise unable to provide the [expected family contribution](#) in order for a dependent student to be eligible for an [additional unsubsidized Stafford loan](#); however, if any of the student’s parents subsequently becomes eligible for a PLUS loan, undelivered [disbursements](#) of the additional unsubsidized Stafford loan must be canceled.

For loan [applications](#) certified for the 1996–97 [award year](#) and after, students who enroll in service academies but withdraw before graduating (under any circumstances except a dishonorable release) are considered veterans for purposes of determining dependency status.

For loan applications certified on or after July 1, 1996, a student borrower seeking a Stafford loan or a student for whom a PLUS loan is being obtained must not have property subject to a judgment lien for a debt owed to the United States.

A student may self-certify that he or she has at least a high school diploma or the [recognized equivalent of a high school diploma](#), or has completed a secondary school education in a home-schooled setting.

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 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](#).

A borrower is ineligible for a FFELP loan if the borrower has had a prior FFELP loan partially or totally written off by a [guarantor](#). To become eligible to receive a new FFELP loan, a borrower must reaffirm the written-off loan, provide confirmation of that [reaffirmation](#) to the school, and be otherwise eligible for the loan. A borrower whose prior FFELP loan has been partially or totally written off by a lender is not required to reaffirm the written-off loan as a condition of eligibility.

Eligibility – school: A school will lose FFELP eligibility 30 calendar days after the date it receives notification that its three most recent cohort default rates are 25% or greater—unless an appeal is filed. [Limitation](#), [suspension](#), and [termination](#) actions may be taken against a school with any combination of a FFELP, [FDLP](#), or a weighted average cohort default rate that is equal to or greater than 25%.

Endorser: An [endorser](#) is released from his or her repayment obligation if (1) the borrower dies or (2) on or after July 23, 1992, the student for whom a [parent](#) received a PLUS loan dies, or (3) the loan is discharged for any other reason. This applies to death certificates received by the [lender](#) on or after July 1, 1996.

FAFSA: The [Statement of Educational Purpose](#) has been added to the [FAFSA](#).

Forbearance: A lender may apply an [administrative forbearance](#) if a borrower requests repayment alignment of his or her Stafford and SLS loans. This change applies to loans that are eligible for repayment alignment on or after July 1, 1996.

A lender may grant an [administrative forbearance](#) to a borrower to cover any period of [delinquency](#) that exists after the close of a period of [deferment](#) or [mandatory forbearance](#). This applies to all deferments and mandatory forbearances with end dates on or after July 1, 1996.

Foreign school: [Foreign schools](#) must comply with federal regulations, unless exempted by the [Department](#).

Guarantee fee: A lender must refund a prorated portion of the [guarantee fee](#) to the borrower's account if a loan or a portion of a loan is returned by the school to the lender on or after July 1, 1996. Lenders are encouraged to use a standard refund formula.

Late disbursement/~~post withdrawal disbursement~~: If a lender makes a [late disbursement](#) 61–90 days after the borrower is no longer [enrolled](#) at least half time, it is the school's responsibility to determine and document that exceptional circumstances exist. This applies to loan funds delivered by the school on or after July 1, 1996.

Loan amount: For an [academic year](#) that meets the Title IV academic year requirements but that is shorter than 9 months in length, the school is not required to prorate a loan certified for a health profession student, but may certify the full 9-month limit if the student is otherwise eligible. Effective for loans certified by the school for eligible students in certain eligible health professions programs on or after July 1, 1996.

Loan amount: Once a prorated loan amount has been certified, the school need not recalculate the [borrower's](#) eligibility if the number of hours for which the student is [enrolled](#) changes. This change is applicable to loans certified for periods of enrollment beginning on or after July 1, 1996.

Loan certification: For loan applications certified on or after July 1, 1996:

- A school may certify a loan for the entire [academic year](#) in which a borrower regains Title IV eligibility after [default](#).
- A school may certify a PLUS application before the [FAT](#) or equivalent data is received.

A school is prohibited from charging a fee for completing or certifying any FFELP document or for providing any information necessary to receive a FFELP loan or program benefit.

After a school has certified a Stafford loan, the loan certification cannot be changed to reflect a change in dependency status. However, the school may use the updated status to recalculate the expected family contribution and certify additional loans if the student qualifies. The school is liable for any overpayment of Stafford loan funds due to recalculation errors.

Notices and authorizations: When a school notifies a [borrower](#) by electronic means that loan funds were credited to the student's account, the borrower must confirm receipt of that notice.

NSLDS: The Department issues [DCL GEN-96-13](#) to announce the availability of the [National Student Loan Data System \(NSLDS\)](#) to meet the regulatory requirements for obtaining [financial aid transcript \(FAT\)](#) information for purposes of determining student eligibility for Federal Title IV student assistance. Effective with the implementation of NSLDS reporting, applicable procedures may be included by the [guarantor](#) in a school [program review](#). Beginning with the 1996–97 [award year](#), schools may access the [NSLDS](#) to obtain [financial aid transcript](#) data.

For each transfer student applying for Title IV aid, a school must obtain and evaluate financial aid transcript (FAT) data from the National Student Loan Data System (NSLDS) for each school the student attended previously. A school is required to complete and return paper FATs when requested to do so by another school. A school may certify or decline to certify a Stafford or PLUS loan application and [promissory note](#), but may not release the proceeds of any Stafford or PLUS loan before receiving and evaluating data from NSLDS or a paper FAT, as applicable. This change is effective for FAT data requested by schools for the 1996–97 award year and after.

In determining whether a student has ever defaulted on any Title IV loan, schools may rely on NSLDS financial aid history information (or transcripts from other schools in the case of a mid-year transfer student) and on information provided by the student or [parent](#) borrower during the application process, unless the school receives conflicting information. The school must reconcile all conflicting information before delivering any funds. This change is effective for FAT information requested by schools for the 1996–97 award year and after.

Origination fee: A lender must refund a prorated portion of the [origination fees](#) to the borrower's account if a loan or a portion of a loan is returned by the school to the lender on or after July 1, 1996. Lenders are encouraged to use a standard refund formula.

Payment application: A lender may credit an entire payment first to any [late charges](#) or [collection costs](#), then to any outstanding [interest](#), and then to outstanding principal. Unless the borrower requests otherwise, a payment that equals or exceeds the regularly scheduled payment amount must be applied to future installments. A borrower's due date may be advanced if the payment received is within

\$5.00 of the amount due; this tolerance cannot be applied to a curing payment. These changes apply to payments received on or after July 1, 1996.

Record retention: Schools must retain any [records](#) related to unresolved audits that begin or are in progress on or after July 1, 1996.

Refunds: A school must pay [refunds](#) to [lenders](#) within 60 days of the date that the student withdraws or is expelled. If a student does not return to school at the expiration of an approved [leave of absence](#), the refund must be sent within 30 days of the date the leave of absence expires or the student notifies the school that he or she will not be returning, whichever is earlier. This applies to refunds for students who withdraw, are expelled, or do not return from leaves of absence on or after July 1, 1996.

Repayment start date: A 30-day extension of the first payment due date for a SLS loan is permitted if an extension is necessary for the lender to comply with the requirement that the payment disclosure be sent to the borrower no less than 30 days before the first payment is due. The 30-day extension had previously only applied to Stafford loans. This change applies to loans that enter or reenter repayment on or after July 1, 1996.

Changes codify the [DCL 88-G-138](#) rule to set the first due date within 45 days or within 75 days for late notification or early withdrawal.

Repayment terms: A lender may apply an [administrative forbearance](#) if a borrower requests repayment alignment of his or her Stafford and SLS loans. To align repayment of Stafford and SLS loans, the borrower need only have one Stafford loan that has not yet entered repayment. The length of the postponed SLS [repayment period](#) is determined by the Stafford loan with the longest applicable [grace period](#). These changes apply to loans that are eligible for repayment alignment on or after July 1, 1996.

Social Security number documentation/reporting: States that when the school becomes aware of a discrepancy with a student's or parent borrower's [Social Security number \(SSN\)](#), date of birth, or first name, the school must attempt to obtain documentation of the correct SSN, date of birth, or first name. The school must notify the guarantor of any change made to the SSN, date of birth, or first name as a result of obtaining documentation, and must notify the lender of any change to the SSN. Revised policy also states that if the school is unable to obtain a copy of an acceptable source document to resolve the discrepancy of an SSN, it must notify both the lender and guarantor. The school must

also instruct the lender to cease [disbursement](#), and the school may not deliver FFELP funds to the student until the school determines the correct SSN. Effective July 1, 1996.

Status changes and reporting: Upon request, a school must promptly provide the [Department](#), a lender, or a [guarantor](#) with any information it has regarding the address, name, employer, and employer address of any borrower who attends or has attended the school. This applies to changes reported to the school by the student or another reliable source on or after July 1, 1996.

For [deferment](#) and enrollment status reporting purposes, if a student does not return for the next scheduled term following a summer break or summer bridge deferment, the school must determine the student's [withdrawal date](#) within 30 days after the first day of the next scheduled term. This applies to scheduled terms that begin on or after July 1, 1996, for students who fail to return from a summer break.

August 22, 1996

Eligibility – borrower and student: Noncitizen eligibility requirements are modified based on the [Personal Responsibility and Work Opportunity Reconciliation Act of 1996](#) (effective August 22, 1996). Further guidance was subsequently provided by the Department of Education in [DCL GEN-98-2](#). The new eligibility criteria for FFELP borrowers includes noncitizens with a Departure Record (I-94) from the U.S. Immigration and Naturalization Service (INS) indicating one of the following statuses:

- Alien paroled into the U.S. for at least one year.
- Alien granted a stay of deportation [pursuant to [8 U.S.C. section 1253\(h\)](#)] due to fear of persecution on account of race, religion, or political opinion.
- Conditional Entrant (valid if I-94 was issued before April 1, 1980).

The changes indicate the elimination of eligibility for certain categories of noncitizens previously determined to be eligible: Temporary Resident, Indefinite Parolee, Humanitarian Parolee, and Cuban-Haitian Entrant. Acceptable documentation for determining U.S. citizenship status includes a U.S. passport.

Delivering loan funds: A school may deliver funds to an otherwise [eligible student](#) pending INS response to secondary confirmation, provided at least 15 business days have elapsed since the school submitted the documentation to INS. Citizens of the Federated States of Micronesia, the Republic of the Marshall Islands, and Palau are not eligible

for FFELP funds at any [participating school](#), but may be eligible for other types of Title IV aid. These changes are effective for loan applications certified by the school on or after August 22, 1996.

September 1, 1996

Bankruptcy: If the late refiling of a [bankruptcy claim](#) results in a guarantor's missing any court-established deadlines, the result will be permanent [cancellation](#) of the [guarantee](#) on the loan, except in limited circumstances. This applies to returned claims received by the lender on or after September 1, 1996, unless implemented earlier by the [guarantor](#).

Consolidation loans: A PLUS borrower may consolidate his or her PLUS loans if the [dependent student](#) for whom the [parent](#) has borrowed is [enrolled](#) at least half time. This applies to Consolidation loan applications received by the lender no later than September 1, 1996.

NSLDS: The Department issues [DCL GEN-96-17/96-L-189/96-G-291](#) that describes the implementation of the [Student Status Confirmation Report \(SSCR\)](#) function of the [National Student Loan Data System \(NSLDS\)](#). The guarantor is no longer responsible for the distribution and collection of SSCRs once the school receives a letter from the Department confirming the school's successful SSCR testing with the NSLDS. The Department, via the NSLDS, is responsible for ensuring that SSCR information is distributed to the appropriate guarantor and, in some cases, lenders. This change is effective on and after the date the school receives a letter from the Department indicating that the school has successfully tested its SSCR process through the NSLDS.

Status changes and reporting: A [guarantor](#) will assume that the lender's receipt date of enrollment information is the day a guarantor successfully transmits such information electronically to the lender. If an enrollment update report is generated in the last 7 days of the month, the lender receipt date is assumed to be no later than 5 days after the end of the month. These changes apply to enrollment information generated by the guarantor on or after September 1, 1996.

Enrollment information must be reported whenever the enrollment status for an individual student changes. The enrollment status changes that must be reported include any change that the school is required to report through [enrollment reporting](#). Examples of enrollment changes that a school is required to report include a change from full-time to half-time status, a change from half-time to less-than-half-time status, a withdrawal, a graduation, or an

approved [leave of absence](#) that complies with Title IV requirements. If a student's enrollment status changes and the school does not expect its NSLDS enrollment reporting to be completed within the next 60 days, the school must submit an ad hoc report within 30 days. These changes apply to school enrollment reporting beginning in September 1996.

Reinstatement of Title IV eligibility: A [borrower](#) who requests [reinstatement](#) of [Title IV](#) eligibility, but is not requesting a new loan, is allowed to make the six required payments either before or after requesting reinstatement; at least one payment must be made by the borrower at or after the time of the request. This applies to loan [applications](#) certified by the [school](#) or requests for [reinstatement](#) of Title IV eligibility received from the borrower on or after September 1, 1996.

November 1996

Audit: The Department announces the deadline for the completion of the lender audit is extended to June 30, 1998, for any audit period in which a lender originated or held FFELP loans totaling \$5 million or less.

November 27, 1996

The [Department](#) publishes final regulations on regulatory relief, record retention, conflict of interest, and guarantor and lender due diligence, effective July 1, 1997.

November 29, 1996

The Department publishes final regulations on cash management and financial responsibility for schools, effective July 1, 1997.

December 31, 1996

Audit: A [lender](#) is required to submit the compliance audit report to the [Department](#) if, for the fiscal year being audited, it made or held:

- [FFELP](#) loans totaling \$10 million or more.
- More than \$5 million but less than \$10 million in FFELP loans and its compliance audit report identifies findings of noncompliance.

A lender who made or held FFELP loans totaling more than \$5 million but less than \$10 million for the fiscal years being audited and whose report does not disclose findings of noncompliance must retain those reports for a period of 5 years and submit them to the Department only if

requested. Historically, meeting the requirement to submit an annual compliance audit for a lender who made or held less than \$5 million in FFELP loans has been delayed. This is effective for fiscal years ending on or after December 31, 1996.

1997

January 16, 1997

Annual loan limit: The criteria for determining [annual loan limits](#) for students taking preparatory coursework are revised:

- 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 may borrow at the first-year undergraduate loan level.
- 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 may borrow at the fifth-year undergraduate loan level.

These changes are effective for loan applications certified by the school on or after January 16, 1997.

February 1, 1997

Due diligence: If all four required [diligent efforts](#) to contact the [borrower](#) by telephone have been completed and the lender subsequently becomes aware it does not have a correct telephone number for the borrower, the lender is not required to perform telephone [skip tracing](#) activities. This change is effective for borrower telephone numbers determined by the lender to be invalid on or after February 1, 1997.

If a lender learns that a reference does not know the borrower's current whereabouts, does not anticipate contact with the borrower in the future, or that the reference is not acquainted with the borrower, the lender must note this information in the loan's servicing history and is not required to contact that reference again. This change is effective for borrower addresses or telephone numbers determined by the lender to be invalid on or after February 1, 1997.

Endorser: If the PLUS loan applicant is required to obtain an [endorser](#) in order to be eligible for the PLUS loan, the student for whom the PLUS loan is being obtained cannot

serve as the endorser. This applies to PLUS loan applications received by the lender on or after February 1, 1997.

March 1, 1997

Interest rates: A lender who offers discounted interest rates must notify the borrower that the lower interest rate ends on the date a default or ineligible borrower claim is purchased by the guarantor. A lender is required to provide documentation of this notice if a borrower challenges the guarantor or the Department of Education for charging the applicable statutory maximum interest rates during postclaim interest accrual. If the issue goes to court and the court's decision in favor of the borrower makes the loan unenforceable at the maximum statutory interest rate, the lender will be required to repurchase the loan and the guarantee will be withdrawn permanently. The lender may be required to reimburse the guarantor for any court costs or court-imposed fines or penalties. This applies to loans beginning repayment at a reduced interest rate on or after March 1, 1997.

NSLDS: Schools that have received a letter from the Department confirming successful submission of a Student Status Confirmation Report (SSCR) roster file to the National Student Loan Data System (NSLDS) are exempt from the requirement to process SSCR rosters received directly from guarantors. Schools that have not received a letter from the Department confirming successful submission of an SSCR roster file to the NSLDS must respond both to SSCR roster files received from the NSLDS and SSCRs received from guarantors until otherwise notified by the Department. These changes are effective for SSCR roster files received by a school from the Department on or after March 1, 1997.

A school may be required to report a change in the student's enrollment status that affects the grace period, repayment responsibility, or deferment privileges of a borrower through an ad hoc report. An ad hoc report must be submitted within 30 days unless the school expects to submit a Submittal File within the next 60 days.

Reinstatement of Title IV eligibility: A guarantor will review the most recent 6-month period to determine whether a borrower qualifies for reinstatement of Title IV eligibility. Each of the six required payments must be received within 15 days of the due date for the 6 months immediately preceding the date the guarantor receives the borrower's new loan application and promissory note or request for reinstatement. This applies to loan applications or requests for reinstatement received by the guarantor on or after March 1, 1997.

Repayment start: For a Stafford loan converted to repayment on or after March 1, 1997, the lender must use the day-specific method for converting the loan to repayment.

Social Security Number documentation/reporting: A passport is no longer accepted as a valid source document for initiating and reporting a Social Security number change. A state driver's license or a state-issued identification card for those states in which the Social Security number is listed on the license or identification card has been added as a resource document for the initiating and reporting an Social Security number change. This applies to Social Security number changes initiated or reported on or after March 1, 1997.

If a school becomes aware of any Social Security number (SSN) change, the school is expected to verify the correct SSN by obtaining a copy of an acceptable source document from the following list:

- Social Security card or other Social Security Administration document.
- Income tax return or W-2 form.
- Official military orders, documents, or papers.
- Loan application (if the discrepancy resulted from a data input error).
- State driver's license or state-issued identification card on which the SSN is listed.

Changes to a student's SSN must be reported to the guarantor through NSLDS using the SSCR or an equivalent process. If the change is to a parent borrower's SSN, the school must continue to notify the guarantor directly. If the guarantor requires the supporting documentation for any SSN change, the school must provide it. Schools may contact individual guarantors for more information on procedures for reporting SSN changes. This change is effective for student SSN changes identified by a school on or after March 1, 1997.

April 1, 1997

Closed school loan discharge: If a closed school claim includes FFELP loans that have been paid in full as a result of a Consolidation loan, the consolidating lender must submit the original application and promissory note for the underlying FFELP loan(s) assigned to the guarantor. However, if the loan(s) that qualifies for discharge is paid in full as a result of consolidation, or consists solely of FFELP

loans paid in full by or on behalf of the borrower and the original or the true and exact copy of the application and promissory note cannot be located, the guarantor and the lender must examine their records and any documentation submitted by the borrower to determine if the borrower qualifies for a discharge or refund. This applies for claims filed by the lender on or after April 1, 1997.

Eligibility – borrower and student: A baptismal certificate or voter registration card may not be used as acceptable documents for secondary confirmation of a student's or parent's citizenship. This applies to citizenship verifications requested by the school on or after April 1, 1997.

False certification loan discharge: If a false certification claim includes FFELP loans that have been paid in full as a result of a Consolidation loan, the consolidating lender must submit the original application and promissory note for the underlying FFELP loan(s) assigned to the guarantor. However, if the loan(s) that qualifies for discharge is paid in full as a result of consolidation, or consists solely of FFELP loans paid in full by or on behalf of the borrower and the original or the true and exact copy of the application and promissory note cannot be located, the guarantor and the lender must examine their records and any documentation submitted by the borrower to determine if the borrower qualifies for a discharge or refund. This applies for claims filed by the lender on or after April 1, 1997.

Forbearance: A lender may grant a forbearance retroactively to resolve the borrower's delinquency, provided the duration of each forbearance agreement does not exceed the maximum 12-month limit. This change is effective for forbearances granted by the lender on or after April 1, 1997.

May 1, 1997

Bankruptcy: If the lender receives a Notice of the First Meeting of Creditors (the Notice) or other confirmation from the bankruptcy court (directly either from the court or from another source) that a borrower has filed for relief under any chapter of the bankruptcy code, the lender must cease collection activities and may not file a preclaim assistance request with the guarantor. Further, if the lender has already filed for preclaim assistance and receives notice of any bankruptcy action, the lender must immediately, within 5 business days of the lender's receipt of the Notice, notify the guarantor to cancel preclaim activities based on a bankruptcy action filed on the borrower's loans. If the lender's failure to comply results in the court determining the loan to be unenforceable, the guarantee on the loan will be permanently canceled. Further, the lender will be

required to reimburse the guarantor for costs associated with defending itself against contempt of court charges on the account if those charges are based solely on the lender's failure to comply with these provisions and can be demonstrated accordingly. In the event the lender receives notice that the bankruptcy action has ended and the loan remains enforceable and is deemed nondischargeable; the bankruptcy case is dismissed; or discharge is reversed, the lender must treat the loan as though it were in forbearance. This change is effective for loans on which the lender receives the bankruptcy notification on or after May 1, 1997.

Consolidation loans: A guarantor will guarantee a Consolidation loan only if the borrower (or borrowers in the case of spouses applying to consolidate their loans) has one or more active loans currently held by the guarantor except as otherwise agreed on a case-by-case basis by the lender and guarantor. This is effective May 1, 1997.

Status changes and reporting: A lender must not adjust the borrower's anticipated graduation date (AGD) if the lender receives enrollment information as part of an in-school deferment request that is certified for an academic period that ends earlier than the borrower's AGD of record and no conflicting AGD information is included on the enrollment certification. The lender must document that it received information from the school, but need not report to the guarantor any information regarding the loan's status, except to fulfill the NSLDS lender manifest reporting requirements. If the lender receives enrollment information that is certified for an academic period that ends after the borrower's AGD of record, the lender should adjust the borrower's AGD to agree with the information provided on the enrollment certification. The lender may process the deferment through the academic period end date certified by the school or the AGD of record, whichever is later, if the enrollment verification information used to certify the borrower's deferment eligibility does not include an AGD. This change is effective for in-school deferment requests received by the lender on or after May 1, 1997.

May 31, 1997

Audit: Delays in the publication of the servicer audit guide resulted in the Department allowing servicers to submit the first audit by May 31, 1997. Periods covered by the initial audit depend on when the lender servicer's fiscal year ends:

- If the fiscal year ends June 30 through October 31, the lender servicer may combine the annual compliance audit for fiscal years 1995 and 1996, or may have separate audits performed for each of those years.

- If the fiscal year ends November 1 through December 31, the lender servicer is required to have its initial compliance audit performed for fiscal year 1995.
- If the fiscal year ends January 1 through June 29, the lender servicer is required to have its initial compliance audit performed for fiscal year 1996.

If a lender's [servicer](#) had an independent audit of its servicing functions performed for fiscal year 1995 and 1996 to support the lender audit requirement, the servicer may submit those audits to the Department as meeting its servicer audit requirement for those fiscal years, provided that those audits meet certain standards. These changes reflect guidance given in [DCL \(DCL\) LS-97-01](#) and the "[Audit Guide: Compliance Audits \(Attestation Engagements\) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program](#)," published December 1996.

June 1, 1997

Eligibility – borrower and student: Effective for loans certified by the school on or after June 1, 1997, independent undergraduate borrowers, dependent borrowers whose parents are unable to borrow PLUS loans, and graduate and professional student borrowers may continue to borrow up to their individually applicable subsidized and unsubsidized [aggregate loan limits](#), regardless of the "base" or "additional" [unsubsidized loan](#) amounts borrowed. Special calculations are required if a student's status changes from independent to dependent or if a [dependent student](#) borrower's [parent](#), who initially was unable to borrow a PLUS loan, is later determined eligible. In these cases, the school must calculate the student's remaining aggregate loan eligibility by totaling only those portions of loans that represent the student's "base" Stafford loan amounts. These changes reflect guidance given in [DCL GEN-97-3](#).

July 1, 1997

Final regulations on regulatory relief, record retention, conflict of interest, guarantor and lender due diligence, and cash management take effect.

Audit: Schools are required to perform both annual compliance and financial audits based on their fiscal year. These audits must be submitted within 6 months of the end of their fiscal year. The financial statement must include a detailed description of related [entities](#) and should list parties related to the school and details that enable the Department to readily identify the related entities. A proprietary school must disclose in a footnote to its

financial state the percentage of its revenues derived from Title IV programs during the covered fiscal year. Each compliance audit must cover all Title IV transactions in that fiscal year and all transactions that occurred since the period covered by its last compliance audit. The school must permit the Department or its authorized representative access to any records or [documentation](#) that would assist in the review of the school's third-party servicer's compliance or financial statement audit. [Foreign schools](#) also must submit an audited financial statement of the most recently completed fiscal year. If a school receives less than \$500,000 (U.S.) in Title IV program funds during that fiscal year, its audited financial statement for that year may be prepared under the auditing standards and accounting principles of the school's home country. If a foreign school receives \$500,000 (U.S.) or more in Title IV program funds during its most recently completed fiscal year, the school must submit its audited financial statement in accordance with U.S. federal regulation and satisfy the general standards of financial responsibility outlined for schools in the United States or must qualify under an alternate standard of financial responsibility specified in regulation. These requirements are effective July 1, 1997.

A [third-party servicer](#) that contracts with more than one [lender](#) must have performed a compliance audit that covers the servicer's administration of [Title IV](#) programs for all the lenders for which it services. This requirement may be satisfied with a single audit of all the servicer's functions if the audit encompasses all the services provided for the lenders for which it provides such services. These provisions are effective July 1, 1997.

Authorizations and certifications: The following changes are effective for authorizations obtained by a school to carry out the activities described under [§668.165\(b\)\(1\)](#) beginning on or after July 1, 1997:

- Schools must obtain written authorization from the student or parent borrower to perform certain activities.
- Guidelines for authorization modifications and cancellations are established.

Consolidation loans: A Federal 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](#) is used to determine its terms and conditions. This change is effective for Consolidation loans with first [disbursements](#) on or after July 1, 1997.

Lenders must report the making of a Consolidation loan to the [guarantor](#) not more than 60 days following the date on which the funds are disbursed. If a lender adds a loan within the 180-day add-on period, the lender must report the new Consolidation loan information to the [guarantor](#) within 60 days of the date on which the additional loan funds are disbursed or the adjustment is made. Failure to report the loan timely may result in the loss of the loan’s [guarantee](#). This is effective for Consolidation loans made by the lender on or after July 1, 1997.

Credit balance: Requirements for delivering of credit balances are defined effective for loan periods on or after July 1, 1997. If a student dies and there is a Title IV credit balance on his or her account, the school must eliminate the credit balance by paying outstanding authorized school charges, repaying any Title IV grant overpayments that the student owes for previous withdrawals, and/or returning any remaining credit balance to the Title IV programs.

Delivering loan funds: The following changes are effective for [loan proceeds](#) received by the school on or after July 1, 1997. Schools must deliver loan proceeds within specific time frames after receipt. For [EFT](#) or [master check](#) proceeds, the school must deliver the funds directly to the student, or credit the student’s account at the school within 10 business days after the school’s receipt of the proceeds.

- Latest delivery date and time frame for returning undelivered proceeds to the lender is defined.
- Examples of latest delivery date and deadline for returning proceeds are provided.
- Schools must return loan proceeds to the lender within specific time frames after receipt.
- Delivery date for students who return from a [leave of absence](#) is defined.
- Delivery restrictions for schools on the reimbursement payment method are defined.

The following changes apply to schools that receive loan proceeds under the reimbursement payment method on or after July 1, 1997:

- Criteria for school [certification](#) of the [application](#) and [promissory note](#) is explained.
- Schools must receive approval from the [Department](#) before delivering loan proceeds.

The following change applies to the date, on or after July 1, 1997, that the [Department](#) notifies a [school](#) that it must obtain approval from the Department to certify loan applications:

- [Certification](#) restrictions for schools on the reimbursement payment method are defined.

The following changes apply to [loan proceeds](#) that are either credited to the student’s account or paid directly to the student or [parent borrower](#) on or after July 1, 1997:

- The delivery date when the school is applying school funds in advance of receipt of [FFELP](#) proceeds is defined.
- The requirements for the notice to the borrower of the right to cancel are defined.

The following changes apply to students who become ineligible under [§668.164\(g\)\(1\)](#) (i.e., student is no longer [enrolled](#) as at least a [half-time student](#) for the [loan period](#)) on or after July 1, 1997:

- Schools may deliver loan proceeds after the end of the loan period or the date on which the student ceased to be enrolled at least half time.
- Schools must deliver a [late disbursement](#) no later than 90 days after the earlier of the end of the loan period or the date the student ceased to be enrolled at least half-time.

The following change is effective for [payment periods](#) beginning on or after July 1, 1997:

- Earliest date the school may directly pay the borrower or credit the student’s account if the student is in a [clock-hour](#) program or credit-hour program that is not offered in semester, trimester, or quarter academic terms is defined.

The following changes are effective for loan periods on or after July 1, 1997:

- Requirements for the receipt and maintenance of loan proceeds are revised.
- School requirements for delivery of loan proceeds are revised.
- School delivery methods are defined.
- Delivery restrictions are defined.
- Requirements for delivering of credit balances are defined.
- Requirements for holding credit balances are defined.
- Requirements for crediting student accounts are explained.
- The first and second **disbursement date** must be scheduled on a payment-period basis rather than on the basis of **period of enrollment**.
- Required notices a school must send to a student are defined.

The following change is effective on or after July 1, 1997, for any balances of **loan proceeds**:

- A school must pay any remaining loan balance to a student or **parent** borrower no later than the end of the **loan period**.

Due diligence: Lenders are required to send the first **delinquency** notice no later than the 15th day of delinquency. The content of this first delinquency notice has been modified to 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 the borrower is experiencing difficulty in making a scheduled payment. Because of the change in the timing of the first delinquency notice, the time frame for the second “window” of collection activity will change from the current 11–180 days delinquent period to 16–180 days (16–240 days delinquent for a loan repayable in installments less frequent than monthly). At least one of the four written notices or collection letters sent during this period must include, at a minimum, information regarding **deferment**, **forbearance**, **income-sensitive repayment**, loan

consolidation, and other available options to avoid **default**. The content of at least two of the four collection letters sent during the 16–180 day period has also been modified to add language to inform the borrower that the **guarantor** may also offset other payments made by the federal government to the borrower and that the guarantor may assign the loan to the federal government for litigation against the borrower. This change is effective for loans on which the first day of delinquency on the oldest outstanding due date is after July 1, 1997. The oldest outstanding due date is the date from which the current 180-day **due diligence** counter is based and is sometimes referred to as the “latest,” “current,” or “next” due date. The timing of when a lender may assess a **late charge** has been changed from 10 days to 15 days after a payment is due. This change is effective for **late charges** assessed by the lender on or after July 1, 1997.

Electronic processing requirements: A **school** must participate in the electronic processes that the **Department** provides at no substantial charge to the school. Schools are not restricted to using only software and services provided by the Department. This standard is effective July 1, 1997.

Late disbursement/post-withdrawal disbursement: **Late disbursement** by the lender and **late delivery** by the school is defined for students who become ineligible under **34 CFR 668.164(g)(1)** (i.e., student is no longer **enrolled** as at least a **half-time student** for the **loan period**) on or after July 1, 1997.

Payment period: Because of possible differences in interpretation of the term “first day of classes,” (i.e., first day of classes for an individual student or first day of regularly scheduled classes) the *Common Manual* definition of “**payment period**” is amended to clarify that the payment period begins on the first day of regularly scheduled classes. This applies to loan periods beginning on or after July 1, 1997.

Record retention: A lender is permitted to store **records**—except for the **promissory note**—for each FFELP loan it holds in hard copy or on microform (e.g., microfilm or microfiche), computer file, optical disk (e.g., electronic optical image), CD-ROM, or other imaged media formats capable of reproducing an accurate, legible, and complete copy in approximately the same size as the original document. This change is effective for records retained on or after July 1, 1997.

The **Department** has consolidated and clarified existing school **record** retention rules to reduce the administrative burden. A **school** is required to maintain program records, which document the school’s eligibility administration of

the **FFELP**, and fiscal records relating to each FFELP transaction. The school also must keep loan-related records as follows:

- A copy of the loan **application**—or application data, if submitted electronically to a **lender** or a **guarantor**—including the name of the **borrower** and, for PLUS loans, the name of the student on whose behalf the loan was made.
- The name and address of the lender.
- **Documentation** of each student or parent borrower's receipt of FFELP **funds**, including, but not limited to, the loan amount, the **payment period**, and the **period of enrollment** for which the loan was intended; calculations used to determine the loan amount; the date(s) and amount(s) of each delivery of **loan proceeds** by the school to the student or **parent borrower**; the date and amount of any **refund** paid to or on behalf of the student and the method by which the refund was calculated; and the payment of any refund to a lender of the Department.
- The **Student Aid Report (SAR)** or the **Institutional Student Information Record (ISIR)**.
- Documentation of each student or parent borrower's eligibility for FFELP funds, such as documentation of need, **cost of attendance**, **verification**, enrollment status, financial aid history, **satisfactory academic progress (SAP)**, etc.
- The school's receipt date for each **disbursement** of the loan.
- For loans disbursed to the school by copayable check, the date the school endorsed the check.
- For loans disbursed by **electronic funds transfer (EFT)** or **master check**, the student or parent borrower's authorization to the school to transfer the initial and subsequent disbursements of each FFELP loan to the student's school account.
- Proof that requirements for **entrance** and **exit loan-counseling** are met.
- Any required reports or forms and any records needed to verify data reported in those reports or forms.
- Documentation supporting the school's calculations of its completion and graduation rates.

These provisions are effective July 1, 1997.

Refunds: In calculating a pro rata refund for a student who withdrew from a **clock-hour** program, the school may include excused absences in the number of clock hours completed by the student as of his or her **withdrawal date** if both of the following conditions exist:

- Under the school's written policy the absences do not have to be made up to complete the program.
- The school documents that the hours actually were scheduled and missed prior to the student's withdrawal.

In addition to the required conditions noted above, the number of excused absences included as hours completed during the period of enrollment for which the student was charged must be limited to the least of the following:

- The number of clock hours permitted under the excused absence policy of the school's nationally recognized **accrediting agency**.
- The number of clock hours permitted under the excused absence policy of the state agency that licenses or authorizes the school to operate in the state.
- 10% of the number of clock hours in the period of enrollment for which the student was charged.

This change is effective for students eligible for pro rata refunds on or after July 1, 1997.

Reissued disbursements: The following changes are effective for **disbursements** reissued by the lender on or after July 1, 1997:

- Circumstances in which lenders will reissue loan proceeds are defined.
- Requirements schools must follow when requesting loan proceeds be reissued are defined.

Status changes and reporting: A school or the school's designated **servicer** must provide information about borrowers upon request by the Department, a lender, or a **guarantor**. Schools or the school's designated servicer should respond to such a request within 30 days. In addition to providing any information the school has regarding the last known address, full name, employer, and employer address of a borrower who attends or has attended the school, the school now must also provide the borrower's

telephone number and enrollment information. This applies to requests for information received by the school on or after July 1, 1997.

August 5, 1997

President Clinton signs into law the [Taxpayer Relief Act of 1997](#), providing for the Hope Scholarship Credit, the Lifetime Learning Credit, and a deduction on [interest](#) paid on student loans and creating the Education Individual Retirement Accounts (Education IRAs).

September 18, 1997

Consolidation loans: If there is a data discrepancy on a Consolidation loan, the [lender](#) will be granted an additional 60 days from the date the [guarantor](#) rejects the [application](#) (plus 5 days' mail time) to provide additional or corrected information. The guarantor reserves the right to take appropriate corrective action (including the imposition of [interest](#) penalties) if the lender fails to report the making of a Consolidation loan, fails to report the [disbursement](#) of additional [funds](#), or fails to report any other adjustment of the outstanding original balance within 60 days after that activity occurs. Repeated or intentional noncompliance (including failure to reconcile) may result in the withdrawal of the loan [guarantee](#). This change is effective for Consolidation loans made by the lender on or after September 18, 1997.

September 19, 1997

Electronic processing requirements: The Department publishes in the [Federal Register](#) a notice of new requirements that institutions must follow to be in compliance with the Department's administrative standard for electronic processes.

November 1, 1997

Deferment: To obtain an unemployment [deferment](#) or an extension of an unemployment deferment, a [borrower](#) must request the deferment or extension. If requesting an extension, this description must document at least six attempts to secure employment during the period to be covered by the deferment. An Internet address for the firm or place of employment (e.g., Website or electronic mail) is an acceptable address if the borrower applied electronically for employment. As an alternative to certifying employer contacts, a lender may accept comparable [documentation](#) that the borrower has used to meet the requirements of the Unemployment Insurance Service, provided the documentation shows the same number of contacts and contains the same information required from the borrower.

In addition, an Internet address for the public or private employment agency at which the borrower is registered (e.g., Website or electronic mail) is an acceptable address if the borrower registered electronically with the agency. It may not be presumed that a borrower has access to an employment agency based on the borrower's providing a firm's Internet address as part of the documentation that the borrower attempted to secure full-time employment. This change is effective for unemployment deferment requests received by the lender on or after November 1, 1997.

Endorser: An [endorser](#) may be released from his or her repayment obligation on a loan if the endorser dies and the lender receives evidence of the endorser's death, such as a copy of the death certificate or other proof of the endorser's death that is acceptable under applicable [state](#) law. This change is effective for death certificates or other acceptable documentation received by the lender on or after November 1, 1997.

November 13, 1997

President Clinton signs into law the [Emergency Student Loan Consolidation Act \(ESLCA\) of 1997 \(P.L. 105-78\)](#).

Consolidation loans: The following provisions of the [Emergency Student Loan Consolidation Act of 1997 \(ESLCA\)](#) are effective for Consolidation loan applications received by the consolidating lender between November 13, 1997, and September 30, 1998, inclusive:

- **Withdrawal of Direct Consolidation Loan Application**

A borrower with a pending application for a Direct Consolidation loan may apply for a Federal Consolidation loan, provided that the application for the Direct Consolidation loan is canceled by the borrower prior to the date on which the Federal Consolidation loan is made. The FFELP lender may rely on the borrower's statement that any pending Direct Consolidation loan application has been or will be canceled.

- **Direct Loans Eligible for Federal Consolidation**

Direct loans may be included in a Federal Consolidation loan.

- **Non-discrimination in Making Federal Consolidation loans**

Federal Consolidation loan lenders are prohibited from discriminating against a Federal Consolidation loan applicant based on any of the following criteria:

- The number or types of eligible student loans the [borrower](#) wishes to consolidate.
- The type or category of school the borrower attended.
- The interest rate the [lender](#) is required to charge the borrower on the Consolidation loan.
- The types of [repayment schedules](#) the lender must offer the borrower.

Subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate records in the lender's system but the lender must ensure that the Consolidation loan is administered as a single loan. These provisions are effective for *all* Consolidation loan applications received by the consolidating lender on or after November 13, 1997.

Due diligence: A lender administering a Consolidation loan with subsidized, unsubsidized, and HEAL portions must ensure that due diligence is performed at a loan level such that all portions of a single loan default on the same date. Effective for Consolidation loan applications received by the lender on or after November 13, 1997.

Interest rates: For Federal Consolidation loans for which applications are received by the consolidating lender on or after November 13, 1997, the [variable interest rate](#), adjusted annually on July 1, is calculated as follows:

- For portions of the Consolidation loan attributable to FFELP, FDLF, FISL, [Perkins](#), HPSL, or NSL loans, the variable rate is based on the bond equivalent rate of the 91-day [Treasury bill](#), auctioned at the final auction prior to the preceding June 1st, plus 3.1%, not to exceed 8.25%.
- For portions of the Consolidation loan attributable to HEAL loans, the variable rate is based on the 91-day Treasury bill, auctioned for the quarter ending June 30th, plus 3.0%. (There is no interest rate cap on the HEAL portion.)

If a lender initially calculated the interest rate on Consolidation loans, made during the subject period, at a fixed weighted average rate, the lender must convert the loans from the fixed to the variable rate prior to April 1, 1998, and make appropriate adjustments to the borrower's loan. In the conversion process, lenders must recalculate, at the variable rate, the amount of interest which would have been owed by the borrower on the Consolidation loan from the date on which the loan was made to the date of rate conversion and apply any credits to the borrower's account.

The [interest](#) rate applicable on an eligible loan added to a Federal Consolidation loan during the 180-day add-on period (except HEAL) is the variable interest rate applicable to the [FFELP](#), [FDLP](#), FISL, Perkins, HPSL, or NSL portion of the Federal Consolidation loan. The interest rate on HEAL loans added to a Federal Consolidation loan during the 180-day add-on period is the variable interest rate applicable to the HEAL portion of the Federal Consolidation loan.

Interest subsidy: Effective for all Consolidation loan applications received by the consolidating lender on or after November 13, 1997, during a period of authorized [deferment](#), interest subsidies will be paid by the [Department](#) on the portion of a Federal Consolidation loan that repaid a subsidized Federal Stafford or subsidized Federal Direct Stafford loan.

November 25, 1997

Financial responsibility standards – school: The Department publishes final regulations on the standards and provisions of financial responsibility for schools. Changes will be effective July 1, 1998.

November 28, 1997

The Department publishes final “parity” regulations to eliminate certain differences in the requirements of the FFELP and FDLF and to reduce the regulatory burden on schools. Changes will be effective July 1, 1998.

December 17, 1997

Common forms: The Department formally grants approval of the “Addendum to the Federal Family Education Loan (FFEL) Program Consolidation Application and Promissory Note.” This addendum reflects the changed terms and conditions of the [ESLCA of 1997](#).

1998

January 1, 1998

Aggregate loan limit: A Stafford [aggregate loan limit](#) does not include the amount of [capitalized interest](#) or [collection costs](#) that were added to the balance of any of the borrower's prior loans. This applies to loan applications certified by the school on or after January 1, 1998.

Deferment: An in-school deferment will remain in effect until the student ceases to be [enrolled](#) full time, or for "new borrowers on or after July 1, 1993," enrolled at least half time. In the event that the lender receives new enrollment verification information that indicates the borrower has been or will be continuously enrolled, a new deferment request is not required to extend the period of in-school deferment. A new deferment request is required only if the borrower has not been continuously enrolled or if a previous deferment is terminated at the borrower's request. This change is effective for enrollment verification information received by the lender on or after January 1, 1998.

If a borrower, residing on a U.S. military base or embassy compound in a foreign country because his or her spouse is stationed there, requests an unemployment deferment, he or she must provide documentation, equivalent to that required of borrowers residing in the U.S., describing the borrower's conscientious search for full-time employment. However, when identifying employment contacts, the "name of the firm" may be, for example, the U.S. military base employment office or U.S. embassy personnel office. These borrowers are not required to comply with the requirement that they document further attempts to secure employment during the period of certification, if the borrower has sought employment with the U.S. military base employment office, the U.S. embassy personnel office, or the equivalent. This applies to unemployment [deferment](#) requests received by the lender on or after January 1, 1998.

A borrower who is newly self-employed may not be able to provide traditional documentation of income for an [economic hardship](#) deferment. Instead, the borrower must provide the lender with a self-certifying statement of projected monthly income from all sources. In addition, the borrower must provide documentation of the newly formed business and documentation of the borrower's involvement in that business. This change is effective for deferment requests received by the lender on or after January 1, 1998.

Due diligence: For loans with a monthly repayment obligation, lenders must send the borrower at least four written notices or collection letters during the 16–180 days

[delinquency](#) period, 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](#), loan consolidation, and other available options to avoid [default](#). This change became effective on January 1, 1998.

Electronic processing requirements: All schools that participate in the [Title IV](#) programs must also participate in the Title IV Wide Area Network (TIV WAN). Also, for the 1998–99 processing year and beyond, schools must achieve a specified level of electronic on-line access to the [National Student Loan Data System \(NSLDS\)](#).

Forbearance: If a [lender](#) grants a [deferment](#) based on the borrower's [certification](#) and [documentation](#) received and, after approving the deferment, the lender receives information indicating that the [borrower](#) did not qualify for all or a portion of the deferment, the portion of the deferment for which the borrower did not qualify must be canceled. The lender may grant [administrative forbearance](#) to cover delinquent payments resulting from the cancellation of all or part of the deferment. This change is effective for deferment requests received by the lender on or after January 1, 1998.

Loan amount – adjustment: After the loan is guaranteed, the school may identify a need to change (increase or decrease) a borrower's loan amount or to revise the allocation of the student's loans between subsidized Stafford funds and unsubsidized Stafford funds. Changes in the loan amount may be made without obtaining a new [application](#) and [promissory note](#), provided any increased loan amount will not exceed the amount requested by the borrower on the application and promissory note. Reallocations of subsidized and unsubsidized funds may be made without a new application and promissory note, provided the student requested both subsidized and [unsubsidized loan](#) funds. Such loan adjustments or reallocations may occur before any [disbursement](#) is made on the loan, after the first disbursement is made, or even after the final scheduled disbursement is made. In some instances a loan adjustment, made after the first or subsequent disbursements have been made, may result in a single disbursement that exceeds half of the total loan amount. When that excess is clearly documented as a loan increase or reallocation of funds, it is permissible. This policy is effective for adjustment requests received by the [guarantor](#) on or after January 1, 1998, unless the guarantor implements this policy earlier.

Record retention: All lender [records](#) must be retrievable in a coherent hard copy format or in other media formats such as microform, computer file, optical disk, or CD-ROM.

Any imaged media format used must be capable of reproducing an accurate, legible, and complete copy in approximately the same size as the original document, and must not permit additions, deletions, or changes without leaving a record of such additions, deletions, or changes. The media format must record and maintain the original document so that it can be certified as a true copy of the original in order to be admissible in a court of law, if such becomes necessary. If a document contains a signature, seal, [certification](#), or any other validating mark, it must be maintained in original hard copy or in another media format that can produce a copy of the document (e.g., microform, optical disk, CD-ROM). This applies to records recorded by the lender on or after January 1, 1998.

March 1998

Audit: The Department announces the deadline for the completion of the lender audit is extended to June 30, 1999, for any audit period in which a lender originated or held [FFELP](#) loans totaling \$5 million or less.

May 15, 1998

Annual loan limit: For loan periods beginning on or after May 15, 1998, the absence of borrowing under the HEAL program prior to October 1, 1995, was eliminated as an eligibility requirement for certain health profession students attending HEAL participating schools to be considered for unsubsidized Stafford loans exceeding standard annual and [aggregate loan limits](#).

June 9, 1998

The president signs into law the [Transportation Equity Act for the 21st Century](#), which enacts the Temporary Student Loan Provisions to amend the Higher Education Act with respect to the [applicable interest rate](#) and [special allowance](#) formula for Stafford and PLUS loans with a first [disbursement](#) on or after July 1, 1998, and before October 1, 1998.

Interest rates: The following interest rate formulas for Stafford and PLUS loans first disbursed on or after July 1, 1998, were not implemented as a result of this legislation:

- A Stafford loan has an annual [variable interest rate](#), not to exceed 8.25%, regardless of the [period of enrollment](#) or the interest rate on the borrower's previous loans. The rate is calculated by adding 1.0% to the bond equivalent rate of securities with a comparable maturity as established by the Department.

- A PLUS loan has an annual variable interest rate, not to exceed 9%. The rate is calculated by adding 2.1% to the bond equivalent rate of securities with a comparable maturity as established by the Department.

Special allowance: The following special allowance formulas for Stafford and PLUS loans first disbursed on or after July 1, 1998, were not implemented as a result of this legislation:

- The [special allowance](#) rate for both Stafford and PLUS loans is calculated using the following formula:

(Bond Equivalent Rate of Securities with a Comparable Maturity as Established by the Department + 1.0% – Applicable Interest Rate of the Loan) ÷ 4

July 1, 1998

Cure: In cases when a lender performs an [ICA/location cure](#) procedure on a loan for which a [preclaim assistance](#) request has not been submitted in the most recent 180-day [delinquency](#) period, the lender is no longer required to submit a request for preclaim assistance after the borrower has been located and before sending the final collection letter. This applies to borrowers located on or after July 1, 1998, unless implemented earlier by the [guarantor](#).

Disability discharge (total and permanent): A borrower must be certified [totally and permanently disabled](#) according to [FFELP discharge](#) criteria for all underlying loans included in the Consolidation loan—including any non-FFELP loans. This applies to Temporary Total and Permanent Disability Certification Request Forms and Total and Permanent Disability Cancellation Request Forms received by the lender on or after July 1, 1998.

Disclosure requirements: The Department of Education removed the interest rate formula for Stafford and PLUS loans first disbursed on or after July 1, 1998, from the Borrower's Rights and Responsibilities section of the common Stafford and PLUS loan application materials. Lenders are now required to provide the [actual interest rate](#), including information on the rate's calculation, in the initial disclosure to the borrower at or before the time of the first disbursement of a Stafford or PLUS loan. This change is enforced for Stafford and PLUS loans first disbursed on or after January 1, 1999, unless implemented earlier.

Electronic processing requirements: All participating institutions must have access to the Department's Information for Financial Aid Professionals Website (www.ifap.ed.gov) in order to receive regulations, *Dear Colleague Letters*, and other important communications. Also, institutions must be able to submit the Application for

Approval to Participate in Federal Student Aid Programs (recertification, reinstatement, and changes) through the Internet and to electronically submit the Fiscal Operations Report and Application to Participate (FISAP) to the [Title IV](#) Wide Area Network (TIV WAN). Diskettes are eliminated.

Eligibility – borrower and student: Stafford loan eligibility is clarified that if a student is eligible for a subsidized Stafford loan in an amount that exceeds \$200, the school must certify an [application](#) for 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 may include the amount of subsidized Stafford eligibility in the unsubsidized Stafford loan. This applies to loan applications certified by the school on or after July 1, 1998.

Financial responsibility standards – school: The following changes are effective for schools that submit audited financial statements to the Department on or after July 1, 1998. However, schools that do not meet the composite score standard (see *Composite Score* below) for fiscal years that begin between July 1, 1997, and June 30, 1998, inclusive, may demonstrate that they are financially responsible by meeting the financial responsibility standards specified in [§668.175\(e\)](#).

- **General School Financial Responsibility Requirements**

In addition to previous financial standards, schools must also comply with all of the following new financial responsibility requirements:

- The school must provide all services described in its official publications and statements.
- The school must properly administer the Title IV programs in which it participates.
- The school must meet all of its financial obligations.

- **Specific Criteria for Determining School Financial Responsibility**

To fulfill the new cash reserve requirements, a school must meet at least one of the following criteria:

- The school satisfies the financial responsibility standards for public schools.

- The school is licensed to operate in a [state](#) that has a Department-approved tuition recovery fund to which the school contributes.
- The school demonstrates that it has paid its [refunds](#) in a timely manner for both of the school's two most recently completed fiscal years.

A school failing to meet at least one of the criteria listed must submit an irrevocable letter of credit that is acceptable and payable to [the Department](#), equal to 25% of the total dollar amount of [Title IV](#) program refunds paid or that should have been paid by the school in the previous fiscal year.

A public school is considered to be financially responsible if it meets all of the following conditions:

- The school notifies the Department that it is designated as a “public institution” by a government entity that has legal authority to make that designation.
- The school provides a letter from the designating government entity confirming the school's status as a “public institution.”
- The school is not in violation of any past performance requirement.

A proprietary or private nonprofit school is considered to be financially responsible if it meets the following conditions:

- The school is current in its debt obligations.
- The school's financial statements do not contain a statement in which the auditor has expressed doubt about the continued existence of the school.
- The school has not violated a Title IV program requirement or affiliated persons do not owe a liability for Title IV program violations.
- The school has sufficient cash reserves to make required refunds (see *Sufficient Cash Reserves Requirements* above).
- The school's Equity Ratio, Primary Reserve Ratio, and Net Income Ratio yield a composite score of at least 1.5 (see *Composite Score* below).

A proprietary school or private nonprofit school that is not considered to be financially responsible because it failed to meet any of the five standards of financial responsibility listed above may begin or continue to participate in the Title IV programs by qualifying under an alternative standard, as determined by the Department.

- **Composite Score**

One of the factors for determining a school's financial responsibility is a composite score that indicates the overall financial status of a participating proprietary or private nonprofit school. The Department uses the school's audited financial statements to calculate a composite score, which is derived from a combination of the following three ratios:

- The Primary Reserve Ratio, indicating the measure of a school's financial viability and liquidity.
- The Equity Ratio, measuring the amount of total resources financed by an owner's investments, contributions, or accumulated earnings.
- The Net Income Ratio, providing a direct measure of a school's profitability and ability to operate within its means.

The three ratios are adjusted by strength and weighting factors, and are then added together to arrive at a composite score.

Schools must satisfy the standards for a public institution under §668.171(c), be located in a state that has a tuition recovery fund approved by the Department and to which the school contributes, or demonstrate that required refunds by the school have complied with prescribed time periods during the school's two most recently completed fiscal years. This change is effective for guarantor reviews of a school's compliance with federal financial responsibility standards on or after July 1, 1998.

Guarantee fee: A lender must refund the guarantee fee or an appropriate prorated amount of the guarantee fee, and apply the refund as a credit to the borrower's principal balance, if any of the following conditions exist:

- The loan or any portion of the loan is returned by the school to the lender, at any time, to comply with Title IV program requirements. In the absence of any

required notification from the school, the lender may assume that the school is returning funds to comply with these requirements.

- The disbursement check has not been negotiated within 120 days of disbursement.
- The loan proceeds disbursed by electronic funds transfer (EFT) or master check have not been released from the school's account within 120 days of disbursement.

Interest rates: For Stafford and PLUS loans first disbursed on or after July 1, 1998, but before October 1, 1998, the interest rate formulas are prescribed by the Temporary Student Loan Provisions of the Transportation Equity Act for the 21st Century. These provisions are as follows:

- A Stafford loan has an annual variable interest rate not to exceed 8.25%, regardless of the period of enrollment or the interest rate on the borrower's previous loans. During periods when the loan is in an in-school, grace, or authorized deferment status, the interest is calculated by adding 1.7% to the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1. During periods when the loan is in repayment or forbearance status, the interest rate is calculated by adding 2.3% to the 91-day Treasury bill rate.
- A PLUS loan has an annual variable interest rate not to exceed 9%. The variable rate for each July 1 to June 30 period is calculated by adding 3.1% to the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1.

Origination fee: A lender must refund the origination fee or an appropriate prorated amount of the origination fee, and apply the refund as a credit to the borrower's principal balance, if any of the following conditions exist:

- The loan or any portion of the loan is returned by the school to the lender, at any time, to comply with Title IV program requirements. In the absence of any required notification from the school, the lender may assume that the school is returning funds to comply with these requirements.
- The disbursement check has not been negotiated within 120 days of disbursement.

- The loan proceeds disbursed by [electronic funds transfer \(EFT\)](#) or [master check](#) have not been released from the school's account within 120 days of disbursement.

Payment application: If a [borrower](#), who does not have any loans in repayment, repays or returns any portion of the disbursement within 120 days of the disbursement, the lender must apply the funds as a [cancellation](#) or [partial cancellation](#) of the loan and refund the guarantee fee and origination fee or an appropriate prorated amount of the guarantee fee and origination fee, as applicable. The lender must apply the refund of the guarantee fee and origination fee as a credit to the borrower's principal balance. The lender must comply with any borrower request regarding the application of repaid or returned funds. If a borrower has any loans in repayment, a lender must apply funds that are repaid or returned by the borrower within 120 days of the disbursement according to its normal payment processing procedures. The lender must comply with any borrower request that the repaid or returned funds be applied as a cancellation. This clarification is effective for funds received by the lender on or after July 1, 1998.

Refunds: Refunds are considered timely only if both of the following conditions are met:

- The reviewing entity did not find in the sample of student [records](#) audited for either fiscal year that the school made late refunds to 5% or more of Title IV recipients who received or should have received a refund, or did not find that the school made more than one late refund in that sample.
- The reviewing entity did not note for either fiscal year a material weakness or a reportable condition in the school's report on internal controls related to refunds.

Special allowance: For Stafford and PLUS loans first disbursed on or after July 1, 1998, but before October 1, 1998, the applicable [special allowance](#) formulas are prescribed by the Temporary Student Loan Provisions of the [Transportation Equity Act for the 21st Century](#). These provisions are as follows:

- For Stafford loans only during the in-school, grace and [deferment](#) periods, the annual special allowance rate equals the average of the bond equivalent rates of the 91-day Treasury bills auctioned during the quarter, plus 2.5%, less the [applicable interest rate](#) on the loan.

- For Stafford loans, except during the in-school, grace and deferment periods, the annual special allowance rate equals the average of the bond equivalent rates of the 91-day Treasury bills auctioned during the quarter, plus 2.8%, less the applicable interest rate on the loan.

- For PLUS loans, the annual special allowance rate equals the average of the bond equivalent rate on of the 91-day Treasury bills auctioned during the quarter plus 3.1% less the applicable interest rate on the loan. However special allowance shall not be paid unless the calculated interest rate exceeds the 9% cap.

Variable-rate PLUS or SLS loans first disbursed before July 1, 1994, and variable-rate PLUS loans first disbursed on or after July 1, 1998, 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 on the loan.

This change, effective for PLUS loans first disbursed on or after July 1, 1998, incorporates the provisions of the Final Rule changes published in the [Federal Register](#) on November 1, 1999, and subsequent amendments to the Higher Education Act resulting from the [Ticket to Work and Work Incentives Improvement Act of 1999](#).

August 5, 1998

Deferment: A borrower whose first [disbursement](#) on his or her oldest outstanding loan is on or after July 1, 1993, is now eligible to receive an [economic hardship deferment](#) by providing the lender with [documentation](#) from the Peace Corps showing that he or she is or will be serving as a Peace Corps volunteer. A lender may grant an economic hardship deferment for up to the full 36-month maximum deferment period from a single request. A borrower who qualifies for an economic hardship deferment based on his or her Peace Corps service is not required to submit income documentation. This change is effective for economic hardship deferment requests submitted by eligible Peace Corps volunteers and received by lenders on or after August 5, 1998.

September 1, 1998

Common forms: The Department released [DCL ANN-98-10](#), which introduced the [Master Promissory Note \(MPN\)](#) for the [Federal Family Education Loan Program](#).

The Preclaim Request Form or an equivalent electronic format is effective for all requests filed by lenders. The [Claim](#) Form or an equivalent electronic format is effective for all claims filed by lenders on or after March 1, 2000, unless implemented earlier by the [guarantor](#). These new forms require lenders to collect and report data, for loans first disbursed on or after September 1, 1998.

All loans included on the Preclaim Request Form must have the same loan type, due date, and interest-paid-through date. Subsidized and unsubsidized Stafford loans that have been combined into one [repayment schedule](#) may be combined in one preclaim request.

For all loans first disbursed on or after September 1, 1998, the [lender](#) *must* provide the following information when requesting [preclaim assistance](#) on the Preclaim Request Form or in an equivalent electronic format. For loans with first disbursements *prior* to September 1, 1998, if the lender has the following additional information, it must provide the information on the request for preclaim assistance:

- Address and last name, first name, and middle initial of two references.
- Full name of the [endorser](#), [comaker](#), or PLUS student and identifying code.
- Endorser's, comaker's, or PLUS student's [Social Security number](#).
- Endorser's or comaker's last-known complete address and validity of the address, and home telephone number and validity of the number.
- Servicer's 6-digit [servicer](#) ID assigned by the [Department](#).

The lender must provide other information only if it is available. The lender may or may not have this information in its servicing records. A lender that cannot provide this information is not required to establish a reporting mechanism.

Due diligence:

• Common Skip Tracing Requirements

Unless otherwise noted, the following policies will be implemented for loans on which a notice of invalid address or telephone number, as applicable, is received on or after September 1, 1998, unless implemented earlier by the [guarantor](#).

- Simultaneous Address [Skip Tracing](#) and Telephone [Due Diligence](#)

During the period the lender is attempting to obtain a valid *address* for a borrower, the lender must continue to perform all *telephone* due diligence requirements. The lender may cease making such calls only if it determines that a borrower's telephone number is invalid, in which case the lender must perform telephone skip tracing.

- “Commercial” Skip Tracing Activities

The lender's [skip tracing](#) activities must include other normal commercial skip tracing activities that the [lender](#) would conduct in pursuit of information on any other loan in its consumer loan portfolio. Lenders must perform at least two additional normal commercial skip tracing activities but are encouraged to pursue all available sources of information to obtain a valid address.

- Address Skip Tracing Requirements

The lender is not required to perform skip tracing activities if *both* of the following conditions are met:

- The lender has mailed a timely [final demand](#) letter.
- The borrower's loan becomes delinquent 151 or more days (211 or more days for loans payable in installments less frequently than monthly) as a result of the reversal of a payment.
- Repeating Skip Tracing Activities Not Required

If any address skip tracing activities have been performed prior to the lender becoming aware of an [invalid telephone number](#) for the borrower, the lender is considered to have begun telephone skip

tracing activities and need not repeat any activities already completed. Similarly, if any telephone skip tracing activities have been performed prior to the lender becoming aware of an invalid address for the [borrower](#), the lender must initiate additional address skip tracing activities within 10 days of making the determination that it does not have a valid address for the borrower, but need not repeat any activities already completed when performing required address skip tracing activities.

– Telephone Diligent Effort Exceptions Modified

A lender is not required to make diligent efforts to contact a borrower by telephone in the following cases:

- The lender is advised that the borrower has no telephone number or that there is no telephone service in the general geographic area where the borrower resides and the lender verifies and documents this information in the borrower’s file or in the servicing history of the loan.
- The borrower’s telephone number is invalid and all required skip tracing activities have been performed.

– Relationship between Endorser Due Diligence and Borrower Skip Tracing Requirements Clarified

A [diligent effort](#) to contact an [endorser](#) on a delinquent account is sufficient to satisfy both an endorser [due diligence](#) requirement and a borrower skip tracing requirement, provided the activity is documented as both in the lender’s servicing history. If the endorser is contacted, the lender must discuss both the [delinquency](#) of the account and the endorser’s obligation to repay the debt, and must confirm the borrower’s location and telephone number.

• **Final Demand Letter**

Lenders must send a [final demand](#) letter to each delinquent borrower in accordance with appropriate [due diligence](#) requirements. If a lender fails to mail a final demand letter to a borrower in accordance with due diligence requirements and a “[special occurrence](#)” or [rolling delinquency](#) occurs, the lender is still

required—regardless of the aging of the delinquency—to send a final demand letter. There are two exceptions to this requirement:

- The loan becomes 151 days or more delinquent (211 days or more delinquent for loans payable less frequently than monthly) and the borrower’s address is invalid and remains invalid after the lender has exhausted all required [skip tracing](#) activities and required diligent efforts.
- The lender previously mailed a timely final demand letter prior to a rolling delinquency or a special occurrence (see [Subsections 12.3.E and 12.3.F](#)) and the borrower is 151 days or more delinquent (211 days or more delinquent for loans payable less frequently than monthly).

These changes are effective for invalid address notifications received by the lender on or after September 1, 1998, unless implemented earlier by the [guarantor](#).

• **Preclaims**

If a lender submits a request for preclaim assistance on which any required information is missing, incomplete, or inaccurate, the guarantor may attempt to obtain the necessary information from its own system or request the information from the lender. The lender must provide any requested information or resubmit any rejected preclaim request within the time frame established by the guarantor. If a lender is unable to provide the requested information within the guarantor’s established time frames, the loan may be subject to an interest penalty if a [claim](#) is later filed and paid. Please refer to additional CCI information under the *August 19, 1999* entry in this appendix.

October 1, 1998

Annual loan limit: The specific prorated subsidized Stafford loan limits of \$1,750, \$875, and \$0, and the specific prorated unsubsidized Stafford loan limits of \$2,500, \$1,500, and \$0, are no longer applicable to first- and second-year undergraduate students whose program, or remainder of the program, is less than one [academic year](#). The prorated limits for these students are determined as a ratio of the student’s program or remainder of the student’s program (as measured in credit or [clock hours](#)) to a full [academic year](#), multiplied by the applicable [annual loan](#)

limit for a full academic year. This change is effective for loan **applications** certified by the school on or after October 1, 1998.

Audit: Generally, a lender is exempt from the annual audit requirement for any fiscal year subject to audit in which the lender made or held \$5 million or less in FFELP loans. On October 1, 1998, any lender that made or held more than \$5 million in **FFELP** loans during the fiscal year being audited is required to submit a compliance audit report to the Department no later than 6 months after the close of the audit period—regardless of whether the report identifies findings of noncompliance. This change is enforced as determined by the Department.

Blanket guarantee: A blanket certificate of loan **guarantee** (blanket guarantee) permits a lender to make Stafford and PLUS loans to eligible borrowers without receiving prior approval from the **guarantor**. Lenders may contact individual guarantors for information on the availability of, and participation in, a blanket guarantee program. This change is effective for loans originated under a Blanket Certificate of Loan Guarantee approved by the Department on or after October 1, 1998.

Cohort default rates: The **Higher Education Amendments of 1998** modified **cohort default rate** appeal criteria, as follows:

- If a school's cohort default rate or loss of FFELP eligibility appeal based on exceptional mitigating circumstances, erroneous data, or improper loan servicing or collection is unsuccessful, the school is required to pay to **the Department** the amount of interest, **special allowance**, reinsurance, and any related payments made by the Department (or which the Department is obligated to make) with respect to FFELP loans made to students attending or planning to attend the school during the pending appeal.
- A school may appeal its loss of FFELP eligibility on exceptional mitigating circumstances by demonstrating that its participation rate index is equal to or less than 0.0375 for any one of the three most recent fiscal years for which data is available.
- A school may appeal its loss of FFELP eligibility on exceptional mitigating circumstances based on educating low-income students by providing documentary evidence that, for a 12-month period that ended during the 6 months immediately preceding the fiscal year for which the cohort of borrowers used to

calculate the school's **cohort default rate** is determined, at least two-thirds of the students, **enrolled** on at least a half-time basis meet either of the following criteria:

- The student is eligible to receive a **Pell grant** that is at least equal to one-half of the maximum available Pell grant based on the student's enrollment status.
- The student has an adjusted gross income that is less than the poverty level, as determined by the Department of Health and Human Services.
- If a school appeals its loss of **FFELP** eligibility on exceptional mitigating circumstances based on educating economically disadvantaged or low-income students, both degree- and non-degree-granting schools can add students who entered active duty in the U.S. Armed Forces to the numerator in the calculation of their respective completion and placement rates. For non-degree-granting schools, students or former students for whom the school is the employer should not be included in the numerator of the placement rate calculation.
- In a **cohort default rate** or loss of FFELP eligibility appeal based on improper loan servicing or collection, **the Department** must ensure that a school has access for a reasonable period of time, not to exceed 30 days, to a representative sample of the relevant loan servicing and collection **records** used by a **guarantor** in paying **default claims** or by the Department in determining a school's default rate in the loan program under part D of this title. If a school proves, during the appeal process, that a loan or loans defaulted due to improper loan servicing or collection, the Department will adjust the numerator and denominator of the school's FFELP, **FDLP**, or weighted average cohort default rate based on statistical inference from the appropriate representative sample.

Except for school appeals of FDLP and weighted average cohort default rates on the basis of improper loan servicing or collection which take effect on July 1, 1999, all of the above changes are effective for school cohort default rates published on or after October 1, 1998.

Consolidation loans: The following provisions of the [Higher Education Amendments of 1998](#) are effective for Consolidation loan [applications](#) received by the consolidating lender on or after October 1, 1998:

- A consolidating lender may decline to consolidate Health Professions Student Loans (HPSL), including Loans for Disadvantaged Students (LDS), Nursing Student Loans (NSL), and Health Education Assistance Loans (HEAL).
- Direct loans may be included in a Federal Consolidation loan, making permanent the provision in the [Emergency Student Loan Consolidation Act \(ESLCA\)](#).
- A Consolidation loan borrower may receive another Federal Consolidation loan if the borrower obtains a new eligible loan after the date of the original Consolidation loan. All outstanding eligible loans may be consolidated, including loans made prior to any previous Consolidation.
- A [borrower](#) with loans in a [default](#) status must not be subject to a judgment secured through litigation or an order of [administrative wage garnishment](#) on a [Title IV](#) loan.
- A borrower or married couple with [FFELP](#) loans held by multiple [holders](#) may request consolidation from any participating consolidation [lender](#), regardless of whether the consolidating lender is a [holder](#) of any of the borrower's loans.

[Borrowers](#) must use an addendum to the Loan Consolidation Application and Promissory Note. This addendum incorporates changes that resulted from the [Emergency Student Loan Consolidation Act of 1997](#), and that were carried forward with the enactment of the [Higher Education Amendments of 1998](#).

For Consolidation loans made from [applications](#) received during the period beginning October 1, 1998, through January 31, 1999, inclusive, the interest payment rebate fee is equal to 0.62% per annum of the unpaid principal and accrued [interest](#) of the loans.

Cost of attendance: Effective for loans certified by the school for periods of enrollment beginning on or after October 1, 1998, the specific minimum allowances to be used for the room and board component of the [cost of attendance \(COA\)](#) were removed. Schools are also now authorized to include a reasonable allowance for the

documented rental or purchase of a personal computer. Additionally, the COA for students receiving instruction by telecommunications may include the documented cost of renting or purchasing equipment required for them to complete their educational programs. Previously, the COA for telecommunication students was generally limited to tuition and fees. These changes reflect provisions of the [Higher Education Amendments of 1998](#).

Deferment: A [new borrower](#) from July 1, 1987, to June 30, 1993, is no longer required to obtain a new loan for a half-time [period of enrollment](#) that is to be covered by an in-school [deferment](#). This change is effective for in-school deferments granted by the [lender](#) on or after October 1, 1998.

A lender must determine the eligibility of a borrower—or, as applicable, the [dependent student](#)—for an in-school deferment based upon the receipt of documentation indicating that the borrower is [enrolled](#) on at least a half-time basis. The lender may use documentation from an appropriate source (e.g., the borrower, school, [guarantor](#), National Student Clearinghouse, or NSLDS)—provided the documentation supplies sufficient information to ensure that the borrower meets all eligibility criteria. A borrower is not required to request an in-school deferment. If the lender grants an in-school deferment and the borrower has not requested the deferment, the lender must notify the borrower of the in-school deferment and of the option to continue paying on the loan. This change is effective for in-school deferments granted by the lender on or after October 1, 1998.

Delivering loan funds: A school with a [cohort default rate](#) of less than 10% for each of the three most recent fiscal years for which data is available are exempt from [delayed delivery](#) provisions. An eligible home school is exempt from the requirements to delay delivery of funds to first-year undergraduate students who are first-time borrowers enrolled in a study-abroad program if the school has a published cohort default rate of less than 5% for the most recent fiscal year for which information is available. A home school must cease to certify loans based on this exemption no later than 30 days after the date it receives notification from the Department of a FFELP cohort default rate, FDLP cohort default rate, or [dual-program cohort default rate](#) that causes the school to no longer qualify for this exemption. These changes are effective for disbursements scheduled by the school to be made on or after October 1, 1998.

Disbursement rules: A school with a cohort default rate of less than 10% for each of the three most recent fiscal years for which data is available may schedule loans to be

disbursed in single installments, if the loan is for a [period of enrollment](#) that is not more than a single semester, trimester, quarter, or for a school without standard terms, not more than 4 months. A loan made to a student [enrolled](#) in a study-abroad program may be made in a single [disbursement](#) if the eligible [school](#) at which the student will receive course credit for the study-abroad program has a cohort default rate of less than 5%. These exceptions are applicable to disbursements scheduled by the school to be made on or after October 1, 1998.

Disclosures: Initial and repayment disclosure information must include the lender's telephone number and, at the lender's option, an electronic address from which the borrower can obtain additional loan information. This change is effective for initial and repayment disclosures issued by the lender on or after October 1, 1998.

Eligibility – borrower and student: The [Higher Education Amendments of 1998](#) changed some borrower and student eligibility requirements, effective for loan applications certified by the school on or after October 1, 1998, as follows:

- A student must certify, as part of the [Free Application for Federal Student Aid \(FAFSA\)](#), a [statement of educational purpose](#). A PLUS loan borrower must continue to certify a statement of educational purpose by signing and submitting the application and [promissory note](#) to the lender or school.
- A student who has completed in a home school setting a secondary education that is recognized as equivalent to a high school diploma under applicable [state](#) law is considered to have completed high school for purposes of Title IV eligibility.
- A student enrolled in coursework, offered in part or totally through telecommunications by a school, will be considered to be enrolled in [correspondence](#) courses *unless* all of the following criteria are met:
 - The school offers less than 50% of all courses by telecommunications or correspondence, and the student's coursework is part of a one-year or longer program leading to a recognized certificate or part of a recognized associate, baccalaureate, or graduate degree program.

- The school offers recognized associate, baccalaureate, or graduate degrees for 50% or more of its programs.
- The school is not an institution or school described in section 521(4)(C) of the [Carl D. Perkins Vocational and Applied Technology Education Act](#).
- Citizens of any one of the [Freely Associated States](#) (i.e., The Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau) are not eligible for FFELP funds at *any* [participating school](#), but may be eligible for other types of Title IV aid.

Eligibility – lender: A bank [as defined in [section 3\(a\)\(1\) of the Federal Deposit Insurance Act](#)] that is a wholly-owned subsidiary of a tax-exempt, nonprofit foundation [as described in [section 501\(c\)\(3\) of IRS Code of 1986](#), and exempt from taxation under [section 501\(c\)\(1\) of the Code](#)], for purposes of making FFELP loans only to [undergraduate students](#) age 22 or younger, provided the bank's FFELP portfolio does not exceed \$5 million, is considered eligible to participate in the FFELP.

Estimated financial assistance: [Estimated financial assistance \(EFA\)](#) now includes national service education awards or postservice benefits, except when determining eligibility for a subsidized Stafford loan. In addition, veterans' educational benefits paid under [Title 38, Chapter 30 \(Montgomery GI Bill–Active Duty\)](#) must be excluded from a student's EFA when determining eligibility for a subsidized Stafford loan. This change is effective for Stafford loans certified by the school on or after October 1, 1998.

Forbearance: A borrower is not required to request a [mandatory forbearance](#) in writing. This change is effective for mandatory forbearances granted by the lender on or after October 1, 1998.

A lender may grant a [forbearance](#) for a period that does not exceed 60 days if the lender determines it is warranted in order to collect or process supporting [documentation](#) following a borrower's request for [deferment](#), forbearance, a change in repayment plan, or loan consolidation. If such supporting documentation is not received within 60 days, the lender must resume servicing activities on the 61st day. The lender must not capitalize [interest](#) that accrues on the borrower's loan during this period of [administrative forbearance](#). However, the lender may receive

documentation or information that results in the granting of a deferment or other forbearance type that would be concurrent with this period and for which [capitalization](#) is permitted. These changes are effective for administrative forbearance granted by the lender on or after October 1, 1998.

Grace period: A Stafford borrower with a loan in a [grace period](#), or with a loan in an in-school status that would subsequently enter a grace period, who is called or ordered to active duty, is entitled to a military extension of the grace period for a period not to exceed 3 years. To qualify for this extension, the borrower must be called or ordered to active duty, on or after October 1, 1998, from a reserve component of the U.S. Armed Forces for a period in excess of 30 days.

Interest rates: The [interest](#) rate formulas are prescribed by the Temporary Student Loan Provisions of the [Transportation Equity Act for the 21st Century](#) for Stafford and PLUS loans first disbursed on or after July 1, 1998, but before October 1, 1998, are carried forward with the enactment of the [Higher Education Amendments of 1998](#).

For portions of the Consolidation loan attributable to:

- [FFELP](#), [FDLP](#), [FISL](#), [Perkins](#), [HPSL](#), or [NSL](#) loans, the interest rate is a weighted average of the interest rates on the loans being consolidated, rounded up to the nearest one-eighth of one percent, not to exceed 8.25%.
- [HEAL](#) loans, the interest rate is variable and is based on the 91-day [Treasury bill](#), auctioned for the quarter ending June 30, plus 3%. (There is no interest rate cap on the [HEAL](#) portion.)

Interest subsidy: The portion of a Federal Consolidation loan that repays a subsidized Federal Stafford or subsidized Federal Direct Stafford loan is eligible for interest subsidy during periods of authorized [deferment](#), making permanent the provision in the [ESLCA](#).

Origination fee: Lenders are permitted to pay [origination fees](#) on both subsidized and *unsubsidized* Stafford loans on the borrower's behalf. This change is effective for unsubsidized Stafford loans first disbursed by the lender on or after October 1, 1998.

Repayment terms: All [FFELP borrowers](#)—regardless of the date on which their first funds were disbursed or their outstanding indebtedness—are permitted to change their selection of [repayment schedule](#) annually. A lender must

comply with an eligible borrower's request at least once every 12 months. The change is effective for borrower requests received by the lender on or after October 1, 1998.

Teacher loan forgiveness: The [Higher Education Amendments of 1998](#) implemented the Loan Forgiveness Program for Teachers. Under this program, effective for "new borrowers" with Stafford loans on or after October 1, 1998, the [Department](#) repays a portion of an eligible borrower's Stafford loan obligations (and in some cases, Consolidation loan obligations). Unless otherwise instructed by the borrower, the lender must apply the payments received on the borrower's behalf for teacher loan [forgiveness](#) 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.

October 7, 1998

President Clinton signed into Law the [Higher Education Amendments of 1998](#), which reauthorize the federal student financial assistance programs.

Default: The statutory default date is extended from 180 days delinquent to 270 days delinquent.

Eligibility – lender: A consumer finance company subsidiary of a national bank that acted as a small business lending company (as defined in regulations prescribed by the Small Business Administration) through one or more subsidiaries, is eligible to participate in the [FFELP](#), provided the bank's direct and indirect subsidiaries together must not have as their primary consumer function the making or holding of education loans.

Interest payment and capitalization: A lender may capitalize interest on an unsubsidized Stafford loan first disbursed from October 7, 1998 to June 30, 2000, inclusive, only when the loan enters repayment, the [grace period](#) ends, a [deferment](#) ends, a [forbearance](#) ends, or the loan defaults.

Loan programs: The administration is expressly prohibited from pursuing actions that would force the implementation of Direct Lending and cause a phase-out of the [FFELP](#).

Repayment terms: Extended repayment is available to a [new borrower](#) on or after October 7, 1998, who has more than \$30,000 in outstanding principal and interest on [FFELP](#) loans. An [extended repayment schedule](#) may provide for standard or [graduated](#) installments over a period not to exceed 25 years, an exception to the 10-year

repayment period maximum. The \$600 minimum annual payment requirement does not apply to extended repayment schedules.

Voluntary Flexible Agreement: An explanation of Voluntary Flexible Agreements (VFAs), approved by the Department of Education for implementation on or after October 7, 1998, advises that guarantors participating under VFAs must work with their school and lender partners to explain any unique requirements.

October 8, 1998

Bankruptcy: **Title 11 of the U.S.C.** (the bankruptcy code) is revised to eliminate **bankruptcy discharge** on Chapter 7, 11, 12, and 13 bankruptcies for FFELP borrowers in repayment for 7 years. The bankruptcy code continues to allow discharge for **undue hardship**. This change is effective for loans on which a borrower files a petition for bankruptcy on or after October 8, 1998.

Child care provider loan forgiveness: The **Higher Education Amendments of 1998** implemented the Loan Forgiveness Demonstration Program for Child Care Providers. If funding is made available under this program, effective for “new borrowers” with loans first disbursed on or after October 8, 1998, **the Department** repays up to 100% of a borrower’s Stafford loan obligations.

Teacher loan forgiveness: In the case of a borrower who has taught for more than 5 years, any consecutive 5-year period of qualifying service may be counted for teacher loan forgiveness purposes. Effective for teacher loan forgiveness determinations made after October 8, 1998.

November 1998

Common forms: The Department released **DCL GEN-98-25**, which provided detailed information regarding the introduction of the **Master Promissory Note (MPN)** for Federal Stafford Loans in the **Federal Family Education Loan Program**. The MPN form will be first available for the 1999–2000 **academic year** (for loan periods beginning on or after July 1, 1999), and, beginning with the 2000–2001 academic year, will be the only **promissory note** approved for FFELP Stafford Loans. The MPN is a promissory note under which the borrower may receive loans for either a single **period of enrollment** or multiple periods of enrollment.

1999

January 1, 1999

Disclosure requirements: The term “**Treasury offset**” has been added to clarify that federal offsets managed by the U.S. Treasury Department’s Financial Management Service may include the offset of federal payments other than tax refunds, such as Social Security benefits or federal retirement benefits. References to “state offsets” have been revised to eliminate specific mention of “state income taxes” or “taxes” and will be more generic since states may offset funds other than tax refunds. Guarantors will delay enforcement of FFELP disclosure requirements until such time as the amended provisions are reflected in common application documents. However, lenders should be aware that changes to federal processes have been in place for some time and **default** consequences to borrowers may be more comprehensive than lenders are currently disclosing to their clients.

Disclosures: The Department of Education removed the interest rate formula for Stafford and PLUS loans first disbursed on or after July 1, 1998, from the Borrower’s Rights and Responsibilities section of the common Stafford and PLUS loan application materials. Lenders are now required to provide the **actual interest rate, including information on the rate’s calculation**, in the initial disclosure to the borrower at or before the time of the first **disbursement** of a Stafford or PLUS loan. This change is enforced for Stafford and PLUS loans first disbursed on or after January 1, 1999, unless implemented earlier.

Summer bridge extension: A borrower who is **enrolled** through the end of the spring **academic period** and who qualifies for an extension of the in-school **deferment** may advise a lender of his or her intent to reenroll for the fall academic period. The lender must document the borrower’s request and the date on which the borrower anticipates the fall academic period to begin. If the lender does not receive a notice from the borrower regarding his or her intent to reenroll for the fall academic period, but subsequently receives documentation of the borrower’s in-school deferment eligibility for the fall period, the lender may retroactively process the summer bridge extension. This change is effective for summer bridge extensions processed by the lender on or after January 1, 1999, unless implemented earlier.

February 1999

Annual loan limit: The Department issued [DCL GEN-99-7](#), which discussed the extension of eligibility for increased [unsubsidized loan](#) amounts due to the phase-out of the Health Education Assistance Loan (HEAL) program.

Common forms: The Department issued [DCL GEN-99-9](#), which discussed the [Master Promissory Note](#) and related instructions and the use of these forms.

March 8, 1999

NSLDS: The [National Student Loan Data System \(NSLDS\)](#) no longer requires a school to report directly to the NSLDS any changes to a student's permanent address. Instead, the school must report these changes to the [guarantor](#).

April 1, 1999

Exceeding loan limits: If a borrower inadvertently exceeds an [annual](#) or [aggregate loan limit](#), the borrower may regain eligibility by repaying the excess funds in full, making [satisfactory repayment arrangements](#) with the lender, authorizing the school to adjust the excess loan amount, or authorizing the school to reallocate funds between a subsidized Stafford loan and an unsubsidized Stafford loan for which the borrower is eligible. Borrowers who exceed the annual or aggregate loan limit as a result of providing false or misleading information must repay such loans in full to regain Title IV eligibility. These revisions are effective for loan applications certified by the school (or in the case of a Consolidation loan application, received by the lender) on or after April 1, 1999, unless implemented earlier by the guarantor.

Interest subsidy: If a student fails to check the box on the loan application indicating his or her request for a subsidized Stafford loan, but the school certifies subsidized Stafford loan eligibility for the student, the guarantor will guarantee the subsidized Stafford loan for the lesser of the amount certified by the school or requested by the student. In addition, a student's failure to request a subsidized Stafford loan no longer precludes the reallocation of subsidized and unsubsidized funds (provided the student requested an *unsubsidized* Stafford loan). These changes are effective for loan applications and promissory notes received by the guarantor on or after April 1, 1999, unless implemented earlier by the guarantor.

April 16, 1999

The Department published corrections and other technical changes to the [final regulations](#) in [§682](#). The regulations govern the [Federal Family Education Loan Program](#).

Authorizations and certifications: For Stafford and PLUS loans made using a common application and [promissory note](#), the school continues to be required to obtain written authorization from the borrower to permit the release of [loan proceeds](#) received by EFT or [master check](#) from the school's account. The authorization may be obtained on the common application and promissory note or a separate form, and it must be obtained at or before the release of the loan's first disbursement.

Effective for EFT or master check disbursements delivered by the school on or after April 16, 1999, schools are no longer subject to the 30-day time restriction for obtaining EFT or master check authorizations on forms other than the common application and promissory note. For Stafford loans made using the [Master Promissory Note \(MPN\)](#), the school is not required to obtain separate borrower authorization to permit the transfer of loan proceeds received by EFT or master check to the student's account.

Bankruptcy: The borrower's attorney has been added as an acceptable source for providing proof of a borrower's [bankruptcy](#) filing. In addition, a lender must react to the Notice of the First Meeting of Creditors or "other proof of filing" of the [bankruptcy](#) from the borrower's attorney or the bankruptcy court. This is effective for bankruptcy notices received by the lender from the borrower's attorney or other proof of filing received by the lender on or after April 16, 1999, unless implemented earlier by the [guarantor](#).

Claims – returned and refiled: If a [default](#) or [ineligible borrower claim](#) is returned to the lender solely due to inadequate documentation, the lender's eligibility for interest, [interest benefits](#), and [special allowance](#) payments is triggered from the date the lender received the returned claim. This change is effective for returned default and ineligible borrower claims received by the lender on or after April 16, 1999, unless implemented earlier.

Consolidation loans: The eligibility requirement to either make [satisfactory repayment arrangements](#) or agree to repay a Consolidation loan under an [income-sensitive repayment schedule](#) is not applicable to defaulted loans other than Title IV loans. If a lender elects to consolidate defaulted Title IV loans, the borrower must first make satisfactory arrangements with the loan [holder](#) to repay the

defaulted loans, or agree to repay the Consolidation loan under an income-sensitive repayment schedule. This is effective for applications received by the consolidating lender on or after April 16, 1999, unless implemented earlier by the guarantor.

Credit balance: A school may hold a borrower's Stafford or PLUS loan proceeds as a fiduciary for the benefit of not only the student but also the guarantor and the Department, if those proceeds represent a credit balance that would otherwise have been paid directly to the student or parent borrower. This revision does not apply to schools that are prohibited by the Department, under reimbursement payment methods, from holding credit balances. This is effective for credit balances held by a school on or after April 16, 1999.

Deferment: A borrower's defaulted loan is not eligible for a deferment that begins after the date of default, unless the borrower makes payment arrangements that are acceptable to the lender and that resolve the default prior to the payment of a default claim by the guarantor. Prior guidance was borrower-specific with respect to deferment of a defaulted loan prior to claim payment. This change is effective for deferment requests on defaulted loans granted by the lender on or after April 16, 1999.

Disbursement rules: Unless disbursement occurs by EFT or master check, Stafford loans must be disbursed by individual checks that are either payable to the student or copayable to the student and the school. Lenders must send individual checks for Stafford and PLUS loan borrowers directly to the school (except in the case of a student enrolled at an eligible foreign school). A Federal PLUS loan for a student enrolled in an eligible foreign school must be disbursed by an individual check that is made copayable to the parent borrower and the school. The check must be sent directly to either the parent borrower or the school. These changes are effective for loan proceeds disbursed by individual checks on or after April 16, 1999.

Eligibility – borrower and student: Each parent seeking a PLUS loan must not have property subject to a judgment lien for a debt owed to the United States. PLUS loans can no longer be made to two parents as comakers. This is effective for PLUS loans certified by the school on or after April 16, 1999.

Entrance counseling: Touch-tone telephone technology has been added to the list of methods by which schools may conduct entrance counseling on or after April 16, 1999.

Forbearance: For borrowers who are jointly liable for repayment of a PLUS loan or Consolidation loan, a lender may grant a forbearance on repayment of the loan only if the ability of each individual to make scheduled payments has been impaired based on the same or different conditions. Lenders may grant a forbearance to a borrower or endorser to permit the resumption of payments following the date of default only if the forbearance is granted prior to the lender's receipt of the claim payment. These changes are effective for forbearances granted by the lender on or after April 16, 1999.

Interest subsidy: Lenders may not bill for interest benefits on a loan from the date the lender determines or receives notice of the guarantor's determination that the borrower is eligible for a discharge due to closed school or false certification provisions. This is effective for loans determined by the lender to be eligible for discharge due to closed school or false certification on or after April 16, 1999, or for which the lender receives notice of the guarantor's determination of discharge eligibility on or after such date, unless implemented earlier by the guarantor.

Loan certification: The minimum period of enrollment for which the school may certify a loan for a defaulted borrower who has regained eligibility during the academic year is the academic year during which the borrower has regained eligibility. This change is effective for loans certified by the school on or after April 16, 1999.

Repayment start: On Stafford, SLS, and PLUS loans, a borrower's first payment due date must be no later than 45 days after the last day of the post-deferment grace period, unless the borrower makes a prepayment that advances the due date during this period. Exceptions to the establishment of a first payment due date no later than 45 days after the last day of a deferment or forbearance period may occur as a result of a borrower making a prepayment that advances the due date. These changes are effective for deferment, forbearance, and post-deferment grace periods ending on or after April 16, 1999, unless implemented earlier by the guarantor. For Consolidation loans, the lender must establish a first payment due date that is no more than 60 days after the date on which the last disbursement discharging underlying loans is made. This change is effective for Consolidation loans disbursed by the lender on or after April 16, 1999, unless implemented earlier by the guarantor.

Repayment terms: For [repayment schedules](#) issued by the lender on or after April 16, 1999, lenders must combine, to the extent practicable, all of a borrower's FFELP loans into a single account to be repaid under a single repayment schedule.

Special allowance: The lender may bill for [special allowance](#) on a loan only through the 60th day following the date of [default](#), unless the lender files a [claim](#) on the loan on or before the 60th day following that default. This change is effective for claims filed by the lender on or after April 16, 1999, unless implemented earlier by the guarantor.

May 1, 1999

Annual loan limit: For [loan periods](#) beginning on or after May 1, 1999, schools offering eligible health profession programs are eligible to award the increased [unsubsidized loan](#) amounts to students [enrolled](#) at least half time in those programs, regardless of the school's past participation in the HEAL Program. [Foreign schools](#) are not eligible to award the increased unsubsidized Stafford loan amounts.

June 1999

Eligibility – borrower and student: The Department issued [DCL GEN-99-16](#), which announces that the provision of the HEA related to student eligibility for Title IV financial aid due to drug convictions will not become effective until July 1, 2000.

July 1999

Common forms: The Department issued [DCL GEN-99-23](#), indicating their approval of new deferment forms for the following [deferment](#) types:

- Unemployment
- Public Service
- Parental Leave/Working Mother
- PLUS Borrower with Dependent Student
- In-School
- Economic Hardship
- Education Related
- Temporary Total Disability

July 1, 1999

Additional unsubsidized Stafford funding: A school may certify an [additional unsubsidized Stafford loan](#) for a student whose [parent](#) is unable to obtain a PLUS loan. However, if either parent later becomes eligible for a PLUS loan, the school must return to the lender any additional

unsubsidized Stafford loan funds received by the school but not yet delivered to the student for that [loan period](#). This change is effective for loans certified on or after July 1, 1999, unless implemented earlier by the guarantor.

Common forms: The [Master Promissory Note \(MPN\)](#) must be used for Stafford loans certified by the school for loan periods beginning on or after July 1, 1999, implementing policy guidance provided in [DCLs GEN-98-25](#) and [GEN-99-9](#).

Delivering loan funds: For Stafford and PLUS [loan proceeds](#) disbursed by [EFT](#) or [master check](#) and received by the school on or after July 1, 1999, the school must deliver the funds directly to the student, or credit the student's account at the school, within three business days after the school's receipt of the loan proceeds.

Deferment: [Deferments](#) generally are borrower-specific—not loan-specific. However, if all of the borrower's loans are paid in full and the borrower subsequently obtains a new loan, the borrower is eligible for all deferments applicable to that new loan, despite any previous periods of deferment.

Parental leave deferments are neither borrower-specific nor loan-specific, but are based on occurrence. A borrower is eligible for a parental leave deferment for each newborn or adoption and may obtain a deferment for the maximum period for each occurrence. These changes are effective for deferment requests received by the lender on or after July 1, 1999, unless implemented earlier by the guarantor.

Eligibility – borrower and student: For loans certified by the school for periods of enrollment beginning on or after July 1, 1999, legal guardians have been eliminated from the definition of a [parent](#) for the purpose of PLUS loan eligibility.

Guarantee transfer: A borrower-requested [guarantee transfer](#) may occur only if the borrower's request is obtained in writing, and the [holder](#) and both guarantors agree to the transfer. In the case of a loan made to two borrowers as [comakers](#), both borrowers must request the transfer in writing. A [guarantor](#) will not accept a borrower-requested transfer of guarantee on any loan that is 30 or more days delinquent, that is currently filed as a [claim](#) with the transferring guarantor, or that reflects or should reflect a stay of collection activities based on the borrower's filing of a [bankruptcy](#) action, or if the lender does not know the current address of the borrower. The lender must provide written certification to the guarantor accepting the transfer that, according to its records at the time of transfer, none of these conditions exists for the loan being transferred. A guarantee may be transferred without the borrower's

request only with the prior approval of the Department, the loan's holder, and both guarantors. Prior to any guarantee transfer, the lender of the loan must have an active [agreement](#) with the guarantor accepting the transfer. The lender also must obtain the borrower's written request or the Department's written approval, as applicable, and supply the guarantor accepting the transfer with copies of those documents, if required by the guarantor. [Guarantee fees](#) paid on the loan will not be transferred. This is effective for guarantee transfer requests submitted by the lender on or after July 1, 1999, unless implemented earlier by the guarantor.

Loan origination: A lender may elect not to make subsequent loans under an existing Stafford Master Promissory Note (Stafford MPN). The lender's decision may be based on any number of circumstances—for instance, if there is a change in the borrower's circumstances (such as bankruptcy or [delinquency](#)) or because the loan is being requested under a [Lender of Last Resort](#) Program. This change is effective on exercise of a lender's option to discontinue making loans under an existing Stafford MPN on or after July 1, 1999.

August 1, 1999

Closed school loan discharge: In the case of a closed school [discharge](#) request, a borrower must certify under penalty of perjury that all of the information that is provided by the borrower in the request and in any accompanying documents is true and accurate. This change is effective for all new loan discharge forms sent to borrowers on or after August 1, 1999. Other loan discharge applications sent to borrowers prior to that date may still be processed after that date.

False certification loan discharge: A borrower must complete, certify, and submit to the lender the applicable loan [discharge](#) form approved by the Department to qualify for a false certification discharge. For a loan discharge based on a disqualifying status, the borrower must complete, certify, and submit to the lender the Loan Discharge Application: False Certification (Disqualifying Status) form, in which the borrower states that he or she (or the student in the case of a PLUS borrower) was unable to meet the legal requirements for employment in the student's state of residence in the occupation for which the [program of study](#) was intended, due to age, physical or mental condition, criminal record, or other reason. The borrower must also provide information about the state legal requirement for employment that the student could not meet, including a reference to—or a copy of—the specific state law or regulation, and provide supporting documentation proving that the borrower had the

disqualifying status at the time the loan was made. If the guarantor determines that a borrower is eligible for a loan discharge or a discharge of one or more disbursements on a loan, the discharge cancels the obligation of the borrower to repay the applicable outstanding principal, accrued interest, [collection costs](#), and late fees. It also qualifies the borrower for reimbursement of any amounts paid voluntarily or through forced collection on the amount discharged. The lender or guarantor must ensure that a discharge is reported to credit bureaus, such that adverse credit history associated with the amount discharged is removed. This is effective for all new loan discharge forms sent to borrowers on or after August 1, 1999. Other loan discharge applications sent to borrowers prior to August 1, 1999, may still be processed.

August 5, 1999

Forbearance: A lender may grant an [administrative forbearance](#) to a borrower—or [endorser](#), if applicable—who contacts the lender and requests temporary relief from his or her loan obligation because he or she has been adversely affected by a natural disaster. The lender may grant an administrative forbearance for a period not to exceed 3 months, based on the borrower's or endorser's verbal or written request. Continuation of the [forbearance](#) beyond this 3-month period requires supporting documentation and a written agreement from the borrower or endorser. This change is effective for administrative forbearance granted by the lender on or after August 5, 1999, for a borrower or endorser who has been adversely affected by a natural disaster.

August 9, 1999

Common forms: The Department issued [DCL 99-G-319](#), which provides information regarding the approved Plain Language Disclosure (PLD) text for Stafford loans made under a [Master Promissory Note \(MPN\)](#) in the FFELP.

August 19, 1999

Common forms: Implementation of the Common Claim Initiative (CCI) policies originally included in Chapter ^{CC18} (now [Chapters 12, 13, and 14](#)) of this Manual, and referenced under the *September 1, 1998* entry in this appendix, is delayed.

The new effective date for the implementation of the CCI policies originally in Chapter ^{CC18} (now [Chapters 12, 13, and 14](#)) will be as follows: A [guarantor](#) will establish the date on which it is ready to trade CCI electronic records with its trading partners. This date is referred to as the "G" date. All guarantor "G" dates will be established based on the final publication of the CCI electronic formats with one

“G” date for preclaims and another “G” date for claims. The earliest “G” date that a guarantor may establish is two months after the final release of the CCI preclaim and [claim](#) documentation, respectively. The latest “G” date that a guarantor may use is 12 months following the final release of the CCI documentation. All CCI trading partners will be provided a window of 6 months from each guarantor’s “G” date to start reporting data using the CCI electronic format. Therefore, the preclaims and claims effective dates will be the guarantor “G” date plus 6 months. For example:

July 6, 1999 Preclaims Documentation Released

September 6, 1999 Earliest Guarantor “G” Date

March 6, 2000 Earliest Required
Implementation Date

July 6, 2000 Latest Guarantor “G” Date

January 6, 2001 Latest Required
Implementation Date

September 1999

Common forms: The Department issued [DCL GEN-99-28](#), announcing their approval of the following new PLUS Loan application forms, which must be used for applications issued on or after March 1, 2000:

- Application and Promissory Note for Federal PLUS Loan and instructions.
- Borrower’s Rights and Responsibilities.
- Endorser Addendum to Federal PLUS Loan Application and Promissory Note and instructions.

The Department issued [DCL GEN-99-30](#), announcing their approval of an extension of the expiration date of the [Federal Stafford Loan Master Promissory Note \(MPN\)](#) to August 31, 2002.

September 9, 1999

Disbursement rules: A lender must cancel all unmade disbursements if it receives reliable information that a federal student loan borrower—or the [dependent student](#) for whom a [parent](#) borrowed a PLUS loan—died before the [disbursement](#) was consummated. A school must return to the lender all loan funds that were disbursed to the school or delivered to the borrower or the student after the date of the borrower or dependent student’s death, as applicable.

Insurance: A Stafford or PLUS loan disbursement is not insured if it is unconsummated at the time of the borrower’s or student’s death, as applicable.

October 22, 1999

The Department published Final Rules on student eligibility.

October 29, 1999

The Department published Final Rules on institutional eligibility and guarantors and FFELP lenders.

November 1999

Common forms: The Department issued [DCL GEN-99-35](#), indicating their approval of a new Total and Permanent Disability Cancellation Request Form, which must be implemented no later than January 1, 2000.

November 1, 1999

The Department published Final Rules on refunds (return of Title IV aid), FFELP and Direct Loan program common provisions, consumerism, and cohort default rates.

Common forms: The Department issued [DCL GEN-99-23](#) to implement revised common [deferment](#) forms that were approved by the Department in July 1999. Lenders must distribute the new deferment forms to borrowers no later than November 1, 1999.

Forbearance: The Department issued [DCL GEN-99-36](#) to authorize lenders to grant an [administrative forbearance](#) in order to extend the period of suspension of [due diligence](#) for up to an additional 60 days if it is found, during the initial suspension period, that further time is needed to obtain the required death [claim](#) documentation.

December 2, 1999

Common forms: The Department issued [DCL GEN-99-37](#), indicating their approval of four new loan [discharge](#) applications for the following reasons.

- School Closure
- False Certification of Ability to Benefit
- False Certification (Disqualifying Status)
- False Certification (Unauthorized Signature/Unauthorized Payment)

2000

January 1, 2000

Consummated loans: For recordkeeping and reporting purposes, rather than making a loan-level determination, a lender must determine whether a [disbursement](#) is consummated or unconsummated. This change is effective for disbursements made by the lender on or after January 1, 2000.

Special allowance: 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](#)) is now a factor in calculating [special allowance](#) payable on the following loans:

- Stafford and PLUS loans first disbursed on or after January 1, 2000.
- Federal Consolidation loans made from [applications](#) received by lenders on or after January 1, 2000.

January 3, 2000

Audit: At the request of a school, [the Department](#) may waive the annual audit submission requirement for schools that meet certain criteria. If the Department grants the waiver, the school will not need to submit a compliance audit or audited financial statement until six months after one of the following:

- The end of the third fiscal year following the fiscal year for which the school last submitted a compliance audit and audited financial statement.
- The end of the second fiscal year following the fiscal year for which the school last submitted compliance and financial statement audits if the [award year](#) in which the school will apply for recertification is part of the third fiscal year.

This change is effective for annual audit submission waiver requests submitted by the school on or after January 3, 2000, such that the Department may begin granting waivers on or after July 1, 2000.

February 1, 2000

Deferment: For [economic hardship deferment](#) requests received by the lender on or after February 1, 2000, the lender must include defaulted loans on which the borrower

has made [satisfactory repayment arrangements](#) with the [holder](#) when determining a borrower's federal education debt burden for purposes of establishing economic hardship deferment eligibility.

March 1, 2000

Bankruptcy: A lender must file a bankruptcy claim if a Chapter 7 or 11 [bankruptcy](#) converts to a Chapter 12 or 13 bankruptcy. This is effective for bankruptcy filing or conversion notifications received by the lender on or after March 1, 2000, unless implemented earlier by the [guarantor](#).

Deferment: A borrower who is unemployed, [incarcerated](#), disabled, or on a temporary unpaid [leave of absence](#) from work may qualify for an economic hardship [deferment](#) if he or she provides the lender with documentation of his or her income. In addition, any borrower who does not have income when applying for an economic hardship deferment must provide to the lender a self-certifying statement, either on the deferment form or in a separate statement, indicating that he or she has no income. This is effective for economic hardship deferment requests received by the lender on or after March 1, 2000, unless implemented earlier by the guarantor.

Payment application: A lender is no longer required to document in the [claim](#) file the borrower's instructions regarding the application of [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. This change is effective for claims filed by the lender on or after March 1, 2000, unless implemented earlier by the guarantor.

March 13, 2000

Common forms: Schools located outside of the United States may not use the multi-year feature of the [MPN](#). Also, if a school has been deemed eligible by the Department to use the multi-year feature, the feature is applicable to all of the institution's students, even those who are not [enrolled](#) in four-year, graduate, or professional programs. This change is effective for loans certified by the school on or after March 13, 2000.

April 1, 2000

Deferment: If the [dependent student](#) for whom a [parent](#) borrower obtained one or more PLUS loans meets the conditions required for an in-school [deferment](#) or rehabilitation training deferment, the parent borrower may defer all of his or her PLUS loans based on the status of that

one student—provided that the parent borrower, on the date he or she signs the [promissory note](#), had an outstanding balance on a FFELP loan disbursed before July 1, 1993. Previously, the Manual inadvertently limited such eligibility to borrowers with a loan first disbursed on or after July 1, 1987, but prior to July 1, 1993. In addition, a PLUS borrower is no longer eligible for a graduate fellowship [deferment](#) based on the status of a [dependent student](#). These changes are effective for deferments granted by the lender on or after April 1, 2000, unless implemented earlier by the [guarantor](#).

May 1, 2000

Forbearance: When granting a reduced-payment [forbearance](#), the lender must provide the following information to the borrower:

- Information on the payment amount due during the forbearance.
- The address to which payments must be sent.
- The consequences, if any, of [delinquency](#) on payments required during the forbearance.

If a borrower becomes delinquent on required payments during a reduced-payment forbearance, the lender must comply with the terms of the forbearance agreement. Such terms may include the borrower being considered delinquent and ultimately defaulting if the agreed upon reduced payments are not made. This is effective for forbearances granted by the lender on or after May 1, 2000, unless implemented earlier by the guarantor.

July 1, 2000

Additional unsubsidized Stafford funds: A school may not certify [additional unsubsidized Stafford loan](#) funds for a dependent student based on the school's decision not to participate in the Federal PLUS Loan Program. This clarification is effective for unsubsidized Stafford loan funds certified by the school beginning no later than July 1, 2000.

Bankruptcy: If a borrower files a Chapter 12 or 13 [bankruptcy](#), the lender must suspend any collection efforts against any [comaker](#) or [endorser](#). Suspension of collection efforts against any comaker or endorser is optional if the borrower filed a Chapter 7 or 11 bankruptcy. If the lender is notified that a comaker or endorser has filed a petition for relief in bankruptcy, the lender must immediately suspend any collection efforts against the comaker or endorser that

are outside the bankruptcy proceeding. If the comaker or endorser filed a Chapter 12 or 13 bankruptcy, the lender must also suspend any collection efforts against the borrower and any other parties to the note. Suspension of any collection efforts against the borrower and any other parties to the note is optional if the comaker or endorser filed a Chapter 7 or 11 bankruptcy. These changes are effective for active bankruptcies on or after July 1, 2000, unless implemented earlier by the [guarantor](#).

Borrower dispute: If a borrower disputes the terms of a loan in writing, and the lender does not resolve the dispute, the lender must inform the borrower of an appropriate guarantor contact for the resolution of the dispute. This is effective for borrower disputes received by the lender on or after July 1, 2000.

Claim filing requirements: When filing a [claim](#), a lender must include both the loan [application](#) (if separate) and the [promissory note](#) assigned to the guarantor (or a copy of the promissory note certified by the lender as true and accurate). This change is effective for claims filed by the lender on or after July 1, 2000—or prior to July 1, 2000, if the loan was made using the [Master Promissory Note](#).

The lender must inform the guarantor if, after filing a [default](#) claim, the lender receives documentation that the loan(s) qualifies for a different type of claim payment. Effective for requests for unpaid refund loan [discharge](#) received by the lender on or after July 1, 2000.

Claim repurchase/recall: A lender will be required to [repurchase](#) a claim if the loan is ruled by a court to be legally unenforceable solely due to the lack of evidence of a [Confirmation](#) or [Notification](#) process for loans generated from the Master Promissory Note. This change is effective for loans ruled unenforceable by a court of law on or after July 1, 2000.

A lender must [repurchase](#) a [default claim](#) if a delay occurred in the processing of a [deferment](#) that began prior to the date of default. This is effective for deferment documentation processed by the lender on or after July 1, 2000, unless implemented earlier by the [guarantor](#).

A lender must [recall](#) a [default claim](#) if the loan is reduced to 210 or fewer days delinquent before the guarantor pays the claim. This change is effective for loans on which the [delinquency](#) is reduced to 210 or fewer days on or after July 1, 2000, in cases where the lender has filed a claim based on the 270th day of [delinquency](#) but the guarantor has not yet paid the claim. This change may have been implemented by the guarantor on or after October 7, 1998.

Closed school loan discharge: A borrower may qualify for a closed school loan [discharge](#) without submitting a request if the borrower received a closed school discharge on a loan under the [Federal Perkins Loan Program](#) or the [Federal Direct Loan Program](#) for the same [program of study](#) at the same school, or if the [Department](#) or the guarantor, with the Department's permission, determines that the borrower qualifies for a discharge based on information in the Department's or guarantor's possession. This change is effective for closed school loan discharge determinations made on or after July 1, 2000.

Cohort default rate: Provisions related to the calculation of a school's FFELP [cohort default rate](#), [FDLP cohort default rate](#), or [dual-program cohort default rate](#) are revised as follows:

- A school may become ineligible to participate in the Federal [Pell Grant](#) Program as a result of ineligibility to participate in the FFELP or FDLP due to excessive cohort default rates.
- When the Department notifies a school of its draft cohort default rate, it will also provide a school which has a draft cohort default rate of 10% or more a copy of the supporting data used in calculating its draft rate.
- If a school is planning a challenge to its draft cohort default rate, the school now has 45 calendar days to provide information supporting its challenge to the guarantor(s). If the school is planning to challenge the anticipated loss of participation in the FFELP based on a draft cohort default rate of 25% or more for the three most recent years, the school has 30 calendar days after the date on which the school received its draft cohort rate information from the Department to challenge the data based on exceptional mitigating circumstances.
- If the school continues to participate in the [FFELP](#) during an appeal and the appeal is unsuccessful, the school is required to pay to the [Department](#) the amount of [interest](#), [special allowance](#), reinsurance, and any related payments made by the Department with respect to loans that the school certified and delivered more than 30 calendar days after the date the school received notification of the rate from the Department.
- In addition, the Department may determine that a school's appeal is valid under exceptional mitigating circumstances. In this case, a school's appeal must generally be based on the Participation Rate Index or based upon its service to economically disadvantaged students.

These changes are effective for [cohort default rates](#) issued by the Department on or after July 1, 2000.

Common forms: Use of the [common application](#) and [promissory note](#) for Stafford loans is discontinued on July 1, 2000, when use of the [Federal Stafford Loan Master Promissory Note](#) becomes mandatory. This is effective for Stafford loans certified by the school for any [period of enrollment](#) beginning on or after July 1, 2000, and for any loan certified on or after July 1, 2000, regardless of the [loan period](#) begin date.

For loans disbursed on or after July 1, 2000, or earlier if the loan was made using the [Master Promissory Note \(MPN\)](#), the following provisions exist:

- The MPN authorizes the lender to defer all of a borrower's [FFELP](#) loans based on information indicating that the borrower is [enrolled](#) at least half time.
- The MPN authorizes the lender to capitalize accrued interest on all the borrower's FFELP loans, including those made under the MPN.
- The MPN authorizes the lender to align repayment of the borrower's Stafford and SLS loans.

Consolidation loans: A Federal Consolidation loan borrower is not eligible for a subsequent consolidation loan unless the borrower meets one of the following conditions:

- The borrower has obtained a new eligible loan after the date the existing Consolidation loan was made.
- The borrower is consolidating an existing Consolidation loan with at least one other eligible loan, regardless of whether it was made before or after the date the existing Consolidation loan was made.

In either case, if the borrower meets all eligibility requirements, any or all outstanding eligible loans may be consolidated, including existing Consolidation loans and loans made before or after any existing Consolidation loan. However, a borrower or a married couple may not reconsolidate a single Consolidation loan. This change is effective for Consolidation loans made on or after July 1, 2000.

If a borrower, or either spouse in the case of a married couple, has [FFELP](#) loans held by multiple lenders, consolidation may be requested from any participating consolidation lender, regardless of whether the

consolidating lender is a [holder](#) of any of the borrower's loans. This is effective for consolidation loan applications received by the lender on or after July 1, 2000, unless implemented earlier by the lender.

Deferment: In-school deferments are not bound to the 6-month backdating rule that applies to other types of [deferment](#). The lender must grant an in-school deferment for each eligible [period of enrollment](#) and may bill the [Department](#) for [interest benefits](#) on a subsidized Stafford loan, regardless of the date enrollment began. This change is effective for in-school deferments granted on or after July 1, 2000, unless implemented earlier by the lender. Lenders may implement this provision earlier than the regulatory effective date (but not before October 29, 1999, date of the regulatory change published in the *Federal Register*) to maximize the benefit to [FFELP](#) borrowers.

A lender must use any information certified by the school indicating that the borrower is [enrolled](#) at least half time in determining the eligibility of a borrower for an in-school [deferment](#). If a lender grants an in-school deferment based on other information certified by the school and the borrower did not request the deferment, the lender must notify the borrower of the in-school deferment. The notification must advise the borrower of the option to pay the interest that accrues on an [unsubsidized loan](#), the option to cancel the deferment and continue paying on the loan, and the consequences of these options. This is effective for in-school deferments granted on or after July 1, 2000, unless implemented earlier by the lender.

A lender may grant an unemployment deferment to a borrower who requests an unemployment deferment and provides to the lender evidence of the borrower's eligibility to receive unemployment benefits. In this case, the borrower need not provide the lender with the common deferment form or other additional information or documentation. This is effective for unemployment deferments granted on or after July 1, 2000, unless implemented earlier by the lender.

For unemployment deferments, a reference to the [Freely Associated States](#) has been added and the reference to the Trust Territory of the Pacific Islands has been deleted, when referring to borrowers residing in and seeking employment in a "state". The Freely Associated States are the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. This is effective for deferments granted on or after July 1, 2000, unless implemented earlier by the lender.

Disbursement rules: A school must cease certifying loans based on exemptions to the [multiple disbursement](#) and [delayed delivery](#) requirements no later than 30 days after receiving notice from the Department of a [FFELP cohort default rate](#), [FDLP cohort default rate](#), or [dual program cohort default rate](#) that causes the school to no longer meet the necessary qualifications for these exemptions. In addition, eligible [foreign schools](#) are exempt from the requirement to delay delivery of funds to first-year undergraduate students who are first-time borrowers. These changes are effective for loans certified on or after July 1, 2000, by schools that have received notice from the Department that a cohort default rate causes the school to no longer meet the necessary qualifications.

If requested by the school, a lender may make disbursements after a [disbursement](#) has been returned, unless the lender or school has information that the student is no longer enrolled. This change is effective for school requests for disbursements received by the lender on or after July 1, 2000.

Disclosure requirements:

- Student Consumer Information – The school must provide consumer information on an annual basis and prior to a student enrolling in or entering into any financial obligation with the school. Information may be provided on an Internet Website accessible to the general public. However, an Intranet Website, which is accessible only to persons within the school, may not be used to provide information to prospective students. When providing the required information for student athletes, schools should follow the requirements of [34 CFR 668.48](#). Information provided to these students must also be provided by report to the [Department](#) by July 1 each year. A school's student consumer information must include a description of student rights and responsibilities specifically addressing financial assistance under the [Title IV](#) programs. Information that schools furnish regarding provisions for [cancellation](#), [deferment](#), or [forgiveness](#) of [FFELP](#) loans must now also indicate the availability of [deferment](#) for service in the Peace Corps, service under the Domestic Volunteer Service Act of 1973, or comparable volunteer service for a tax-exempt organization. These changes are effective for consumer information provided by the school on or after July 1, 2000.

- Repayment information – At or before the first [disbursement](#) of a Stafford or PLUS loan, the lender must provide the borrower, in a written or electronic format, the following information (in addition to that already required):
 - Information on the availability of income-sensitive repayment. The lender must provide, together or separately, all of the following:
 - A statement that the borrower is eligible for [income-sensitive repayment](#), including through loan consolidation.
 - Procedures by which the borrower may choose income-sensitive repayment.
 - Where and how the borrower may obtain more information on income-sensitive repayment.

The lender meets the preceding disclosure requirement by providing the borrower with the [promissory note](#) and associated materials approved by [the Department](#).

These changes are effective for initial disclosure notifications issued by the lender to the borrower on or after July 1, 2000.

A lender may rely on the PLUS promissory note and associated materials approved by the Department to satisfy the requirement to provide the borrower with sample projections of monthly repayment amounts assuming different levels of borrowing and [interest](#) accruals. This change is effective for repayment disclosures issued by the lender on or after July 1, 2000.

A lender must provide to borrowers, at the time repayment options are offered, a telephone number accessible at no cost to the borrower from within the U.S. from which the borrower can obtain additional loan information. A lender may disclose its own toll-free number or an alternative number (for example, a lender may offer a toll number at which the borrower can call collect; or with the permission of the [guarantor](#), arrange to provide the guarantor's toll-free number). This change is effective for repayment disclosures issued by the lender on or after July 1, 2000.

A lender must offer *all* borrowers the choice of a [standard](#), income-sensitive, [graduated](#), or, if applicable, an [extended repayment schedule](#). In addition, the lender must inform the borrower through repayment notification that he or she is eligible for income-sensitive repayment (including through loan consolidation), the procedures by which the borrower can choose income-sensitive repayment, and where and how more information on income-sensitive repayment may be obtained. These changes are effective for repayment disclosures issued by the lender on or after July 1, 2000.

Due diligence: A lender must complete [endorser due diligence](#) requirements before filing a [default claim](#), rather than during the [delinquency](#) period of the loan. This is effective for default claims for which the first day of delinquency on the oldest outstanding due date is on or after July 1, 2000, unless implemented earlier by the guarantor.

The following expanded requirements are effective for [skip tracing](#) initiated by the lender on or after July 1, 2001, unless implemented earlier by the guarantor:

- In performing telephone skip tracing with the [financial aid administrator](#) or other school official, lenders must direct written or telephone contact to the school identified on the most recent school certification or the most recent loan [application](#).
- In performing address skip tracing, lenders must contact the schools in the borrower's loan file. This contact should be with the financial aid administrator or other school official who may reasonably be expected to know the borrower's address.

The period during which a lender must submit a request for [default aversion assistance](#) from a guarantor is defined as the Default Aversion Assistance Request (DAAR) period. This period begins no earlier than the 60th day and ends no later than the 120th day of the borrower's [delinquency](#). If a lender fails to request default aversion during the DAAR period, and the lender later submits a [claim](#) on that loan, the lender is subject to an interest penalty. If the lender fails to file a request by the 330th day, it will not be entitled to receive interest, [interest benefits](#), and [special allowance](#) for the 270 days immediately preceding the date on which the loan defaulted. After initially submitting a [default aversion assistance](#) request, a lender must provide any additional information requested by the [guarantor](#) or resubmit any rejected default aversion assistance request. This change is

effective for loans for which the first day of [delinquency](#) on the oldest outstanding due date is on or after July 1, 2000, unless implemented earlier by the guarantor.

[Due diligence](#) requirements for lenders are expanded for loans for which the first day of [delinquency](#) on the oldest outstanding due date is on or after July 1, 2000, unless implemented earlier by the [guarantor](#), as follows:

- The lender must continue due diligence efforts, urging the borrower to make the required loan payments between the 181st and 270th days of delinquency (between the 241st and 330th day of delinquency for loans payable in installments less frequent than monthly). Efforts made after the [final demand](#) letter has been sent must support the final demand, although these efforts are no longer restricted to [diligent efforts](#) to contact the borrower by telephone.
- The lender must mail the final demand letter when the loan becomes 241 or more days delinquent (301 or more days delinquent for loans payable in installments less frequent than monthly).

In at least one of the collection activities required of lenders under [§682.411](#), the lender must inform the borrower of the availability of the Department's Student Loan Ombudsman's office. This is effective for loans with a first day of delinquency on the oldest outstanding due date that is on or after July 1, 2000.

Eligibility – borrower and student: Students convicted of the possession or sale of an illegal drug may not be eligible for Title IV funds. The Department determines the borrower's eligibility based on the student's self-certification on the [Free Application for Federal Student Aid \(FAFSA\)](#). The school is notified of the student's eligibility on the [Institutional Student Information Record \(ISIR\)](#). However, if the financial aid office has conflicting information regarding a drug conviction that affects the student's eligibility, this discrepancy must be resolved. This is effective for student eligibility determinations made for [award years](#) beginning on or after July 1, 2000.

A student enrolled in a graduate-level allied health program is no longer eligible for the increased Stafford annual and aggregate loan limits available to health profession students. Effective with the publication date of the 00-01 FSA Handbook.

A student [enrolled](#) in correspondence courses is eligible to receive Title IV assistance only if the correspondence courses are part of a program that leads to an associate, bachelor's, or graduate degree. A student enrolled in a

telecommunications course at an [institution of higher education](#) is not considered to be enrolled in a correspondence course, if both of the following criteria apply:

- The student is enrolled in a program that leads to a certificate for a [program of study](#) of one year or longer, or to an associate, bachelor's, or graduate degree.
- The number of telecommunications and correspondence courses the school offered during its most recently completed [award year](#) was fewer than 50% of all the courses the school offered during the same year.

These changes are effective for award years beginning on or after July 1, 2000, unless implemented earlier by the school.

Eligibility – school: A [branch campus](#) may apply for participation as a main campus or freestanding institution if the branch campus of an eligible school has been in existence for at least two years following its certification by the Department as a branch campus. This is effective for branch campuses that apply for designation as a main campus or a freestanding institution on or after July 1, 2000, unless implemented earlier by the school.

A school no longer meets the definition of an eligible institution if the percentage of regularly enrolled students who are [incarcerated](#) is more than 25%, or if the percentage of regularly enrolled students who do not have a high school diploma or its equivalent is more than 50%. The Department may offer a waiver of the limit on the percentage of incarcerated students if the school is a nonprofit institution that provides 2-year or 4-year educational programs for which it awards an associate or bachelor's degree, or a postsecondary diploma. This is effective for school compliance with the definition of an eligible institution on or after July 1, 2000.

A proprietary school must receive no more than 90% of its revenues from [Title IV](#) funds. This calculation must be based on the school's most recently completed fiscal year. This is effective for revenues received by proprietary schools for fiscal years beginning on or after July 1, 2000, unless implemented earlier by the school on or after October 7, 1998.

A school may be prohibited from delivering [Title IV](#) funds to students if a school's [Program Participation Agreement \(PPA\)](#) expires or if a school undergoes a change in ownership resulting in a [change in control](#) or when a school changes status as a nonprofit, for-profit, or public school.

Provisions regarding the expiration of the school's [Program Participation Agreement](#) are effective retroactively to the implementation of the *Common Manual*. Provisions relating to a change of ownership resulting in a change in control are effective for Program Participation Agreements initiated on or after July 1, 2000, and Provisional Certifications granted by the Department on or after October 29, 1999.

Entrance counseling: Schools must include an explanation of the use of the [MPN](#) when conducting [entrance counseling](#), and are authorized to use interactive electronic means as a method to conduct entrance counseling. Electronic means must be interactive, which at a minimum require schools to take reasonable steps to ensure that each borrower receives the counseling materials and participates in and completes the counseling. This change is effective for entrance counseling conducted by the school on or after July 1, 2000, unless implemented earlier by the school.

Effective for [entrance counseling](#) conducted by the school on or after July 1, 2000, unless implemented earlier by the school, [the Department](#) stipulates that a school must:

- Explain the use of the [Master Promissory Note](#).
- Emphasize to the student the seriousness and importance of the repayment obligation the student is assuming.
- Describe in forceful terms the likely consequences of [default](#), including adverse credit reports and litigation.
- Except for a student who receives a loan made or originated by the school, the school must emphasize that the student is obligated to repay the full amount of the Stafford loan, even if the student does not complete the program, is unable to obtain employment upon completion, or is otherwise dissatisfied with or does not receive the educational or other services that the student purchased from the school.

In an effort to improve a student's understanding of his or her loan repayment obligation, the Department recommends that the school provide additional information as outlined in [Appendix D of §668](#) and the [FSA Handbook](#) as part of the entrance counseling.

Exit counseling: The following are new regulatory requirements for [exit counseling](#) for students who cease half-time attendance on or after July 1, 2000, unless implemented earlier by the school:

- Schools may use audiovisual or interactive electronic means to conduct exit counseling.
- Schools may provide exit counseling materials to study-abroad students by mail.
- Schools may use interactive electronic means for students who withdraw or fail to complete exit counseling.
- Schools are now required to provide the information listed in regulations and in [Subsection 4.4.D](#) of the *Common Manual*.
- Schools must inform students with SLS loans that refinancing of SLS loans is available.
- Schools must explain conditions for full [cancellation](#) of the loan, as well as [partial cancellation](#).
- Schools must provide each student with information about the Department's Student Loan Ombudsman's office.
- Schools must explain the use of the [Master Promissory Note](#).
- Schools must take reasonable steps to ensure that the student receives, participates in, and completes exit counseling if it is conducted by interactive electronic means.
- Schools must ensure that the average anticipated monthly repayment amount based on the student's indebtedness is provided to the borrower during exit counseling.

False certification loan discharge: When requesting a false certification loan [discharge](#), borrowers are no longer required to certify that a reasonable attempt was made to obtain employment in the occupation for which the program was intended to provide training. This change is effective for false certification loan discharge requests received by the lender on or after July 1, 2000.

Federal reporting: If a lender owes [origination fees](#) or lender loan fees, the lender must submit ED Form 799 to [the Department](#) even if the lender is not owed or does not wish to receive [interest benefits](#) or [special allowance](#) payments.

Forbearance: A lender may grant an [administrative forbearance](#) to resolve an outstanding [delinquency](#) that precedes an administrative forbearance granted for a natural disaster, and that precedes a [mandatory administrative forbearance](#) granted for military mobilization, local or national emergency, or a designated disaster. This change is effective for disaster-related administrative forbearance and mandatory administrative forbearance granted for military mobilization, local or national emergency, or a designated disaster area on or after July 1, 2000.

A lender may grant subsequent periods of administrative forbearance, not to exceed 60 days each, if the lender determines that it is warranted in order to collect or process supporting documentation following a borrower's request for a [deferment](#), [forbearance](#), change in repayment plan, or loan consolidation. The lender may grant a new administrative forbearance period for each occurrence. The lender must document the reasons for granting each forbearance of this type in the borrower's loan history. This change is effective for subsequent administrative forbearances granted in order to collect and process supporting documentation following a borrower's request for a deferment, forbearance, change in repayment plan, or loan consolidation on or after July 1, 2000.

Grace period: A borrower who is called or ordered to active duty may receive multiple extensions of the [grace period](#) and no single extension may exceed 3 years. A borrower's full grace period is restored at the end of this period. This change is effective for second and subsequent notifications of active duty status received by the lender on or after July 1, 2000.

Holder: An eligible lender owning a FFELP loan is the new definition of a "[holder](#)." This change is effective July 1, 2000.

Inducements: Lenders are authorized to provide assistance to schools comparable to the kinds of assistance provided by the Department to schools under, or in furtherance of, the FDLF. This change is effective for assistance provided by lenders to schools on or after July 1, 2000, unless implemented earlier by the lender.

Interest payment and capitalization: For subsidized and unsubsidized Stafford loans first disbursed on or after July 1, 2000, the lender may capitalize [interest](#) only when the loan enters repayment, when a deferment ends, when a [forbearance](#) ends, and when the loan defaults.

Interest subsidy: For Federal Consolidation loans made from applications received by lenders on or after November 13, 1997, the portion of the loan that is eligible for interest subsidy is the portion that repaid any subsidized [FFELP](#) or [Federal Direct Loan Program](#) loan. This is effective for Consolidation loan applications received by the lender on or after July 1, 2000, unless implemented earlier by the lender.

~~**Late disbursement/post withdrawal disbursement:** A post withdrawal disbursement is a disbursement made to a student who has withdrawn, but who has earned more aid than has been disbursed. If the student has earned more Title IV aid than has been disbursed and is otherwise eligible to receive funds, the school must deliver a post withdrawal disbursement to the student (or parent, in the case of a PLUS loan). No return of funds is required when the student is eligible to receive a post withdrawal disbursement. The school may credit all or a portion of the post withdrawal disbursement to the student's account, up to the amount of outstanding charges. To assist schools, the Department has provided a Post Withdrawal Disbursement Tracking Sheet.~~

A post withdrawal disbursement is different from a late disbursement in the following ways:

- ~~The school is required to offer an eligible borrower a post withdrawal disbursement, and if accepted, to deliver the post withdrawal disbursement.~~
- ~~The post withdrawal disbursement must be made from available Title IV grant funds before available loan funds.~~
- ~~The 90 day period for the school to deliver the post withdrawal disbursement is calculated from the date of the school's determination that the student withdrew rather than from the student's withdrawal date.~~

~~If the student is eligible for a post withdrawal disbursement, it must be offered to the student within 30 days of the date of determination. If any amount of a post withdrawal disbursement remains after the student's institutional charges are paid, the school must offer that~~

~~amount to the borrower within 30 days of determining that the student withdrew. The school must provide a written notice to the borrower regarding the funds to be delivered.~~

Leave of absence: Federal regulations effective July 1, 2000, provide for implementation of these changes on or before October 7, 2000. If a school chooses to implement these regulations prior to October 7, 2000, it must implement them in their entirety.

A [leave of absence](#) is an approved leave if the following conditions are met:

- The school has a written policy regarding leaves of absence that is publicized to students and that requires a written, signed, and dated request from the student prior to the leave of absence.
- The student has requested the leave of absence according to the school's policy, and the school has approved the leave.
- The leave of absence does not involve additional charges by the school to the student.
- Upon return, the student is permitted to complete the coursework he or she began prior to the leave of absence.
- The leave of absence does not exceed 180 days in any 12-month period. The 12-month period begins on the first day of the student's leave of absence (or initial leave of absence, if applicable).
- Prior to granting the leave, the school explains to the student the effects that the student's failure to return from a leave of absence may have on repayment of the student's loans, including the depletion of some or all of the student's [grace period](#).

In any 12-month period, the school should grant no more than one leave of absence to each student, except in the following situations:

- One subsequent leave of absence may be granted if the leave of absence does not exceed 30 days and the school determines that it is necessary due to unforeseen circumstances.

- Subsequent leaves of absence may be granted for jury duty, military reasons, or circumstances covered under the [Family and Medical Leave Act of 1993](#). The school must document the reason for each subsequent leave of absence.

The total number of days of all leaves of absence may never exceed 180 days in any 12-month period.

The [last date of attendance](#) for students who fail to return from an approved leave of absence is based upon whether the school is required to take attendance. For schools required to take attendance, the last date of attendance is the last date of academic attendance reflected in the school's attendance records. For schools not required to take attendance, the last date of attendance is the date the student began the leave of absence.

Lender of last resort: A student is entitled to receive Stafford loans under the [Lender of Last Resort \(LLR\) program](#) if the student is eligible to participate in the FFELP and meets all of the following conditions:

- The student qualifies for [interest benefits](#).
- The student is eligible for a combined subsidized and unsubsidized Stafford loan amount of at least \$200.
- The student is otherwise unable to obtain loans from another eligible lender for the same [period of enrollment](#) or is attending a school that has been designated an LLR school.

In addition, an LLR may offer unsubsidized Stafford loans and PLUS loans through LLR programs to eligible borrowers who have been otherwise unable to obtain those loans from another eligible lender. Within 60 days of receiving a complete request from the borrower for an LLR loan, the [guarantor](#) must respond to the borrower with an approval or denial. If the LLR loan is approved, the guarantor will either serve as the lender or designate an eligible lender to make the LLR loan. This is effective for loan applications received by the LLR on or after July 1, 2000.

Loan sales and transfers: A school may request that the lender assign the original or a true and exact copy of the [promissory note](#) to the school in those cases where a school repays the entire loan amount for an [ineligible borrower](#). This revision is effective for all loans made using a [Master Promissory Note \(MPN\)](#) for any period of enrollment

beginning on or after July 1, 2000, and for any loan certified on or after July 1, 2000, regardless of the [loan period](#) begin date.

Origination fee: The lender must ensure that origination fees are assessed equally to all Stafford borrowers who reside in a particular state or who attend school in that state. The exception is that the lender may charge a lesser fee to a Stafford borrower who demonstrates “greater [financial need](#)” based on any one of the following qualifications:

- The borrower’s [expected family contribution \(EFC\)](#), used to determine loan eligibility, is equal to or less than the maximum qualifying EFC for a Federal [Pell grant](#) at the time the loan is certified.
- The borrower qualifies for a subsidized Stafford loan.
- The borrower meets a comparable standard approved by the Department.

If a lender charges a lesser [origination fee](#) to a Stafford borrower who has been determined by the lender to have a “greater financial need,” the lender must charge all such borrowers who reside in that state or attend school in that state the same origination fee. In addition, if the lender charges the borrower a lesser origination fee on an unsubsidized Stafford loan, the lender must charge the borrower the same fee on a subsidized Stafford loan. These changes are effective for fees owed by the lender on or after July 1, 2000.

Program Participation Agreement: The following are additional requirements for schools that are completing a [program participation agreement](#):

- A school located in a state not covered by section 4(b) of the National Voter Registration Act (commonly known as the Motor Voter Registration Act) is required to make a good faith effort to mail a voter registration form to each [enrolled](#) student who is physically in attendance at the school and to make the forms widely available. This requirement includes elections for a state’s governor or other chief executive or for federal office elections.
- A school seeking to participate in the [FFELP](#) for the first time must use a [default](#) management plan approved by [the Department](#) for at least the first two years of its participation in the FFELP if the owner of the school owns or owned any other school that had a [cohort default rate](#) greater than 10%.

- A FFELP-[participating school](#) undergoing a change of ownership that results in a [change in control](#) may be required to use a default management plan approved by the Department for at least the first two years following the change.

A school must submit a default management plan if it is seeking to re-establish eligibility based on a change in ownership that resulted in a [change in control](#) or if the school has a cohort default rate greater than 10%. This is effective for program participation agreements initiated on or after July 1, 2000, and provisional certifications granted by the Department on or after October 29, 1999.

Record retention: The list of required documentation that must be retained by the lender has been expanded to include all of the following:

- Documentation of any [Master Promissory Note \(MPN\) Confirmation](#) or [Notification](#) process or processes.
- A copy of the loan application, if a separate application was provided to the lender.
- A copy of the signed [promissory note](#). The original or a true and exact copy of the promissory note must be retained until the loan is paid in full or assigned to the Department.

For loans made under an MPN, these changes are effective upon [disbursement](#). For all other loans, changes apply to the lender’s retention of the application and promissory note on or after July 1, 2000.

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

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

When a loan is paid in full by the borrower, the lender must either return the original [promissory note](#) or a true and exact copy of the promissory note to the borrower, or notify the borrower that the loan is paid in full. Revised policy deletes the requirement that any paid-in-full notification to the borrower be made by an alternative procedure acceptable under state law. Revisions regarding [record](#) retention time frames are effective for loan records retained by the lender on or after July 1, 2000. Revisions regarding lender notification that a loan has been paid in full by the borrower

are effective for loans paid in full on or after July 1, 2000, unless the lender implements this provision earlier for loans made under an [MPN](#).

Recordkeeping requirements for schools are revised as follows:

- A school must retain a copy of the MPN certification, or certification data if submitted electronically.
- A school must retain the [cost of attendance](#), [estimated financial assistance](#), and [expected family contribution](#) (instead of records of the calculations used to determine the loan amount).
- A school must retain a [record](#) of any MPN [Confirmation](#) or [Notification](#) process it used.
- The requirement that the school retain the name and address of the lender for each loan certified has been removed.

This change is effective for loan [application](#)/certification-related records maintained for loans certified on or after July 1, 2000, unless implemented earlier by the school as a result of initiating the MPN process.

Status changes and reporting: The [in-school period](#) end date for students [enrolled](#) in correspondence programs is the earliest of:

- The date the student borrower completes the program.
- The date of withdrawal.
- 60 days from the last day for completing the program, as established by the school.

The one-time provision by which a correspondence school was allowed to restore the student's in-school status if the student failed to submit an assignment has been deleted. These changes are effective for in-school period end dates determined by the school on or after July 1, 2000.

Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999, a student who leaves school or fails to return to school as expected is considered to have withdrawn. The school must determine the [withdrawal date](#) and report that date to the lender or [guarantor](#). For the purposes of reporting enrollment status and [deferment](#) information, if a student does not return for the next

scheduled term following a summer break or a period of summer bridge deferment (including periods during which classes are offered but attendance is not required), the school must determine the student's withdrawal date within 30 days after the first day of the next scheduled term. For any student for whom the school is required to take attendance, the withdrawal date is the student's last recorded date of academic attendance, as determined by the school from its attendance records. If such a student does not resume attendance by the end of an approved [leave of absence](#) at the school, or takes an unapproved leave of absence, the withdrawal date is the student's last recorded date of academic attendance. The school must maintain documentation of the [withdrawal date](#), beginning on the date the school determines that the student withdrew.

A school that is not required to take attendance must describe its withdrawal process to students and designate the persons or offices the student must contact to provide official notification of withdrawal. If the student provides notice of his or her intent to withdraw, the withdrawal date is the earlier of the following:

- The date the student began the school's withdrawal process.
- The date the student provided official notification to the school, in writing or orally, of his or her intent to withdraw.

If the student does not initiate the withdrawal process, the withdrawal date is one of the following:

- The midpoint of the [payment period](#) (or [period of enrollment](#), if applicable).
- The date the student began a [leave of absence](#) if the student fails to return from an approved leave of absence or takes an unapproved leave of absence.
- The school may use certain alternatives to these methods of determining the withdrawal date when a student does not initiate the withdrawal process.

If the student does not provide official notice of his or her intent to withdraw to a school that is not required to take attendance, the school must determine the student's withdrawal date within 30 days after the last day of the earliest of:

- The period of enrollment for which the student has been charged.

- The [academic year](#) during which the student withdrew.
- The educational program from which the student withdrew.

The school may allow a student to rescind his or her official notification to withdraw one time if the student signs a written statement that he or she is continuing to participate in academically related activities and intends to complete the [payment period](#) or [period of enrollment](#), as applicable. The school must report the [withdrawal date](#) to the lender. This date determines the beginning of the student's [grace period](#). A withdrawal date must consist of a month, day, and year.

Unpaid refund discharge: If the lender learns that an open school did not pay a required [refund](#), the lender must provide the borrower a [discharge](#) request form and an explanation of the qualifications and procedures for obtaining a [discharge](#). The lender must also promptly suspend any collection activities on the loan for at least 60 days or until the lender receives the guarantor's determination, whichever is earlier. To qualify for an unpaid refund discharge, a borrower must complete, certify, and submit to his or her lender or [guarantor](#) a written request and a sworn statement (notarization is not required), made under penalty of perjury. The guarantor may, with the Department's consent, grant an unpaid refund discharge without a borrower's request if the guarantor determines, based on information in the guarantor's possession, that the borrower qualifies for a discharge. If the lender does not receive the borrower's completed discharge request within 60 days of the date on which the lender sent the request to the borrower, the lender must resume collection activities and grant a [forbearance](#) for the period when collection activities were suspended. Any [interest](#) accrued and not paid during this period may be capitalized. If the lender receives the borrower's unpaid refund discharge request more than 60 days from the date on which the lender sent the request to the borrower, the lender may grant an additional [administrative forbearance](#) on any affected loan. The unpaid refund provisions are effective for completed unpaid refund discharge requests received by the lender or guarantor and unpaid refund allegations received by the school on or after July 1, 2000.

For an unpaid refund discharge request for a closed school, the guarantor is required to purchase an approved discharge request or return the request to the lender within 45 days. For an unpaid refund discharge request for an open school, the guarantor may take up to 120 days to resolve the unpaid refund with the school. The guarantor is required to purchase an approved discharge request or return it to the lender within 45 days from the date the eligibility

determination is made. These time frames are effective for unpaid refund discharges granted on or after July 1, 2000, for loans disbursed, in whole or in part, on or after January 1, 1986.

October 2000

Consolidation loans: The following changes apply to Consolidation loans made using the common Consolidation loan forms approved for use by the [Department](#) in October 2000:

- Married couples applying for a spousal consolidation loan no longer need to complete a separate form, but must complete all applicable sections of the common Consolidation loan forms, including those that apply to spousal consolidation.
- The borrower's authorization for the release of information is now included on the [application](#) and [promissory note](#).
- A borrower must certify that he or she does not owe an overpayment on a Pell, [SEOG](#) or LEAP Grant and that all loans being consolidated were used to finance the education of the borrower, the borrower's spouse, or the borrower's child.
- Borrowers who wish to add eligible loans to a Consolidation loan must complete and return the *Request to Add Loans* form to the lender so that the lender receives it within 180 days of the date the original Consolidation loan was made. In addition, the lender must disclose new repayment terms to the borrower, if the terms of the borrower's Consolidation loan change due to the addition of loans within the 180-day add-on period.

October 1, 2000

The Department publishes [DPL GEN-01-06](#), which provides voluntary standards for lenders to use for electronic signatures in electronic student loan transactions. The voluntary standards protect lenders from loss of guarantee, [federal interest benefits](#), and [special allowance](#) payments if a loan is determined to be legally unenforceable based solely on the processes used for the [electronic signature](#) or related records. If a lender's processes for electronic signatures and related records do not satisfy these standards and a loan is held by a court to be unenforceable based solely on these processes, the Department will determine on a case-by-case basis whether federal benefits will be denied or paid. A lender is not

protected from these losses on loans made using electronic signatures in electronic student loan transactions to students attending [foreign schools](#) even if the lender complies with these standards. This guidance is effective for FFELP documents signed electronically by the borrower on or after October 1, 2000.

October 7, 2000

Eligibility – borrower and student: In addition to having the option of making satisfactory repayment arrangements with the school, borrowers have the option of making satisfactory repayment arrangements with the Department to resolve an overpayment of \$25 or more in order to be considered eligible for additional Title IV funds.

Leave of absence: “[Leave of absence](#)” is defined as a status in which the student is considered to be continuously [enrolled](#) for Title IV program purposes. Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999.

Payment period: For an eligible program that combines a series of modules into a semester, trimester, or quarter and measures progress in credit hours, the [payment period](#) includes all of the modules the student was scheduled to attend in the semester, trimester, or quarter beginning with the module that included the student’s first day of attendance. Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999.

Post-withdrawal disbursement: A [post-withdrawal disbursement](#) is a disbursement made to a student who has withdrawn, but who earned more Title IV aid than was disbursed. If the student earned more Title IV aid than was disbursed and is otherwise eligible to receive funds, the school must deliver a post-withdrawal disbursement to the student (or parent, in the case of a PLUS loan). The school is not required to return funds when the student is eligible to receive a post-withdrawal disbursement. The school may credit all or a portion of the post-withdrawal disbursement to the student’s account, up to the amount of outstanding charges. To assist schools, the Department provides a Post-Withdrawal Disbursement Tracking Sheet. A [post-withdrawal disbursement](#) is different from a [late disbursement](#) in the following ways:

- [The school is required to offer an eligible borrower a post-withdrawal disbursement, and if accepted, to deliver the post-withdrawal disbursement.](#)

- [The post-withdrawal disbursement must be made from available Title IV grant funds before available loan funds.](#)
- [The 90-day period for the school to deliver the post-withdrawal disbursement is calculated from the date of the school’s determination that the student withdrew rather than from the student’s \[withdrawal date\]\(#\).](#)

[If the student is eligible for a post-withdrawal disbursement, the school must offer the disbursement within 30 days of the date of on which it determines that the student withdrew. If any amount of a post-withdrawal disbursement remains after the student’s institutional charges are paid, the school must offer that amount to the borrower within 30 days of determining that the student withdrew. The school must provide a written notice to the borrower regarding the funds to be delivered. These changes are effective for students who withdraw on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999. If a school chooses to implement these regulations prior to October 7, 2000, it must implement them in their entirety.](#)

Return of Title IV funds: Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999:

- If a student dies during the [loan period](#), the school must perform a [return of Title IV funds](#) calculation and must return all Title IV funds for which it is responsible. However, the student’s estate is not responsible for returning any unearned funds that would be the responsibility of the student to repay.
- If a student is enrolled in a [clock-hour](#) program where scheduled hours are used to determine the percentage of aid earned in the return of Title IV funds calculation, then a student does *not* earn 100% of his or her Title IV aid if the percentage of the payment period or [period of enrollment](#) completed exceeds 60%.
- The amount of Title IV loan and grant aid earned by the student equals the amount of aid that was delivered to the student plus the amount of aid that could have been disbursed or delivered during the payment period or period of enrollment, multiplied by the calculated percentage of Title IV aid earned. The amount of Title IV loan and grant aid that is unearned and must be

returned is equal to the total amount of disbursed Title IV aid minus the amount of Title IV aid that has been earned.

- Institutional charges used in the return of Title IV funds calculations are always the institutional charges that were initially assessed the student for the payment period or period of enrollment, unless the school adjusted the student's institutional charges before the student withdrew (e.g., tuition was adjusted for a change in enrollment status). If the school waives all or some of the tuition and fees for certain students, the waiver of tuition and fees under the return of Title IV funds requirements must be consistent with the required treatment of the waiver for purposes of calculating the student's [cost of attendance](#) for Title IV purposes.

A new method of performing withdrawal calculations (replacing the pro rata refund policy), called the "[return of Title IV funds](#)" specifies changes in the granting of leaves of absence, determination of withdrawal dates, and in the order in which funds are to be returned to the [Title IV](#) aid programs. Federal regulations effective July 1, 2000, provide for implementation of these changes on or before October 7, 2000. If a school chooses to implement these regulations prior to October 7, 2000, it must implement them in their entirety.

A school must return [Title IV](#) program funds for which the school is responsible no later than 30 days after the date on which the school makes the determination that the student has withdrawn, or the "date of determination."

- **Calculations**

For each Title IV aid recipient who withdraws, the school must calculate the amount of Title IV assistance the student has earned. This amount is based on the length of time the student was enrolled. The school must return any portion of unearned Title IV funds for which the school is responsible. The school must also advise the student of the amount of unearned Title IV grant aid that he or she must return, if applicable. The student (or [parent](#), in the case of a PLUS loan) must repay any unearned funds that the school was not responsible to return according to the normal terms of the loan. Upon request, the school must provide to enrolled and prospective students a copy of any [refund](#) policy with which the school is required to comply and that addresses the refund of tuition and fees or other refundable costs paid by the student. The written policy must include the requirements and procedures a

student should follow to officially withdraw from the school. The school must also provide a summary of the federal requirements for the [return of Title IV funds](#).

- **Return Amounts for Title IV Grant and Loan Programs**

If a student has completed more than 60% of the [payment period](#), he or she is considered to have earned 100% of the Title IV grant and loan aid received for the payment period. In this case, no funds need to be returned to the Title IV aid programs. However, if a student withdraws before completing more than 60% of the payment period or [period of enrollment](#), the amount of any Title IV grant and loan aid the student received for the payment period or period of enrollment must be recalculated to reflect the portion of the payment period that he or she completed prior to withdrawal. The unearned Title IV grant and loan aid for the percentage of the payment period not completed must be returned to the applicable Title IV aid programs.

Calculations for the [return of Title IV funds](#) may be based upon the [period of enrollment](#). Schools must consistently use either the [payment period](#) or the period of enrollment as the basis for all calculations for the return of Title IV funds for the following categories of students:

- Students who have attended an educational program from the beginning of the period of enrollment or payment period.
- Students who re-enter the school during a period of enrollment or payment period.
- Students who transfer into the school during a period of enrollment or a payment period.

- **Percentage of Title IV Aid Returned**

For programs measured in credit hours, the total number of calendar days the student completed is divided by the total number of calendar days in the payment period or period of enrollment. For an eligible program that combines a series of [modules](#) into a semester, trimester, or quarter, and measures progress in credit hours, the payment period includes all of the modules the student was scheduled to attend in the semester, trimester, or quarter beginning with the module that included the student's first day of attendance. For programs measured in clock hours, the

total number of clock hours the student completed is divided by the total number of clock hours in the payment period or period of enrollment.

The order in which unearned funds must be returned has been changed. Schools must ensure that returned funds are applied to eliminate outstanding balances on loans and grants for the payment period, or period of enrollment, in the following order:

- Unsubsidized Stafford loans
- Subsidized Stafford loans
- Direct Unsubsidized Stafford loans
- Direct Subsidized Stafford loans
- [Federal Perkins loans](#)
- PLUS loans received on behalf of the student
- Direct PLUS loans received on behalf of the student
- Federal Pell grants
- [Federal SEOG Program aid](#)
- Other Title IV grant or loan assistance

When returning loan funds to the lender, the school should return the net amount that was received from the lender (the gross amount minus the guarantee and [origination fees](#)). The lender will adjust the guarantee and origination fees.

The July 1, 2000, regulations provide that these changes are effective for Title IV recipients who withdraw on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999. If a school chooses to implement these regulations prior to October 7, 2000, it must implement them in their entirety.

Status changes and reporting: Effective for official and unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999:

- The school must maintain documentation of the [withdrawal date](#) as of the date the school determines the student withdrew, and must report the withdrawal date to the lender. This date determines the beginning of the borrower's [grace period](#) or [repayment period](#). A withdrawal date must consist of month, day, and year.
- A school must describe its withdrawal process to students, including those actions which constitute the "beginning" of the withdrawal process, and designate one or more offices the student must contact to provide official notification of withdrawal. The school may

allow a student to rescind his or her official notification to withdraw if the student signs a written statement that he or she is continuing to participate in academically related activities and intends to complete the payment period or period of enrollment, as applicable. If the student subsequently fails to attend or ceases attendance without completing the [payment period](#) or [period of enrollment](#), the student's [withdrawal date](#) is the original date of notification of intent to withdraw, unless the school records a later date on which the student participated in an academically related activity.

Withdrawal: At a school that is required to record attendance, the withdrawal date for a student who has died is the [last date of attendance](#) as determined from the school's attendance records. At a school that is not required to record attendance, the withdrawal date for a student who has died is the date the student died.

If the student withdraws prior to the completion of at least one course in one [module](#) and the student provides confirmation to the school—subsequent to his or her withdrawal from the course—that he or she plans to attend a module later in that term, the student is not considered to have withdrawn for [return of Title IV funds](#) purposes. The school may not rely solely on registration information obtained from the student prior to his or her withdrawal. If the student withdraws prior to the completion of at least one course in one module and provides confirmation that he or she plans to attend a subsequent module within the term but then fails to do so, the student is considered to have withdrawn as of the date that would have applied if the student had not indicated his or her intent to return in a subsequent module within the term. Effective October 7, 2000, unless implemented earlier by the school on or after November 1, 1999.

November 8, 2000

Delivering loan funds: [DPL GEN-00-18](#) published November 8, 2000, provides procedures a school should use to ensure that it does not deliver [FFELP](#) loan funds to students who are ineligible due to an unresolved overpayment of [Title IV](#) funds or an unresolved [default](#) on a Title IV loan. In all cases, the school must retain documentation that clearly substantiates its determination that a prior overpayment or default has been resolved. Documentation that the reporting entity has "no record" of the prior overpayment or default is not considered adequate for the release of FFELP funds. This change is effective for loans certified by the school on or after November 8, 2000.

December 1, 2000

Return of Title IV funds: A school may include funds from a second or subsequent [disbursement](#) of FFELP funds as aid that could have been disbursed when completing [return of Title IV funds](#) calculations if the school would have been permitted to deliver the funds on or before the date the student withdrew. This provision is effective for return of Title IV funds calculations completed on or after December 1, 2000.

2001**January 1, 2001**

Death discharge: PLUS loan borrowers, who were not eligible for [discharge](#) due to the fact that the student for whom they obtained the PLUS loan died prior to July 23, 1992, are now eligible for [discharge](#). This change is effective for PLUS loan death [claims](#) based on the student's death occurring prior to July 23, 1992 and filed by the lender within 60 days of determining or redetermining eligibility on or after January 1, 2001, unless implemented earlier by the [guarantor](#).

Interest payment and capitalization: A lender may capitalize interest accrued from the date a [claim](#) is paid through the date the claim is later repurchased—regardless of whether the lender or guarantor initiated the [repurchase](#). In all cases, the lender must document the reason for [capitalization](#) in the borrower's loan [record](#). This change is effective for repurchase transactions completed on or after January 1, 2001, unless implemented earlier by the guarantor.

January 5, 2001

Common forms: The Common Claim Initiative (CCI) establishes new, standard formats for lenders to use when requesting [default aversion assistance](#) and claim reimbursement. To standardize the default aversion assistance request process for lenders, the *Common Manual* guarantors have adopted a common Default Aversion Assistance Request Form and related common policies.

A lender must request default aversion assistance through the Default Aversion Assistance Request Form or an equivalent electronic process, such as the Common Account Maintenance (CAM) reporting process.

A guarantor establishes the date on which it is ready to trade CCI electronic records with its trading partners (i.e., lenders and [servicers](#)). This date is referred to as the "G" date. All guarantor "G" dates will be established based on

the final publication of the CCI electronic formats, with one "G" date for default aversion assistance and another "G" date for claims. The final "G" date for implementing the Default Aversion Assistance Request Form and its related policies was January 5, 2001.

May 2001

Notification – borrower and student: A school may use electronic means to deliver notices that the school is required to provide to a student and/or [parent](#) borrower. Before such notices are sent electronically to a borrower and/or student, the individual must consent to the use of an electronic [record](#) in a manner that demonstrates reasonably that the individual is able to access the information to be provided in an electronic form. The borrower's and/or student's consent must be voluntary and based on accurate information about the transactions to be completed. These electronic notifications must be sent in accordance with the [Electronic Signatures in Global and National Commerce Act \(P.L. 106-229\)](#).

June 29, 2001

Period of enrollment: The maximum [period of enrollment](#) for which the school can certify a loan for a defaulted borrower whose eligibility to borrow FFELP loans has been reinstated during the current [academic year](#) is the academic year during which the borrower regained eligibility, unless the borrower is not eligible for other reasons. This provision is effective for loans certified by the school on or after June 29, 2001.

July 1, 2001

Claim filing requirements: Effective for [claim](#) documentation submitted by the lender on or after July 1, 2001, the lender must submit either the original [promissory note](#) or a copy of the promissory note certified by the lender as "true and exact" rather than the previously required "true and accurate."

An original or certified copy of the death certificate is the only acceptable proof of death documentation permitted for death claims. In the event of an exceptional circumstance and on a case-by-case basis, the guarantor's chief executive officer (CEO) may approve a [discharge](#) based on other reliable documentation. This change is effective for death claims filed by the lender on or after July 1, 2001, unless implemented earlier by the [guarantor](#).

Cohort default rates: Substantive regulatory and policy changes effective for cohort default rates calculated on or after July 1, 2001, are as follows:

- A school will lose eligibility to participate in the FFELP and the FDLP 30 days after receiving notice that its official [cohort default rate](#) for the most recent fiscal year exceeds 40%, unless the school appeals or requests an adjustment to that rate. The loss of eligibility is applicable to the remainder of the fiscal year in which the notice is received and the next 2 fiscal years.
- A school will lose eligibility to participate in the FFELP, the FDLP, and the Federal [Pell Grant](#) Program 30 days after receiving notice that its three most recent official cohort default rates equal or exceed 25%, unless the school appeals or requests an adjustment to that rate. The loss of eligibility is applicable to the remainder of the fiscal year in which the notice is received and the next 2 fiscal years.
- Any school may appeal its most recent cohort default rate based on improper servicing and collection. A school subject to an initial loss of eligibility may appeal any cohort default rate upon which the loss of eligibility is based. A school subject to an extended loss of eligibility may appeal only its most recent official cohort default rate.
- A school subject to provisional certification may appeal its cohort default rate using the erroneous data appeal.
- The calculation of the Participation Rate Index (PRI) challenge or appeal has been expanded to address schools with a single cohort default rate over 40%. A school that is subject to a loss of FFELP eligibility may use the PRI appeal based on either of the following conditions:
 - The school has one cohort default rate over 40% and the PRI for that cohort’s fiscal year is less than or equal to 0.06015.
 - The school has three consecutive cohort default rates of 25% or more and the PRI for any one of the three cohorts’ fiscal years is less than or equal to 0.0375.
- A school remains accountable for the consequences of a high official cohort default rate after its merger with or acquisition of another school, or after a [branch campus](#) becomes a separate, freestanding school.
- Any school that merges with or acquires another school and that is otherwise eligible to participate in the FFELP loses FFELP eligibility based on a single official cohort default rate greater than 40% or equal to or greater than 25% for each of its three most recent official cohort rates if all of the following criteria apply:
 - Both schools are parties to a transaction that results in a change in structure or identity.
 - The FFELP-eligible school offers an educational program at substantially the same address as that at which the FFELP-ineligible school offered programs before the change in structure or identity.
 - There is a commonality of ownership or management between the two schools.
- A school subject to a loss of eligibility due to a single cohort default rate exceeding 40% may submit an “average rate appeal” if at least two of the school’s three most recent cohort default rates of 25% or more are calculated at an average rate, and at least two of those rates would be less than 25% if calculated for the applicable fiscal year alone.
- All references to “days” in [cohort default rate](#) regulations are changed to refer to calendar days. Previously, various time frames and deadlines carried their own specific definition of days, sometimes “business days” and sometimes “calendar days.”
- All references to the “weighted average cohort default rate” have been changed to the “[dual-program cohort default rate](#),” as the latter term is the one used by the Department in its publications.
- References to the Department’s *Draft Cohort Default Rate Guide* and *Official Cohort Default Rate Guide* are replaced with a reference to the [Cohort Default Rate Guide](#). It is the Department’s intention to consolidate both the draft and official information into a single publication that will be updated annually.

Deferment: Documentation requirements are made more flexible for a borrower who wants to continue an unemployment [deferment](#) based on his or her search for employment following the initial period of deferment. The information provided showing that the borrower made at least six diligent attempts to secure full-time employment during the prior 6-month period must be acceptable to the lender and may include the employer's name, address, telephone number, and electronic addresses. This flexibility applies to unemployment deferments granted on or after July 1, 2001.

Lenders must use evidence of the borrower's "monthly income," rather than "total monthly gross income," when determining a borrower's eligibility for an [economic hardship](#) deferment. "Monthly income" is defined as the gross amount of income received by the borrower from employment and other sources, or one-twelfth of the borrower's adjusted gross income, as recorded on the borrower's most recently filed federal income tax return. There is no longer a difference in required documentation for an initial and a subsequent economic hardship deferment. Any retroactive period of economic hardship granted under this revised policy must include July 1, 2000, or a later date. This deferment may be granted for periods of up to 1 year at a time and may be renewed for a total that, collectively, does not exceed 3 years. For a borrower who is serving as a volunteer in the Peace Corps, the deferment may be granted for the lesser of the borrower's full term of service or the borrower's remaining period of economic hardship deferment eligibility under the 3-year maximum. In all cases, the lender must ensure that the borrower's required documentation supports the begin date of the economic hardship period. This change is effective for economic hardship deferments granted by the lender on or after July 1, 2001.

The 6-month backdating restrictions are removed from all deferments except the initial unemployment deferment. An initial unemployment deferment based on a borrower's self-certification may not begin more than 6 months before the date the lender receives a request and documentation required for the deferment. Any extension of an existing unemployment deferment or an unemployment deferment that is based on evidence of the borrower's eligibility for unemployment benefits is not subject to the 6-month backdating restriction. For all deferment types, other than an in-school deferment, elimination of the 6-month backdating restriction is only applicable for deferments granted on or after July 1, 2001, for any period of deferment that includes July 1, 2001, or a later date.

Delivering loan funds: The prescriptive process that required a school to confirm a borrower's eligibility prior to delivering each [disbursement](#) is removed. The revised policy clarifies that a school may deliver the proceeds of any loan disbursement only if it determines that the student has maintained continuous eligibility for the [loan period](#) certified by the school. This change is effective July 1, 2001.

A school may not deliver Stafford or PLUS [loan proceeds](#) to a student or [parent](#) of a student who previously attended another eligible school until the school determines, from information obtained from the [National Student Loan Data System \(NSLDS\)](#) or its successor system, that the student meets eligibility requirements pertaining to his or her financial aid history. For a student who transfers from one school to another during the same [award year](#) (i.e., a current-year transfer student), the school the student is attending must request or access through the NSLDS updated information about that student in order to determine the student's eligibility for Stafford or PLUS loan proceeds. The school must wait for 7 days following a request to the NSLDS before delivering Stafford or PLUS loan proceeds. However, if, before the end of 7 days, the school receives the information from the NSLDS in response to its request or obtains that information itself by directly accessing the NSLDS, the school may deliver the loan proceeds as long as the student is otherwise eligible. Schools may no longer delay delivery of loan proceeds by 45 days while waiting for paper [financial aid transcripts](#) to arrive. These changes are applicable to Stafford and PLUS loan funds delivered by the school on or after July 1, 2001.

A school with a program measuring academic progress in credit hours, but not using a standard semester, trimester, or quarter system, may deliver [loan proceeds](#) in each term as long as the terms are substantially equal in length throughout the [loan period](#). Terms within a loan period will be considered substantially equal in length if no term in the loan period is more than two weeks longer than any other term in the loan period. This requirement applies to Stafford and PLUS loan funds delivered by the school on or after July 1, 2001.

Disability discharge (total and permanent): A borrower who has had a prior loan discharged due to total and permanent disability on or after July 1, 2001, but before July 1, 2002, must reaffirm the discharged loan if the borrower *applies* for a loan within 3 years from the date the borrower became [totally and permanently disabled](#), as certified by a physician. In this case, the borrower must reaffirm the previously discharged loan before receiving

any new Stafford or PLUS loan. This provision is effective for Stafford and PLUS loan eligibility determinations made on or after July 1, 2001.

A borrower who has had a prior loan discharged due to total and permanent disability must meet the following requirements to be eligible to receive a new Stafford or PLUS loan:

- Obtain a physician's statement certifying that the borrower may now engage in "substantial gainful activity."
- Sign a statement acknowledging that any new loan the borrower receives may not be discharged due to the same or any disability existing at the time the new loan is made, unless the disabling condition substantially deteriorates to the extent that the definition of total and permanent disability is met.
- Reaffirm any loan that had been discharged due to total and permanent disability on or after July 1, 2001, but before July 1, 2002, if the borrower receives a new loan within three years of the date the borrower became totally and permanently disabled, as certified by a physician. (A borrower who has had a prior loan discharged due to total and permanent disability before July 1, 2001, is *not* required to reaffirm the discharged obligation.)

This change is effective for Stafford and PLUS loan eligibility determinations made on or after July 1, 2001.

A new definition of a total and permanent disability for the purpose of obtaining a loan [discharge](#) provides that the certifying physician (i.e., a doctor of medicine or osteopathy, legally authorized to practice in a state) is not required to consider the borrower's ability to attend school as a condition of his or her eligibility for discharge. In addition, the physician is no longer required to consider the date the borrower became unable to attend school when providing the begin date of the borrower's total and permanent disability. This change is effective for total and permanent disability claims filed by the lender on or after July 1, 2001.

Due diligence: Lenders must notify the [guarantor](#) of any changes in [delinquency](#) status on a loan that result in a change to the payment due date, even if the delinquency is not reduced below the point at which the guarantor requires the lender to cancel a request for [default aversion assistance](#). This change is effective for default aversion assistance requests filed by the lender on or after July 1,

2001, or the date the guarantor implements the Common Claim Initiative (CCI), whichever is later, unless implemented earlier by the guarantor.

Eligibility – school: To participate in any Title IV program, a school must establish its eligibility under the Higher Education Act of 1965, as amended, in accordance with the procedures specified by the Department. A school must submit an Application for Approval to Participate in the Federal Student Financial Aid Programs (E-App) to the Department to request a determination that it qualifies as an eligible institution and must include a request for certification to participate in the FFELP. To be certified for participation, a school must meet the qualifications of an eligible institution; the school must meet administrative capability and financial responsibility requirements; and if the school is participating for the first time in Title IV programs, and it has not requested and been granted a training waiver, designated school administrators defined by the Department must complete Title IV training within 12 months after the school executes the [Program Participation Agreement](#). A school that is currently participating in some Title IV programs is not required to have certification training if it is only requesting approval to participate in additional Title IV programs. This clarification is effective for schools establishing eligibility on or after July 1, 2001.

A school that adds a licensed and accredited location that offers at least 50% of an educational program must report to the Department before delivering Title IV funds to eligible students attending the added location. In addition, after reporting, a school must have approval from the Department before it can deliver Title IV funds to eligible students attending the added location if it meets any of the following criteria:

- The school is provisionally certified.
- The school is on the reimbursement or cash monitoring system of payment.
- The school has acquired the assets of another school that provided educational programs at that location during the preceding year, and the other school participated in Title IV programs during that year.
- The school would be subject to a loss of eligibility due to its [cohort default rate](#) if it adds the location.
- The school has been notified by the Department that it must apply for approval of an additional location.

This change is effective for school locations added on or after July 1, 2001.

A school must apply to the Department and wait for approval to convert an eligible location to a [branch campus](#). The school may continue to deliver Title IV funds to students attending that location. This change is applicable to schools that convert an eligible location to a branch campus on or after July 1, 2001.

A school must apply to the Department to increase the level of program offering (e.g., offering graduate degree programs when it previously offered only baccalaureate degree programs) and obtain approval before delivering Title IV funds to students [enrolled](#) in the new programs at the increased level. This change is effective for schools increasing the level of program offering on or after July 1, 2001.

A school may enter into a single written agreement with a study-abroad organization representing one or more [foreign schools](#) rather than a separate agreement with each individual foreign school that its students attend. This clarification is effective for written agreements consummated by schools on or after July 1, 2001, or implemented at the school's discretion on or after November 1, 2000.

Private nonprofit, private for-profit, and public schools that experience a change of ownership resulting in a [change in control](#) and schools that change status as nonprofit, for-profit, or public schools may continue eligibility by submitting an E-App to the Department. In response to a school's application, the Department may approve a provisional [Program Participation Agreement \(PPA\)](#) (previously referred to as a TPPPA). To obtain an extension of the provisional PPA prior to its expiration, the school must provide to the Department a "same day" balance sheet, required documentation of [accrediting agency](#) and state licensing approval, and a [default](#) management plan (unless the school is exempt from providing the plan). This change is applicable to private nonprofit, private for-profit, or public schools that experience a change of ownership resulting in a change of control or to schools that change status as nonprofit, for-profit, or public schools on or after July 1, 2001, unless implemented earlier.

A change in governance for a public school is not considered to be a change of ownership that results in a change in control if the school remains a public school after the change and the new governing authority is in the same state and has acknowledged the school's continued responsibilities under its Program Participation Agreement (PPA). A public school must, within 10 days of a change in governance, report the change to the Department and each

applicable [guarantor](#). This change is applicable to a school's reporting of changes for the purpose of maintaining eligibility on or after July 1, 2001.

School reporting requirements for the purpose of maintaining eligibility on or after July 1, 2001, include the reporting of decreases in levels of program offering and changes in the governance of a public school. Periods of time counted toward a "[week of instruction](#)" may include only preparation for final examination occurring after the last scheduled day of classes for a [payment period](#). In addition, homework has been added to the list of activities that are not considered as instructional time. This change applies to a "week of instruction" as determined by the school for purposes of establishing or maintaining school program eligibility on or after July 1, 2001.

False certification loan discharge: The guarantor or Department may initiate a false certification [discharge](#) process if either possesses knowledge of false certification eligibility. If the guarantor or Department initiates the discharge process, the borrower may not be required to complete, and the lender may not be required to submit, a discharge request. This clarification is effective for discharge eligibility determined by the guarantor or Department on or after July 1, 2001, unless implemented earlier by the guarantor.

Financial aid transcript (FAT): Schools are no longer required to respond to a paper [financial aid transcript](#) request for a prior-year or current-year transfer student, unless it is a request to report assistance that a student has received through the Department of Health and Human Services. The elimination of paper [financial aid transcripts](#) is effective for requests received by the school on or after July 1, 2001.

Forbearance: A lender must grant a [mandatory forbearance](#) annually, at the borrower's request, while the borrower maintains eligibility for loan [forgiveness](#) under the Teacher Loan Forgiveness Program. The lender must also grant a [forbearance](#) for a period not to exceed 60 days while the lender is awaiting a completed Teacher Loan Forgiveness Application from the borrower. In addition, after receiving the application, the lender must grant a forbearance to cover the period needed by the [guarantor](#) to determine the borrower's eligibility for forgiveness. The forbearance begins on the date the lender receives the completed Teacher Loan Forgiveness Application and ends on the date the lender receives a denial of the request or the loan forgiveness amount from the guarantor. This change applies to forbearance requests granted by the lender on or after July 1, 2001, unless implemented earlier by the guarantor.

Interest rates: Beginning July 1, 2001, the [variable interest rate](#) for PLUS and SLS loans first disbursed during the period beginning July 1, 1987, and ending June 30, 1998, will be adjusted annually on July 1, and calculated by adding 3.1% or 3.25%, as applicable, to the weekly average one-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the last calendar week ending on or before June 26 of that year.

Late disbursement/~~post withdrawal disbursement~~: A lender, when knowingly making a [late disbursement](#) on or after July 1, 2001, is no longer required to provide a notice to the school indicating that the [loan proceeds](#) should be delivered as a late disbursement.

Loan guarantee: Guarantors will pay [ineligible borrower](#) claims at 98% rather than 100%. This change is effective for ineligible borrower claims received by the guarantor on or after July 1, 2001, unless implemented earlier by the guarantor.

Notification to borrower and student: A school that credits a student's school account with Stafford or PLUS loan proceeds and sends the student or [parent](#) borrower the required notification electronically, must also confirm receipt of the electronic notification by the student or parent borrower and maintain documentation of that confirmation. This requirement applies to electronic notifications sent by the school on or after July 1, 2001.

PLUS credit check: In those cases in which a lender approves a PLUS loan for an applicant with an adverse credit history, the lender must retain a [record](#) supporting its decision based on extenuating circumstances. This requirement is effective for PLUS loans made on or after July 1, 2001, unless implemented earlier by the lender.

Teacher Loan Forgiveness: The new Teacher Loan Forgiveness Program requirements replace prior references and requirements related to the Loan Forgiveness Program for Teachers. Under the Teacher Loan Forgiveness Program, the Department repays all or a portion of a borrower's Stafford loan obligations, and Consolidation loan obligations to the extent that a Consolidation loan repaid a borrower's Stafford loans. The Department will repay, on behalf of a qualified borrower, no more than a combined total of \$5,000 under both the FFELP and FDLP for outstanding principal and accrued interest on his or her qualifying Stafford loans, or the outstanding portion of a Consolidation loan used to repay qualifying Stafford loans, at the end of the 5th complete year of teaching. The loan for which forgiveness is sought must have been made before the end of the 5th year of qualifying teaching service. After completing the qualifying teaching service, a borrower 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 application, including any supporting documentation, to the guarantor no later than 60 days after the lender received the application. After the guarantor notifies the lender of its determination of the borrower's eligibility for loan forgiveness, the lender must inform the borrower of the determination within 30 days. If loan forgiveness is granted and a loan balance remains, the lender must also provide the borrower with information regarding new repayment terms. If the lender files a request for payment later than 60 days after it receives the completed Teacher Loan Forgiveness Application, 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. These provisions are effective for Teacher Loan Forgiveness Applications received by the lender on or after July 1, 2001, from a "[new borrower](#)" on or after October 1, 1998, who has been employed as a full-time teacher for 5 consecutive, complete years, as long as one of the years is after the 1997-1998 [academic year](#)— unless implemented earlier by the guarantor.

Unpaid refund discharge: If the guarantor and the borrower are unable to resolve an unpaid refund with an open school and the borrower has ceased to attend the school that owes the refund, the guarantor must approve the request within 120 days of the date the guarantor receives the completed unpaid refund [discharge](#) request, rather than 120 days from the date the borrower submits the request. This provision is effective for completed unpaid refund [discharge](#) requests received by the [guarantor](#) on or after July 1, 2001.

To be considered for an unpaid refund discharge, a borrower must declare that he or she, or the student in the case of a PLUS loan, received at least part of the proceeds of a FFELP loan on or after January 1, 1986. This provision is effective for completed unpaid refund discharge requests received by the guarantor on or after July 1, 2001.

July 27, 2001

Child-care provider loan forgiveness: A borrower may qualify for [mandatory forbearance](#) by performing service under the Loan Forgiveness Demonstration Program for Child Care Providers. A lender must grant [forbearance](#) to a borrower who is performing a service that would qualify the borrower for [forgiveness](#) under the Loan Forgiveness Demonstration Program for Child Care Providers, unless the borrower has been granted a [deferment](#) for the service period. Before granting this forbearance to a borrower, the lender must receive a completed FFELP Child Care

Provider Loan Forgiveness Forbearance Form. This change is effective on child care provider loan forgiveness forbearances granted by a lender to initial applicants on or after July 27, 2001, and to renewal applicants on or after August 29, 2002.

August 21, 2001

Forbearance: After a lender receives reliable but unofficial notification of a borrower’s or [dependent student’s](#) death, the lender must grant a [mandatory administrative forbearance](#), for a period not to exceed 60 days, until the lender receives documentation of the death. This forbearance does not require a written request nor is the lender required to notify the borrower or [endorser](#) that a mandatory administrative forbearance was granted. The lender may grant an [administrative forbearance](#) for up to an additional 60 days if more time is needed to obtain this documentation. This additional forbearance does not require a written request, but the lender is required to send notice to the borrower or endorser that the additional period of administrative forbearance was granted. This provision is effective for reliable but unofficial notifications of a borrower’s or, in the case of a PLUS loan, the borrower’s or dependent student’s death received by the lender on or after August 21, 2001.

2002

January 1, 2002

Bankruptcy: If a [bankruptcy](#) action does not require the filing of a [claim](#) with the guarantor, the lender may—but is not required to—make subsequent disbursements of a loan. If the lender chooses not to make the remaining disbursements, the lender must notify the school, the borrower, and the guarantor of the [disbursement](#) cancellations. The lender also must notify the borrower that he or she may reapply for the loan funds in the same amount that was not disbursed. If the lender cancels any of the undisbursed or undelivered funds because of a bankruptcy action, the lender must agree to make a new loan for the amount that was canceled or any remaining loan eligibility as determined by the school. This clarification is effective for bankruptcy notices received by the lender on or after January 1, 2002, unless implemented earlier by the guarantor.

Common forms: The common Consolidation loan forms, issued by the Department in October 2000 in [GEN-00-16](#), are required for all Consolidation loan applications signed by borrowers on or after January 1, 2002.

The Common Claim Initiative (CCI) establishes new, standard formats for lenders to use when requesting [default aversion assistance](#) and claim reimbursement. To standardize the claim filing process for lenders, the *Common Manual* guarantors have adopted a common Claim Form and related common policies. The Claim Form is designed to permit a lender to file a claim reimbursement request in a single format with any guarantor, and to improve operational efficiencies for lenders and [servicers](#) that have relationships with more than one guarantor.

A guarantor establishes the date on which it is ready to trade CCI electronic records with its trading partners (i.e., lenders and servicers). This date is referred to as the “G” date. All guarantor “G” dates will be established based on the final publication of the CCI electronic formats, with one “G” date for default aversion assistance and another “G” date for claims. The final “G” date for implementing the Default Aversion Assistance Request Form and its related policies was January 5, 2001.

Regarding the Claim Form and its related policies, the earliest “G” date that a guarantor may establish is six months after the final release of the CCI claim documentation. All CCI trading partners (i.e., lenders, servicers, and guarantors) will be provided a window of nine months from each guarantor’s “G” date to start reporting data using the CCI electronic format. Therefore, the [claim](#) effective date will be the guarantor’s “G” date plus nine months.

July 1, 2001	Claim documentation released
January 1, 2002	Earliest guarantor “G” date
September 30, 2002	Earliest required implementation date
September 30, 2002	Latest guarantor “G” date
June 30, 2003	Latest required implementation date

Repayment terms: “New borrowers” on or after October 7, 1998, may qualify for an [extended repayment schedule](#) if they have multiple lenders and more than \$30,000 in outstanding principal and interest in FFELP loans. 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. This change is effective for extended repayment schedules disclosed on or after January 1, 2002.

January 2, 2002

NSLDS: The Department of Education updated the [National Student Loan Data System \(NSLDS\) Enrollment Reporting](#) process effective January 2, 2002, to enhance both the batch process of enrollment records and the [NSLDS/FAP Website](#) for financial aid professionals. The Department also renamed the former *SSCR Users Guide* the *NSLDS Enrollment Reporting Guide*.

April 1, 2002

NSLDS: The National Student Loan Data System (NSLDS) no longer requires a school to report directly to the NSLDS any changes to student identifiers including a student's name, date of birth, and [Social Security number \(SSN\)](#). Instead, the school must report these changes to the [guarantor](#). This change is effective for student identifier changes received on or after April 1, 2002.

July 1, 2002

The Department issues [DCL GEN-02-03](#), which provides clarification regarding the implementation of the total and permanent disability [discharge](#) regulations that are effective July 1, 2002.

Bankruptcy: A [bankruptcy](#) claim and proof of claim, if applicable, must be filed with all required documents within 30 days after the lender's receipt of the Notice of the First Meeting of Creditors or other confirmation issued by the debtor's attorney or the bankruptcy court, or within 30 days after the date the guarantor provides the lender with bankruptcy information and instructs the lender to file a bankruptcy claim, whichever is earlier. This provision is effective for bankruptcy notifications received by the lender on or after July 1, 2002, unless implemented earlier by the guarantor.

If the guarantor purchases a [default](#) claim and later receives documentation that the date of the bankruptcy petition preceded the date of the default (the 270th day of [delinquency](#)), the lender will be required to [repurchase](#) the loan unless the loan is determined by the court to be dischargeable in the bankruptcy action. The lender is not required to repurchase a claim for a loan that is filed as a default claim and the date of default precedes the petition date. This policy is effective for bankruptcy petitions received by the guarantor on or after July 1, 2002, unless implemented earlier by the guarantor.

If a borrower's bankruptcy action will not result in the lender filing a claim with the guarantor and the lender chooses to make subsequent disbursements of the loan, then

the lender must not ask the school to return any loan funds not yet delivered by the school to the borrower. This provision is effective for bankruptcy notices received by the lender on or after July 1, 2002, unless implemented earlier by the guarantor.

Common Forms: The Common Claim Initiative (CCI) establishes new, standard formats for lenders to use when requesting [default aversion assistance](#) and claim reimbursement. To standardize the supplemental claim filing process for lenders, the *Common Manual* guarantors have adopted a common Supplemental Claim Form and the following related common policies:

- The lender may not file a supplemental claim for less than \$50. This amount may include principal, interest, or both.
- The lender must submit the common Supplemental Claim Form to request claim payment increases.

This policy is effective for supplemental claim requests filed by the lender on or after July 1, 2002, unless implemented earlier by the guarantor.

The [National Council of Higher Education Loan Programs \(NCHELP\)](#) Program Operations Committee's Default Aversion and Claims Standardization (DACS) Workgroup has revised the Supplemental Claim Form to coordinate the language with the terminology of the other CCI forms. For lenders filing supplemental claims under the CCI, the chart of data elements has been revised to coordinate with the revisions made to the Supplemental Claim Form. In addition, the requirement that a lender provide the date the lender or [servicer](#) prepared the form has been deleted. The revisions are effective for supplemental claims filed under the CCI by the lender on or after July 1, 2002.

Disability discharge (total and permanent): Effective for total and permanent disability [discharge](#) determinations made by the lender on or after July 1, 2002:

- **General Discharge Requirements for Total and Permanent Disability Claims**

A borrower's obligation to repay a loan may be discharged if a doctor of medicine or osteopathy, legally authorized to practice in a state, certifies that the borrower is [totally and permanently disabled](#), but does not assume the loan is canceled in this case. In addition, the criteria for establishing the borrower's eligibility for discharge provide that the borrower is not

considered totally and permanently disabled on the basis of a condition that existed at the time the loan was made, rather than before he or she applied for the loan.

- **Borrower Notification Requirements after Total and Permanent Disability Claim Filing**

If the [guarantor](#) pays the [claim](#), the lender must notify the borrower that the loan will be assigned to the Department for determination of eligibility for a total and permanent disability discharge. If the guarantor determines that the borrower is not eligible, the claim will be returned to the lender with an explanation of the reason for the denial. The lender must notify the borrower that the application for a disability discharge has been denied. The notification to the borrower must include the basis for the denial and inform the borrower that the lender will resume collection on the loan.

- **Borrower Payments and the Conditional Disability Discharge**

At the time the claim is filed, the lender must provide the guarantor with a record of any payments received after the date, certified by the physician, that the borrower became unable to work and earn money (i.e., the date of total and permanent disability). Under the new regulatory requirements, the borrower will not be eligible for a [refund](#) of these payments until after the 3-year “conditional” discharge period. In addition, the Department of Education, rather than the lender or guarantor, will make this refund.

Completed total and permanent disability discharge requests received by the lender on or after July 1, 2002, and subsequently paid as a claim by the guarantor, are permanently assigned to the Department. If the Department determines that the certification and information provided by the borrower do not support the conclusion that the borrower meets the criteria for a total and permanent disability discharge, the Department notifies the borrower that the application for a disability discharge has been denied and that the loan is due and payable under the terms of the [promissory note](#).

If the Department makes an initial determination that the borrower is totally and permanently disabled, the Department notifies the borrower that the loan is conditionally discharged and that the conditional discharge period will last for up to 3 years after the date the borrower became totally and permanently disabled, as certified by the physician. The Department’s notification specifies that all or part of the 3-year period may predate the Department’s

initial determination, and identifies the following conditions that apply during the 3-year conditional discharge period:

- The borrower is not required to make any payments on the loan.
- The borrower is not considered delinquent or in [default](#) on the loan, unless the borrower was delinquent or in default at the time the conditional discharge was granted.
- The borrower must promptly notify the Department of any changes in address or phone number.
- The borrower must promptly notify the Department if his or her annual earnings from employment exceed 100% of the poverty line for a family of two.
- The borrower must provide the Department, upon request, with additional documentation or information related to the borrower’s eligibility for a total and permanent disability discharge.
- The borrower must not receive a new loan under the [Federal Perkins Loan Program](#), the FFELP, or the [Federal Direct Loan Program](#), except for a FFELP or Direct Consolidation loan that does not include any loans that are in a conditional discharge status.

The Department also notifies the borrower that, if at any time during the 3-year conditional discharge period, the borrower does not continue to meet the eligibility requirements for a total and permanent disability discharge, the Department will resume collection activity on the loan but will not require the borrower to pay any interest that accrued on the loan from the date of the initial determination of total and permanent disability through the end of the conditional [discharge](#) period.

Due diligence: If a lender determines that a borrower does not meet the definition of [totally and permanently disabled](#), or if a 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. This policy is effective for total and permanent disability discharge requests received by the lender on or after July 1, 2002.

Forbearance: Guarantors will continue to permit a lender to grant an [administrative forbearance](#) if the lender receives reliable information indicating that a borrower has become totally and permanently disabled. The lender may grant the borrower an administrative forbearance, not to exceed 60 days, until the lender receives certification of the borrower's total and permanent disability. In addition, if the lender does not grant the borrower an administrative forbearance, the lender must continue collection activity until it receives the certification—or until it receives a physician's "written request," rather than a specific "letter," that additional time is needed to determine whether the borrower is totally and permanently disabled. This policy is effective for total and permanent disability discharge requests received by the lender on or after July 1, 2002.

Eligibility – borrower and student: A borrower who has received a conditional discharge of a prior loan due to an initial determination that the borrower is totally and permanently disabled must do all of the following to be eligible to receive a new Stafford or PLUS loan:

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

The borrower's receipt of a new Stafford or PLUS loan terminates the borrower's conditional discharge and the Department reinstates collection activities on any loan on which collection activity had been previously suspended based on an initial determination of total and permanent disability. This policy is effective for Stafford and PLUS loan eligibility determinations made on or after July 1, 2002.

Loan origination: A borrower may grant power of attorney to a third party to sign a [Master Promissory Note \(MPN\)](#) if the borrower provides the school with a separate written authorization to credit the funds to the student's school

account. When a third party using power of attorney signs the MPN on the borrower's behalf, the school must pay any credit balance to the student or [parent](#) borrower, as applicable, using a check or other instrument that requires the borrower's endorsement. If the MPN is submitted through the school, the school must retain a copy of the original power of attorney and either the school or the individual with power of attorney must provide a copy of the power of attorney document to the lender—a photocopy or fax of the document is acceptable. Information permitting the use of power of attorney is effective July 1, 2002, unless implemented earlier by the guarantor.

August 15, 2002

The Department issues [DCL GEN-02-05](#), which provides the following approved loan discharge application forms that must be used on or after August 15, 2002.

- Loan Discharge Application: School Closure – for use by borrowers who are unable to complete their [program of study](#) because their school closed.
- Loan Discharge Application: False Certification of Ability to Benefit – for use by borrowers whose ability to benefit was falsely certified by their school.
- Loan Discharge Application: False Certification (Disqualifying Status) – for use by borrowers whose eligibility was falsely certified by their school due to a disqualifying status or condition of the student.
- Loan Discharge Application: False Certification (Unauthorized Signature/Unauthorized Payment) – for use by borrowers when there was an unauthorized signature or endorsement of an unauthorized payment by the school.

August 29, 2002

Child care provider loan forgiveness: Loan [forgiveness](#) under the Loan Forgiveness Demonstration Program for Child Care Providers is contingent upon annual appropriations. In addition to the other eligibility requirements for this program is the condition that the borrower's eligible loans must have been made before the borrower began his or her qualifying child care service. In addition, the borrower's degree must be an associate's or bachelor's degree in early childhood education, child care, or any other educational area related to child care that the Department deems appropriate. This change is effective beginning August 29, 2002.

September 30, 2002

The Department issues [DCL GEN-02-06](#) announcing the expiration of two statutory exceptions available to low [cohort default rate](#) schools, specifically, the exemptions from the multiple disbursement and [delayed delivery](#) requirements.

October 1, 2002

Disbursement rules: The references to the statutory exceptions authorized in [HEA §428G\(a\)\(3\) and \(b\)\(1\)](#) are eliminated. These exceptions had waived, for schools with low cohort default rates, the multiple disbursement requirement for a single-term loan and the 30-day delayed delivery requirement for a first-year [undergraduate student](#) who is a first-time borrower. The statutory authority for these exceptions expired on September 30, 2002. This change is effective for loans certified on or after October 1, 2002.

Special allowance: Quarterly billings submitted by the lender on or after October 1, 2002, must be made using the paper [Lender's Interest and Special Allowance Request and Report \(LaRS report\)](#) or via the electronic LaRS process. This change is effective for quarterly billings submitted by a lender on or after October 1, 2002.

November 1, 2002

Repayment start: When establishing the next payment due date on a PLUS or SLS loan following a period of [forbearance](#), [deferment](#), or [post-deferment grace](#), the lender may provide the borrower a due date that is no later than 60 days after the end of the forbearance, deferment, or [post-deferment grace period](#). The due date may be later than 60 days if the borrower makes a [prepayment](#) during the period that advances the due date. This policy is effective for next payment due dates for PLUS and SLS loans established by the lender on or after November 1, 2002.

When establishing the next payment due date on a Stafford loan following a period of forbearance, deferment, or post-deferment grace, the lender must provide the borrower a due date that is no later than 60 days after the end of the forbearance, deferment, or post-deferment grace period. Lenders also are required to establish a first payment due date no later than 60 days after the [repayment start date](#). This policy is effective for first payment due dates and next payment due dates established by the lender on or after November 1, 2002.

Due dates are also revised following a lender's reconversion of loans when certain [claim](#)-type activity is involved. Effective for next payment due dates established by the lender on or after November 1, 2002:

- When notified that a [bankruptcy](#) action has concluded on a loan that was not eligible for bankruptcy claim payment, a lender must establish a next payment due date that is within 60 days of the date the lender receives that notification.
- When the lender receives a full payment or a signed repayment agreement on a loan that has lost its [guarantee](#), the lender must establish a next payment due date that is within 60 days of the date that payment or signed repayment agreement is received.

November 27, 2002

Eligibility – borrower and student: An underage home-schooled student is considered beyond the age of compulsory school attendance in the state in which the postsecondary school is located if that state does not consider the student to be truant once he or she has completed a home-school program, or if that state would not require the student to attend school or continue to be home-schooled.

2003**January 1, 2003**

Claim filing requirements: When reporting a loan's loss of guarantee or reinstatement of that guarantee, lenders are to utilize existing [National Student Loan Data System \(NSLDS\)](#) requirements. In addition, lenders are required to ensure that, if the [guarantor](#) does not utilize the lender's NSLDS reporting data to update its records, the guarantor is notified of the loan's loss of guarantee and the reinstatement of that guarantee at the time each of those events occur or are identified. The lender must also include the [curing instrument](#) or a legible copy of the curing instrument in any claim filed after the guarantee reinstatement. This change is effective for [guarantee](#) reinstatements completed by the lender on or after January 1, 2003, unless implemented earlier by the [guarantor](#).

Common forms: The Department issues [DCL GEN-02-07](#) announcing approval of the revised [Federal Stafford Loan Master Promissory Note \(Stafford MPN\)](#) that must be provided to Stafford loan borrowers beginning January 1, 2003.

March 1, 2003

Loan certification: All schools located in the United States, unless notified otherwise by the Department, are authorized to offer the multi-year feature of the Federal Stafford Loan Master Promissory Note (Stafford MPN). This extension has a retroactive feature. Schools that are not four-year colleges or graduate or professional schools may certify Stafford loans on or after March 1, 2003, regardless of the [loan period](#) covered by the loan, using the Stafford MPN. A borrower attending a school may receive loans for subsequent [academic years](#) based on a previously signed Stafford MPN even if the borrower signed the MPN before March 1, 2003. This change is effective for Stafford loans certified by the school on or after March 1, 2003, regardless of the loan period.

March 3, 2003

Disability discharge (total and permanent): If a lender receives a payment from or on behalf of a borrower after the lender has filed a total and permanent disability [claim](#) and the claim has been paid, the lender is no longer required to notify the borrower, or other party who sent the payment on the borrower's behalf, that there is no obligation to make further payments. The *Responses to Total and Permanent Disability Outstanding Issues* letter received on March 3, 2003, from Jeff Baker, Program Development, U.S. Department of Education, clarifies in Q&A #2 that the lender is required only to forward to the guarantor a payment received from or on behalf of the borrower after it has filed a total and permanent disability claim and received the claim payment. The Department acknowledges in this letter that requiring both the lender and guarantor to provide a notice to the party who submitted the payment is duplicative.

Loan certification: 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, for example, requests a loan during the second or subsequent [payment period](#) in the [period of enrollment](#). A school may also certify a borrower's eligibility for a Stafford or PLUS loan retroactive to the beginning of the current period of enrollment in situations where a student or parent borrower, as applicable, regains eligibility after an earlier loss of eligibility for certain reasons. ~~A school may include a retroactive portion of the current period of enrollment in a Stafford or PLUS loan period only if the student attended and completed that retroactive period.~~

Loan period: A school may include a retroactive portion of the current period of enrollment in a Stafford or PLUS loan period only if the student attended and completed that retroactive period.

March 14, 2003

Deferment: A borrower may request that the period of an initial unemployment [deferment](#) begin on a date that is *later* than the date on which he or she would otherwise be entitled. In addition, the ending of the condition that entitled the borrower to the deferment is one of the events that determines the end date of an unemployment deferment period. This change is effective for unemployment deferment requests processed by the lender on or after March 14, 2003.

March 25, 2003

The Department issues [DCL GEN-03-06](#) announcing administrative relief for students and borrowers affected by military mobilization.

March 31, 2003

Common forms: Lenders must send borrowers requesting [discharge](#) due to a total and permanent disability the Loan Discharge Application: Total and Permanent Disability or other form(s) approved by the Department, as specified in [DCL GEN-02-12](#). This change is effective on total and permanent disability discharge applications provided to borrowers by the lender on or after March 31, 2003.

April 1, 2003

Disability discharge (total and permanent): If a lender receives a payment from or on behalf of a borrower after the lender has filed a total and permanent disability claim but before the claim payment is received, the lender must forward the borrower payment to the guarantor and notify the borrower or other party who sent the payment that there is no obligation to make further payments, unless otherwise directed. This change is effective for borrower payments received by the lender on or after April 1, 2003, unless implemented earlier by the guarantor.

April 18, 2003

Loan certification: A school may not have a general policy that limits borrowing to the amount needed to cover school charges or limits unsubsidized Stafford loan borrowing by independent students.

May 14, 2003

Teacher loan forgiveness: 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 5 consecutive, complete [academic years](#) that a borrower must serve as a full-time teacher at a qualifying school to be eligible for teacher loan [forgiveness](#). 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. This change is effective on Teacher Loan Forgiveness Applications submitted by the lender to the [guarantor](#) on or after May 14, 2003.

June 16, 2003

Audit: A school participating in a Title IV program is required to submit audited financial statements and compliance audits to the Department electronically through eZ-Audit. A nonprofit or public school must submit copies of the A-133 reports in writing to the Federal Audit Clearinghouse, in addition to submitting the A-133 reports to the Department through eZ-Audit.

July 1, 2003

The Department issues [DCL GEN-03-04](#) announcing the approval of the revised unemployment [deferment](#) and [economic hardship](#) deferment forms. These forms must be used in response to borrower requests received on or after July 1, 2003.

Ability to benefit: The requirement for a student to take and pass an approved, properly administered [ability-to-benefit \(ATB\)](#) test during the 12-month period prior to receiving Title IV aid has been eliminated. A passing score received by the student at any time prior to the student's receipt of Title IV aid is acceptable, provided that the school obtains the test results from the test publisher or assessment center. This change is effective on official notification of a student's ability to benefit accepted by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

Authorizations and certifications: If a school uses electronic transmission to notify the student or [parent](#) borrower that it has credited the student's school account with Stafford or PLUS [loan proceeds](#), the school is no longer required to confirm and document the student or parent borrower's receipt of this notice. This change is

effective on notices issued by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement this provision no earlier than November 1, 2002.

Claim filing requirements: A lender that files its claims using the common Claim Form is not required to provide any other information or certifications. This change is effective for claims filed by the lender on or after July 1, 2003, unless implemented earlier by the guarantor.

Claim payment: Guarantors are required to purchase an approved total and permanent disability [claim](#) or return the claim no later than 90 days after the claim was received by the guarantor. This change is effective for total and permanent disability claims received by the guarantor on or after July 1, 2003, unless implemented earlier by the guarantor.

Closed school loan discharge: Lenders are no longer required to provide the "true and exact" certification of a copy of a [promissory note](#) provided in a claim file. This change is effective on claims filed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

Common forms: The Department issues [DCL GEN-03-03](#) announcing approval of the [Federal PLUS Loan Application and Master Promissory Note \(PLUS MPN\)](#) that may be used for PLUS loans certified by the school for loan periods beginning on or after July 1, 2003. The PLUS MPN must be used for loan periods beginning on or after July 1, 2004, or for any loan certified on or after July 1, 2004, regardless of the [loan period](#).

Death discharge: The underlying portion of a Federal Consolidation loan may be discharged under the following circumstances:

- The underlying portion of a Consolidation loan attributable to a PLUS loan obtained for a [dependent student](#) is eligible for [discharge](#) if that student dies. The borrower of the Consolidation loan (or both comakers in the case of a joint Consolidation loan made to a married couple) is obligated to repay the remaining Consolidation loan balance.
- Upon the death of one of the comakers of a joint Consolidation loan made to a married couple, the portion of the Consolidation loan attributable to the

comaker who has died is eligible for discharge. The surviving comaker is obligated to repay the remaining Consolidation loan balance.

This change is effective on death claims filed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

Deferment: Borrowers may provide evidence of eligibility for unemployment benefits or may certify that they are currently seeking full-time employment and making all required attempts to obtain full-time employment. Borrowers are no longer required to provide information regarding potential employers contacted during the job search or to document the employment agency with which they are registered. Borrowers must certify—in writing or in a format approved by the Department—that they are registered with an employment agency if one is available within 50 miles of their current address, and that they have made six diligent attempts in the preceding 6-month period to find full-time employment. Borrowers applying for an initial period of unemployment **deferment** are not required to certify that they have made attempts to obtain full-time employment.

An initial period of unemployment deferment based on the borrower's self-certification may be backdated up to 6 months prior to the date the lender receives the necessary documentation from the borrower, and must be scheduled to end no later than 6 months after the date the lender receives required documentation. An extension to an unemployment deferment and any unemployment deferment based on the borrower's eligibility for unemployment benefits is not subject to the 6-month backdating limitation. An extension of a deferment may be granted for up to 6 months following the date the borrower provides the lender with evidence or certification of deferment eligibility. These changes are effective for borrower requests processed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

For an **economic hardship** deferment, if the borrower's loans are scheduled to be repaid in 10 years or less, the lender must use the actual repayment amount in determining the borrower's federal postsecondary education debt burden. If the borrower's loans are scheduled to be repaid in more than 10 years, the lender must use the monthly payment amounts that would have been owed on federal postsecondary education loans based

on a 10-year **repayment schedule**. Lenders must continue to count a proportional share of any payments due—or that would have been due—less frequently than monthly, and must include payments due on a defaulted loan if the borrower has made repayment arrangements satisfactory to the **holder** of the defaulted loan. This change is effective for borrower requests processed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

Delivering loan funds: ~~Some of the requirements applicable to the late delivery of loan proceeds have changed. In order for a school to make a late delivery of loan proceeds, the following conditions are applicable:~~

- ~~Except in the case of a PLUS loan, the Department must have processed a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) with an official expected family contribution (EFC) before the student became ineligible. The requirement that the school receive a valid SAR or ISIR prior to the date the student became ineligible is eliminated.~~
- ~~In the case of a second or subsequent disbursement, the student must have graduated or successfully completed the period of enrollment for which the loan was intended. In this circumstance, the school must offer the borrower the amount of Stafford or PLUS funds the student (or parent) was eligible to receive while the student was enrolled in school. The school may credit the student's account to pay for current and allowable institutional charges, but must pay or offer any remaining amount to the student or, in the case of a PLUS loan, to the parent.~~
- ~~The time frame in which the school may deliver the funds is extended from 90 to 120 days from the date the school determines the student has withdrawn. If the student has not withdrawn, the school may make a late delivery of loan funds up to 120 days after the earlier of the end of the loan period or the date on which the student ceased to be enrolled at least half time.~~
- ~~On an exception basis, and with the approval of the Department, the school may make a late delivery of loan funds after the applicable 120-day period, if the reason the late delivery was not made within the 120-day period was not the fault of the student.~~

~~These changes are effective for late delivery of FFELP loan proceeds by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.~~

Delivering loan funds: A student who is enrolled in a modular program is not eligible to receive Stafford loan funds until the first module that he or she will actually attend. A borrower subject to [delayed delivery](#) who is enrolled in a summer or winter mini-session that is less than 30 days in length is not eligible to receive Stafford loan funds until the student completes the first 30 days of his or her [program of study](#). This change is effective loan funds delivered by the school on or after July 1, 2003.

Disability discharge (total and permanent): If a Consolidation loan is made jointly to a married couple as comakers, and one of the borrowers becomes [totally and permanently disabled](#), the portion of the Consolidation loan attributable to the disabled borrower may be discharged. However, both borrowers remain jointly and severally liable for any remaining balance after the [discharge](#). This change is effective on total and permanent disability claims filed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

Disbursement rules: Upon the receipt of a school's request, the lender may reissue a [disbursement](#) no later than 120 days after the earlier of the last day of the [period of enrollment](#) for which the loan is intended or the student's last date of at least half-time enrollment. ~~For proceeds disbursed as a late disbursement, the lender must reissue a disbursement no later than 120 days after the date on which the original late disbursement was made. In exceptional cases, the lender may reissue a loan disbursement more than 120 days after the last date of the student's eligible enrollment or more than 120 days after the date on which the original late disbursement was made, so that the student will not be harmed by circumstances beyond his or her control. The request for reissue under this exception should come from both the student and the school, and the lender should document the exceptional circumstances.~~ This change is effective for disbursements reissued by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

Eligibility – borrower and student: A student is allowed to maintain Title IV eligibility despite an overpayment in the [Federal Perkins Loan Program](#) or any Title IV grant program of less than \$25. The overpayment amount cannot be the balance of an original overpayment of \$25 or more that is reduced to less than \$25 based on payments received.

In this case, even though the remaining balance of the original overpayment is less than \$25, the borrower is still responsible for repaying the overpayment in full or making satisfactory arrangements to repay it before the borrower can regain Title IV eligibility. This change is effective on loans certified by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

A student who is [enrolled](#) simultaneously on at least a half-time basis in more than one school may be eligible to receive a Stafford loan—and the [parent](#) may be eligible to receive a PLUS loan—at both schools for the same [payment period](#) or period of enrollment. If one school has already certified a loan for the student, the other school is required to take the following actions:

- Eliminate the student's living costs from the [cost of attendance \(COA\)](#) because those costs were included in the COA at the first school.
- Ensure that the student does not receive loan funds in excess of [annual loan limits](#) at that school and that the total amount of the loans received by the student for enrollment at both schools does not exceed the student's highest applicable annual Stafford loan limit.

If neither school is aware of the student's simultaneous enrollment in two different schools until after both schools have certified Stafford loans and the student receives loan funds in excess of his or her highest applicable annual Stafford loan limit, the schools must coordinate with one another to adjust the student's aid package at one or both schools to eliminate the excess loan amount. If neither school is able to eliminate the excess loan amount, the excess loan amount must be reported to the lender. These changes are effective for loans certified by the school on or after July 1, 2003.

Eligibility – school: A school is prohibited from providing any commission, bonus, or other incentive payment to any person or entity engaged in student recruiting or admission activities or in making decisions regarding the awarding of Title IV aid, based directly or indirectly on the success of securing enrollments or financial aid. This prohibition does not apply to the recruitment of foreign students residing in foreign countries. This change is effective for incentive compensation plans offered by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

A standard definition of “[week of instruction](#)” has been implemented for all schools. A “week of instruction” is defined as any period of 7 consecutive days in which the school provides for at least one day of regularly scheduled instruction, examination, or, after the last day of classes, at least one day of study in preparation for final examination. This change is effective for program eligibility determinations made by a school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

Entrance counseling: Schools must ensure that [entrance counseling](#) is conducted with each student who is obtaining his or her first Stafford loan for attendance at that school—unless the student previously received a Stafford, SLS, or Federal Direct Stafford loan for attendance at another school. When counseling is conducted by another party or by interactive electronic means, the school remains responsible for ensuring that each student borrower receives the counseling material and participates in and completes entrance counseling. Schools are responsible for ensuring that the student receives information on the following:

- The likely consequences of [default](#), including adverse credit reports, federal offset, and litigation.
- The student’s obligation to repay the full amount of the Stafford loan, even if the student does not complete the program, is unable to obtain employment upon completion, or is otherwise dissatisfied with or does not receive the educational or other services that the student purchased from the school (the school or the school designee must provide this information to all of the school’s student borrowers except those who receive a loan made or originated by the school). The student must be provided with sample monthly repayment amounts based on a range of student levels of indebtedness or on the average indebtedness of Stafford loan borrowers at the same school or in the same [program of study](#) at the same school.

This change is effective entrance counseling conducted by or on behalf of the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

Exit counseling: Schools must ensure that [exit counseling](#) is conducted with each Stafford loan borrower shortly before the student borrower ceases enrollment on at least a half-time basis, recognizing that a school may rely on an outside entity to conduct counseling. When exit counseling is

conducted by interactive electronic means or by another party, the school remains responsible for ensuring that each student borrower receives the counseling materials and participates in and completes the counseling. Schools are responsible for ensuring that the student borrower receives information on the following:

- Sample monthly repayment amounts based on a range of levels of student indebtedness or on the average indebtedness of Stafford loan borrowers at the same school or in the same program of study at the same school.
- Available repayment options including standard, [graduated](#), [extended](#), and income-sensitive repayment plans and loan consolidation.
- Debt-management strategies that would facilitate repayment.
- The conditions under which the student may defer or forbear repayment or obtain a full or partial [discharge](#) of the loan.
- The seriousness and importance of the repayment obligation that the student has assumed.
- The likely consequences of default, including adverse credit reports, Federal offset, and litigation.
- The availability of the Student Loan Ombudsman’s Office.
- The use of the [Federal Stafford Loan Master Promissory Note \(Stafford MPN\)](#).
- The availability of Title IV loan information in the [National Student Loan Data System \(NSLDS\)](#).

These changes are effective on exit counseling conducted by or on behalf of the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

Forbearance: The requirement that the [forbearance](#) agreement between a borrower or [endorser](#) and a lender for a discretionary forbearance be in writing is removed. A lender is permitted to negotiate a verbal agreement with the borrower or endorser. In addition, this change extends to the reduced-payment forbearance [guarantor](#) policy, which has been amended to permit a lender to negotiate a reduced-

payment forbearance with a borrower via a verbal agreement, consistent with regulatory changes applicable to other types of discretionary forbearance.

In both situations, if the forbearance agreement is verbal, the lender is required to send, within 30 days of that agreement, a notice to the borrower or endorser confirming the terms of the agreement. The lender must document the borrower's request for forbearance, the reason for the forbearance, and the terms of the forbearance agreement. This change is effective for borrower requests processed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

Lenders are able to grant an [administrative forbearance](#) based solely on the lender's determination that a borrower's or endorser's ability to make payments has been 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 the administrative forbearance for a 3-month period and must document in the borrower's loan file the reason for the [forbearance](#). To grant an extension of the administrative forbearance for the same situation, the lender must document an agreement with the borrower or [endorser](#) and obtain documentation supporting the borrower's reason for extending the forbearance period. This change is effective for administrative forbearances granted by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

The requirement that a lender contact a borrower who is in a forbearance every 3 months has been eliminated. If a lender grants a forbearance that involves postponing all payments on the loan, the lender must contact the borrower or endorser 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.
- That the borrower or endorser may opt to discontinue the forbearance at any time.

This notification requirement does not apply for postponement of interest payments during a [deferment](#) period, a period of forbearance for an internship or residency, or a period of [mandatory administrative forbearance](#). This change is effective for borrower requests processed by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

Late delivery: A school must offer a [late delivery](#) of [Stafford or PLUS loan funds](#) that the student or parent borrower was eligible to receive while the student was enrolled during a [payment period](#) or [period of enrollment](#) that the student successfully completed. If a student ceases to be enrolled at least half time but does not withdraw, the school may, but is not required to, offer a late delivery of [Stafford or PLUS loan funds](#) to the student or parent borrower.

In order for a school to make a late delivery of loan proceeds, the following conditions are applicable:

- Except in the case of a PLUS loan, the Department must have processed a [Student Aid Report \(SAR\)](#) or [Institutional Student Information Record \(ISIR\)](#) with an official [expected family contribution \(EFC\)](#) before the student became ineligible. The requirement that the school receive a valid SAR or ISIR prior to the date the student became ineligible is eliminated.
- In the case of a second or subsequent disbursement, the student must have graduated or successfully completed the period of enrollment for which the loan was intended. In this circumstance, the school must offer the borrower the amount of [Stafford or PLUS funds](#) the student (or parent) was eligible to receive while the student was enrolled in school. The school may credit the student's account to pay for current and allowable institutional charges, but must pay or offer any remaining amount to the student or, in the case of a PLUS loan, to the parent.
- The time frame in which the school may deliver the funds is extended from 90 to 120 days from the date the school determines the student has withdrawn. If the student has not withdrawn, the school may make a late delivery of loan funds up to 120 days after the earlier of the end of the [loan period](#) or the date on which the student ceased to be enrolled at least half time.

- On an exception basis, and with the approval of the Department, the school may make a late delivery of loan funds after the applicable 120-day period, if the reason the late delivery was not made within the 120-day period was not the fault of the student.

These changes are effective for late delivery of FFELP loan proceeds by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

Late disbursement/Post withdrawal disbursement: For proceeds disbursed as a late disbursement, the lender must reissue a disbursement no later than 120 days after the date on which the original late disbursement was made. In exceptional cases, the lender may reissue a loan disbursement more than 120 days after the date on which the original late disbursement was made, so that the student will not be harmed by circumstances beyond his or her control. The request for reissue under this exception should come from both the student and the school, and the lender should document the exceptional circumstances. This change is effective for disbursements reissued by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002. A school must offer a late delivery of Stafford or PLUS loan funds the student or parent borrower was eligible to receive while the student was still enrolled during a payment period or period of enrollment that the student successfully completed. If a student ceases to be enrolled at least half time but does not withdraw, the school may, but is not required to, offer a late delivery of Stafford or PLUS loan funds to the student or parent borrower.

Before making a post withdrawal disbursement of FFELP funds, the school must determine that the borrower is eligible for a late delivery. If the borrower is determined eligible for a late delivery, the school must offer a post withdrawal disbursement of FFELP funds and, if accepted, must deliver the funds to the borrower. A school must make the post withdrawal disbursement of a credit balance within 120 days of the date the school determined that the student withdrew. This change is effective for post withdrawal disbursements made by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement the post withdrawal determination time frame change no earlier than November 1, 2002.

Leave of absence: A school may grant multiple leaves of absence to a student as long as the total number of days for all leaves does not exceed 180 days in a 12-month period. The student's request for the [leave of absence](#) must include the reason for leave. A student enrolled in a [clock-hour](#) or

non-term-based credit-hour program who returns from a leave of absence is not required to complete the same coursework she or he began prior to the leave of absence. This change is effective for leaves of absence granted by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

Loan amount: The length of the [program of study](#) or [academic year](#) in which the student is currently enrolled determines the [annual loan limit](#), regardless of the length of time it takes the student to complete the program or academic year of the program, as applicable. These provisions apply to all undergraduate students, including transfer students and students who have completed programs of study at other schools. In addition, 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. These changes are effective on Stafford loan amounts certified by the school on or after July 1, 2003, unless implemented earlier by the school.

The Department issues [DCL GEN-03-03](#) announcing the [Federal PLUS Loan Application and Master Promissory Note \(PLUS MPN\)](#) procedures for obtaining the requested loan amount from the parent borrower as one of the key items that may be included in [guarantor](#) on-site school and lender reviews. These requirements are effective for PLUS loans certified by the school for loan periods beginning on or after July 1, 2003.

Loan guarantee: The Department issues [DCL GEN-03-03](#) to clarify signature requirements related to the making of PLUS loans. The revision requires the student to complete and sign the appropriate section of the common PLUS application and [promissory note](#). However, the student is not required to complete any portion of the [Federal PLUS Loan Application and Master Promissory Note \(PLUS MPN\)](#). This change is effective for PLUS loans certified by the school for loan periods beginning on or after July 1, 2003.

Loan origination: The Department issues [DCL GEN-03-03](#) announcing that the Federal PLUS Loan Application and Master Promissory Note (PLUS MPN) may be used to obtain one or more PLUS loans for a [dependent student](#). A [parent](#) borrower must complete a separate PLUS MPN for each dependent student for whom he or she wishes to borrow. Before a PLUS loan may be disbursed, the parent borrower must indicate to either the school or the lender the PLUS loan amount that he or she wishes to borrow (the requested loan amount). The student is not required to complete or sign the PLUS MPN. If the lender determines

that the parent has an adverse credit history and an [endorser](#) is used, a separate Endorser Addendum is required for each PLUS loan. In any case where an endorser is required, a new PLUS MPN is required for each loan. Any increase in the requested loan amount by the parent borrower must be approved by the endorser and requires a new PLUS MPN and Endorser Addendum. This policy is effective for PLUS loans certified by the school for loan periods beginning on or after July 1, 2003.

The lender has additional responsibilities when making loans using the [Master Promissory Note \(MPN\)](#). The lender must determine the school's authorization to certify Stafford or PLUS loans using the multi-year feature of the MPN for each subsequent loan made under an existing MPN, based on information provided by the Department. The lender must provide the borrower with a Plain Language Disclosure for each subsequent loan made under the multi-year feature of the MPN; ensure that either a [Confirmation](#) or Notification process is in place for Stafford loans made using the multi-year feature of the MPN; and ensure that a process is in place to obtain the parent borrower's requested loan amount before each loan is disbursed under a PLUS MPN.

[GEN-03-03](#) also announces information regarding the expiration of the ability of a lender to make new loans under an MPN. In addition to the current revocation guidance, a lender may elect not to make subsequent loans under an existing MPN. The lender's decision may be based on any number of circumstances—for instance, if there is a change in the borrower's circumstances (such as [bankruptcy](#) or [delinquency](#)), or because the loan is being requested under a [Lender of Last Resort](#) Program. If the lender chooses to cancel unmade disbursements due to a borrower's bankruptcy filing, the lender may choose to cancel an existing MPN and require the borrower to sign a new note to obtain loan funds for which the school determines the borrower to be eligible. In the case of a PLUS MPN, a new MPN is required if the dependent student changes. For each new loan that requires an endorser, a new PLUS MPN with a new Endorser Addendum is required. Any increase in the requested loan amount by the parent borrower must also be approved by the endorser and requires a new PLUS MPN and Endorser Addendum.

If a borrower has completed an MPN, the borrower may obtain additional loans under the same Stafford Master Promissory Note (Stafford MPN) or PLUS MPN, as applicable, for a student who transfers, regardless of any change in school or [guarantor](#), provided all of the following apply:

- The new school is not a [foreign school](#).

- The new school has not been notified of restricted multi-year use by the Department.
- The MPN remains valid.
- The new school, lender, or guarantor does not require a new MPN.
- The borrower does not choose a new lender.

If a PLUS loan is made to a parent borrower who completed a PLUS MPN to benefit a dependent student and that student transfers to a school that is not eligible to, or chooses not to, offer the multi-year feature of the PLUS MPN, or if an endorser is required, the borrower must complete a new PLUS MPN for the new school.

Payment period: The [payment period](#) for an eligible credit-hour program that offers academic terms (standard or nonstandard) is simply the academic term. The first payment period is the period of time when the student completes half the number of credit hours *and* half the number of weeks in the program. The payment period for [clock-hour](#) programs no longer mirrors the non-term-based credit-hour program definition. This change is effective on payment periods established by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

Post-withdrawal disbursement: Before making a [post-withdrawal disbursement](#) of FFELP funds, the school must determine that the borrower is eligible for a [late delivery](#). If the borrower is determined eligible for late delivery, the school must offer a post-withdrawal disbursement of FFELP funds, and if accepted, must deliver the funds to the borrower. A school must make the post-withdrawal disbursement of a credit balance within 120 days of the date that the school determined that the student withdrew. This change is effective for post-withdrawal disbursements made by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement the post-withdrawal determination time frame change no earlier than November 1, 2002.

Record Retention: The Department issues [DCL GEN-03-03](#) to announce recordkeeping requirements for loans made using the [Federal PLUS Loan Application and Master Promissory Note \(PLUS MPN\)](#).

Records that a lender must maintain include documentation of the process under which either the school or lender obtains the [parent](#) borrower's requested loan amount for

loans made under the PLUS MPN; a [record](#) of the parent borrower's requested loan amount for loans made under the PLUS MPN, if the lender is the party responsible for obtaining this information; and a record of any adjustments that the lender receives to the parent borrower's requested loan amount.

Records that a school must maintain include documentation of the process under which either the school or lender obtains the parent borrower's requested loan amount for loans made under the PLUS MPN; a record of the parent borrower's requested loan amount for loans made under a PLUS MPN, if the school is the party responsible for obtaining this information; and a record of any adjustments that the school receives to the parent borrower's requested loan amount. These requirements are effective for PLUS loans certified by the school for loan periods beginning on or after July 1, 2003.

Rehabilitation of defaulted loans: A borrower who has a defaulted loan for which a judgment has been obtained is no longer permitted to include that loan in a guarantor's [rehabilitation](#) program. This change is effective on requests for loan rehabilitation received by the [guarantor](#) on or after July 1, 2003, unless implemented earlier by the guarantor. Guarantors may implement these provisions no earlier than November 1, 2002.

Repayment terms: A request from a borrower to extend his or her [repayment period](#) beyond the scheduled 5 years no longer must be in writing. This change is effective for borrower requests received by the lender on or after July 1, 2003, unless implemented earlier by the lender. Lenders may implement these provisions no earlier than November 1, 2002.

Return of Title IV funds: New federal regulations establish a clear requirement for returning unearned Title IV program funds and the conditions under which a school must submit a letter of credit if it does not return those funds in a timely manner. In addition, if a school can demonstrate exceptional circumstances beyond the school's control, the Department will not hold the school responsible for untimely [return of Title IV funds](#) and will not require the school to submit a letter of credit. Specifically, a school is considered to have sufficient cash reserves to make the required return of unearned Title IV funds if the school meets at least one of the following:

- The school satisfies the financial responsibility standards for public schools.

- The school is located in, and is licensed to operate in, a state that has a Department-approved tuition recovery fund to which the school contributes.
- The school demonstrates that it returns in a timely manner unearned Title IV funds for students that withdraw from the school.

This change does not have an effective date as the provision will be implemented and enforced by the Department.

In accordance with the revised guidance issued by the Department of Education, there are times when a school may include FFELP funds as aid that could have been disbursed in the return of Title IV funds calculation even if the school was prohibited from delivering the funds on or before the date the student withdrew. This includes:

- Loan funds for a first-year, first-time undergraduate borrower who withdraws before completing the 30th day of his or her [program of study](#).
- The second or subsequent [disbursement\(s\)](#) of a loan even if the school was prohibited from delivering the funds on or before the date the student withdrew.

However, in all cases, the following conditions for making a [late disbursement](#) must be met in order for FFELP funds to be included as aid that could have been disbursed:

- Except in the case of a PLUS loan, the Department processed a valid [Student Aid Report \(SAR\)](#) or [Institutional Student Information Record \(ISIR\)](#) with an official [expected family contribution \(EFC\)](#) on or before the date of the student's withdrawal.
- The school certified the loan on or before the date of the student's withdrawal.

In these cases, although the loan funds may be included as aid that could have been disbursed in the return of Title IV funds calculation, under no circumstances may the school deliver the loan funds to the borrower as a post-withdrawal disbursement.

If a school is completing the [return of Title IV funds](#) calculation on a [payment period](#) basis, FFELP funds scheduled for [disbursement](#) in a subsequent payment period may not be included as aid that could have been disbursed.

This change is effective for any student who withdraws on or after July 1, 2003.

Unearned FFELP funds are considered returned timely if, no later than 30 days after the date the school determines that the student withdrew, the school does one of the following:

- Deposits or transfers the amount of funds to be returned into an account the school maintains for federal funds (see [Subsection 6.3.D](#)).
- Initiates an [electronic funds transfer \(EFT\)](#) for the amount of returned funds.
- Initiates an electronic transaction that informs the lender to adjust the borrower's loan account for the amount of returned funds.
- Issues a check for the returned funds. In this case, the school's records must show that the lender's bank endorsed that check no more than 45 days after the date the school determined that the student withdrew.

This change is effective on unearned FFELP funds returned by the school to the lender on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

Withdrawal: A school is required to record attendance if an outside entity requires this activity even for a limited period of time. An exception to this requirement, however, is if the outside entity requires a school to record attendance for a single event (i.e., a one-day census activity). This change is effective for all withdrawal determinations made by the school on or after July 1, 2003, or on or after the date of implementation if implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

The Department of Education issued [DCL GEN-04-03](#) and new guidance provided in the [03-04 FSA Handbook](#) to provide more complete information about schools that are required to record attendance for a limited period of time or for a specific group of students. A school that is required to record attendance for a limited period of time must document the student's attendance through that period. If the school determines that the student is not in attendance at the end of that period, the student's [withdrawal date](#) is determined according to the requirements for a school that is required to record attendance. If the school can document the student's attendance through the period of time during which the school is required to record attendance but the student subsequently withdraws, the student's withdrawal date is determined according to the requirements for a school that is not required to record attendance. A school

that is required by an outside entity (e.g., a state workforce development agency), to record attendance for a specific group of students must use the attendance records for only that specific group of students under that outside entity's jurisdiction to determine the student's withdrawal date. These provisions are effective for any student who withdraws on or after July 1, 2003.

If a student withdraws from a program but re-enters the same program within 180 days, the school is required to place the student in the same payment period in which he or she was [enrolled](#) when the withdrawal occurred. If, however, a student returns to the same program *after* 180 days or, at any time, either transfers into a different program at the same school or enrolls in another school, the applicable school must calculate a new payment period for the remainder of the student's program based on how program progress is measured. For purposes of calculating payment periods only, the length of the program is the number of credit hours and the number of weeks, or the number of clock hours, that the student has remaining in the program he or she entered or re-entered. If the remaining hours (and weeks, if applicable) constitute one half of an [academic year](#) or less, the remaining hours constitute one payment period. This change is effective on eligibility determinations made by the school on or after July 1, 2003, unless implemented earlier by the school. Schools may implement these provisions no earlier than November 1, 2002.

July 15, 2003

The Department issues [DCL GEN-03-08](#) that discusses the use of long-term debt in the calculation of the Primary Reserve Ratio used to determine whether institutions demonstrate financial responsibility. This letter replaces the guidance provided by the Department in [DCL GEN-01-02](#) and is effective for all annual financial statement audits for fiscal years ending on or after December 31, 2002.

August 25, 2003

The Department issues [DCL L-03-242](#) informing lenders of actions required to assist in the oversight of FFELP funds for students attending [foreign schools](#). The additional requirements are effective for disbursements made directly to students attending foreign schools on or after November 25, 2003.

October 12, 2003

The Department issues [DCL GEN-03-12](#) that describes new procedures used by the [National Student Loan Data System \(NSLDS\)](#) to calculate [aggregate loan limits](#) when a student has consolidated some or all of their student loans.

October 20, 2003

Consolidation loans: Portions of a Consolidation loan that are attributed to subsidized Stafford and unsubsidized Stafford loans must be included when calculating a student's aggregate loan balance. The [financial aid administrator \(FAA\)](#) 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.

November 26, 2003

Disbursement rules: Before a lender may release funds directly to a student for attendance at a [foreign school](#), the lender must receive confirmation from the [guarantor](#) indicating that the school the student plans to attend is eligible to participate in the FFELP and that the student has been accepted for enrollment at the foreign school. In addition, the lender is required to notify the foreign school when it disburses FFELP funds directly to the student.

December 12, 2003

The Department announces [Higher Education Relief Opportunities for Students \(HEROES\) Act](#) waivers in a [Federal Register](#) notice (Vol. 68, No. 239, issued December 12, 2003), including a number of waivers and modifications of statutory and regulatory provisions that are appropriate to assist individuals who are applicants and recipients of federal student aid under Title IV of the HEA. See [Section H.4](#) for detailed information about the areas of Title IV administration that these waivers affect.

2004**January 2004**

Disbursement rules: Schools and lenders are prohibited from obtaining a borrower's power of attorney or other authorization to endorse or otherwise approve the cashing of a loan check, or the delivery of loan funds disbursed through [electronic funds transfer \(EFT\)](#). Schools and lenders are also prohibited from using a document containing the borrower's power of attorney to support

another party's endorsement or other method used to approve the cashing of a loan check, or the delivery of loan funds disbursed through EFT. This change reflects a regulatory technical correction published in the [Federal Register](#) on December 31, 2003. The technical correction was necessary because the text was previously included in regulations but was inadvertently omitted. The changes regarding a power of attorney received by the school or lender and used to negotiate loan documents are effective on or after January 30, 2004, unless implemented earlier by the guarantor.

Rehabilitation of defaulted loans: A lender is required to use the loan's balance at the time it is rehabilitated when establishing the maximum [repayment period](#) for a rehabilitated Consolidation loan. This policy is effective for Consolidation loans reentering repayment after [rehabilitation](#) on or after January 30, 2004. This change is based on technical corrections to the federal regulations published in the [Federal Register \(Volume 68, number 250\)](#), page 75429, dated December 31, 2003.

February 13, 2004

Return of Title IV funds: The Department of Education issues [DCL GEN-04-03](#) to announce a revision regarding the treatment of inadvertent overpayments in the [return of Title IV funds](#) calculation. An inadvertent overpayment exists when a school delivers loan funds to a student who is no longer in attendance. When the school completes a return of Title IV funds calculation, an inadvertent overpayment must be included as "aid that could have been disbursed." Previous guidance had indicated that inadvertent overpayments were to be included as "disbursed aid." The student must qualify for a [late disbursement](#) to be eligible to retain funds that were delivered as an inadvertent overpayment. If the student is ineligible for all or a portion of the inadvertent overpayment, the school must return the ineligible amount to the lender within 30 days of the date of the school's determination that the student withdrew. This change is effective for any student who withdraws on or after February 13, 2004.

[DCL GEN-04-03](#) and new guidance provided in the [03-04 FSA Handbook](#) clarify that, except in unusual cases, if a student is absent without explanation, a school that is required to record attendance is expected to make a determination that the student withdrew no later than one week after the student's last date of academic attendance as determined from the school's attendance records. The school does not have to make a withdrawal determination if, during that one week period, the student verifies that he

or she plans to return to school. Provisions for determining a student's [withdrawal date](#) are effective for any student who withdraws on or after February 13, 2004.

The Letter also includes guidance for schools regarding the treatment of Title IV credit balances under the [return of Title IV funds](#) requirements. If a student withdraws and has a Title IV credit balance on his or her account, the school must not deliver any portion of the credit balance to the student or return any portion to the Title IV student aid programs before it completes a return of Title IV funds calculation. The school must hold the funds even if it results in the school not being in compliance with the 14-day payment requirement for credit balances. In this case, the school does not need the student's or parent's authorization to hold the Title IV credit balance beyond the original 14-day period. However, within 14 days of the date that the school performs the return of Title IV funds calculation, the school must pay any remaining Title IV credit balance. The school must first allocate the Title IV credit balance to repay any grant overpayment owed by the student as a result of the current withdrawal. If there is no grant overpayment owed or if an additional credit balance exists on the account after the grant overpayment is repaid, it must be paid in one or more of the following ways:

- In accordance with cash management regulations, the school may use the credit balance to pay authorized charges at the school (including previously paid charges that are now unpaid due to a return of Title IV funds by the school).
- With the student's authorization, the school may use the credit balance to reduce the student's Title IV loan debt (not limited to loan debt incurred for the [payment period](#) or [period of enrollment](#) during which the student withdrew).
- The school may deliver the credit balance to the student, or the [parent](#) in the case of a PLUS loan. If the school cannot locate the student or parent to whom a Title IV credit balance is due, the school must return the credit balance to the Title IV programs. In this case, there is no specific order of return to the Title IV programs, but schools are encouraged to make determinations that are in the best interest of the individual student.

This policy is effective for students who withdraw on or after February 13, 2004, as determined by the school.

If a student is selected for [verification](#) but withdraws prior to providing all required verification documentation, the school must complete the return of Title IV funds calculation in time to comply with the 30-day return of Title IV funds deadlines. If the student did not provide the required verification documentation, the school must include as disbursed aid or aid that could have been disbursed only those funds not subject to verification (i.e., PLUS loans and unsubsidized Stafford loans) in the return of Title IV funds calculation. However, if the student subsequently provides the documentation before the verification deadline, the school is required to perform a new return of Title IV funds calculation and make the appropriate adjustments. If the school is unable to offer the post-withdrawal disbursement to the student, or parent in the case of a PLUS loan, within the required 30 days after the date that the school determined that the student withdrew, the school must offer the funds as soon as possible. Also, whenever possible, the school must provide the student or parent with the minimum 14-day period to respond to the offer of a post-withdrawal disbursement. This policy is effective for students who withdraw on or after February 13, 2004, as determined by the school.

The Letter also includes guidance for schools that offer non-term-based credit-hour programs to determine the number of calendar days in the payment period or period of enrollment. If a student withdraws from a non-term-based credit-hour program where the completion date is dependent upon an individual student's progress, the school must project the completion date based on the student's progress as of the date of his or her withdrawal to determine the total number of calendar days in the period. If the student does not earn credits or complete lessons as he or she progresses through the program, the school is required to have a reasonable procedure for projecting the completion date based on the student's progress before withdrawal. If the completion date for all students in a non-term-based credit-hour program is the same, the total number of calendar days in the period will be the same for all students. This policy is effective for students who withdraw on or after February 13, 2004, as determined by the school.

March 2004

Claims – returned and refiled: If a lender is unable to provide a complete [claim](#) or if the loan is otherwise ineligible for claim payment (due, for example, to a previous, unresolved loss of loan [guarantee](#)) the claim file must be returned despite the lender's or servicer's [exceptional performer](#) designation.

March 14, 2004

Disability discharge (total and permanent): A borrower is not eligible for a [total and permanent disability \(TPD\) loan discharge](#) if the loan has already been paid in full when the loan holder receives the borrower's TPD discharge request. Effective total and permanent disability discharge requests received on or after March 14, 2004, unless implemented earlier by the loan holder.

July 1, 2004

Academic year: 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 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. If the average student successfully completes the clock or credit hours in the program in the weeks of instructional time allotted for program completion, the school is not required to prorate the Stafford [annual loan limits](#) for the occasional student who successfully completes the clock or credit hours in the program in fewer weeks of instructional time. A student enrolled in such a program that is more than one academic year in length must successfully complete the number of clock or credit hours and complete the weeks of instructional time in the program's [Title IV](#) academic year before he or she gains eligibility to receive another loan for a new [BBAY](#). If the subsequent Stafford loan period will be an undergraduate borrower's final period of study, the school must prorate the Stafford annual loan limit. Effective with the publication date of [Volume 3 of the 04-05 FSA Handbook](#).

A school may define a different academic year for each of two versions of the same program. If a school permits the student to enroll in coursework from both versions of the program, the school must determine the version in which the student is actually enrolled. A student must be taking at least 50% of his or her coursework from a particular version of the program in order for the school to consider the student enrolled in the version of the program. Effective with the publication date of the [04-05 FSA Handbook](#).

Delivering loan funds: When a student is enrolled in a credit-hour program offered in modules but the student will not attend the first [module](#) in a [payment period](#), the school uses the starting date of the first module in the payment period that the school expects the student to attend to determine when Stafford or PLUS loan funds may be delivered. A borrower subject to delayed delivery who is enrolled in a module that is less than 30 days in length is not

eligible to receive Stafford loan funds until the student completes the first 30 days of his or her [program of study](#). Effective with the publication of the [04-05 FSA Handbook](#).

Disbursement rules: When a student is enrolled in a credit-hour program offered in modules but the student will not attend the first module in a payment period, the school uses the starting date of the first module in the payment period that the school expects the student to attend to determine the Stafford or PLUS loan disbursement schedule. Effective with the publication of the [04-05 FSA Handbook](#).

There is one exception to the 120-day loan [disbursement](#) reissue policy. The exception permits a lender to reissue a loan disbursement more than 120 days after the last date of the student's eligible enrollment or more than 120 days after the date on which the original [late disbursement](#) was made, so that the student will not be harmed by circumstances beyond his or her control. The location in the Manual's text of this exception implies that it is only applicable to the reissue of a late disbursement, which is not the intent of the policy. To correct this, a new subheading was added to separate the exception to the 120-day reissue limitation from the policy regarding late disbursement, thereby clarifying that the exception applies both to timely disbursements and to late disbursements. In addition, a new requirement has been added that stipulates that the lender must document the reason for the reissue of the loan [disbursement](#) in all reissue situations. This policy is effective for disbursements reissued by the lender on or after July 1, 2004.

Loan certification: A school may certify a [parent](#) borrower's eligibility for a PLUS loan without performing [need analysis](#) and without determining the student's eligibility for either a [Pell grant](#) or a subsidized or unsubsidized Stafford loan.

Payment period: For an eligible program that measures progress in credit hours and has standard academic terms, or has nonstandard terms that are substantially equal in length, the [payment period](#) is the academic term (semester, trimester, quarter, or nonstandard term). In such a program that is offered in [modules](#), the payment period is an academic term, including a case in which a student does not enroll in all of the modules within the term. Effective with the publication of the [04-05 FSA Handbook](#).

Program of study: In a credit-hour program that is offered in modules, a school has several options for defining the program's structure. A school may group modules together and treat the entire period of combined modules as a single term. A school may also treat a program that is offered in

modules as a program that consists of nonstandard terms. In addition, a school may treat a program that consists of modules as a non-term-based program.

For a program that is offered in standard terms, a school may combine a short nonstandard term with an adjacent standard term and treat the combined term as a single, standard term composed of two modules.

Repayment start: A lender must establish a first payment due date on a Consolidation loan that is no more than 60 days after the last day of a [deferment](#) or [forbearance](#) period, unless the borrower makes prepayments during that period that cause the due date to be advanced. When a lender is required to redisclose repayment terms because of the addition of a loan(s) during the 180-day add-on period, the lender may establish a new effective date for the revised payment amount. The new effective date must be no more than 60 days after the date of the last disbursement that discharged the add-on loan(s). This policy is effective for Consolidation loan repayment disclosures issued by a lender on or after July 1, 2004.

October 1, 2004

Loan origination: If a power of attorney is used to sign a [Master Promissory Note \(MPN\)](#), the MPN is only valid for one loan. This single loan restriction is effective October 1, 2004, unless implemented earlier by the [guarantor](#).

Special allowance: A loan financed with proceeds of a tax-exempt obligation originally issued prior to October 1, 1993, will revert to the regular [special allowance](#) rates paid on other loans if such a tax-exempt obligation is refunded, retired, or defeased on or after September 30, 2004.

October 30, 2004

Teacher loan forgiveness: [The Taxpayer-Teacher Protection Act of 2004](#), which includes new statutory loan [forgiveness](#) eligibility criteria and an increased forgiveness amount for certain borrowers, was enacted on October 30, 2004. Subsequently, the Department issued [GEN-05-02/FP-05-02](#) to announce the increased loan forgiveness maximum of \$17,500—the previous maximum was \$5,000. The DCL also includes the new criteria for borrowers who begin their qualifying teaching service on or after October 30, 2004, to qualify for the \$5,000 forgiveness maximum and provides definitions applicable to additional teacher qualifications required to obtain that increased forgiveness amount. These provisions are applicable to Stafford loans and Consolidation loans—to the extent that

the Consolidation loan repaid a borrower's eligible underlying Stafford loan(s). The new statutory loan forgiveness criteria are as follows:

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 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, or 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.

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.

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 began a period of qualifying teaching service on or after October 30, 2004, the borrower 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.

The term “highly qualified” is a critical eligibility criterion for teacher loan [forgiveness](#) at the increased amount of \$17,500 and for loan forgiveness for periods of qualifying teaching service that begin on or after October 30, 2004. 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:

- An elementary school teacher who is new to the teaching profession; holds a bachelor's degree; and has demonstrated, by passing a rigorous State test, subject knowledge and teaching skills in reading, writing, mathematics, and other areas of basic elementary school curriculum (which may consist of passing a State-required certification or licensing test or tests in reading, writing, mathematics, and other areas of the basic elementary school curriculum).
- A middle or secondary school teacher who is new to the profession; holds a bachelor's degree; and has demonstrated a high level of competency in each of the academic subjects in which the teacher teaches by passing a rigorous state academic subject test in each of the academic subjects in which the teacher teaches (which may consist of a passing level of performance on a state-required certification or licensing test or tests in each of the academic subjects in which the teacher teaches), or by successfully completing, in each of the academic subjects in which the teacher teaches, of an academic major, a graduate degree, coursework equivalent to an undergraduate academic major, or advanced certification or credentialing.
- An elementary, middle, or secondary school teacher who is not new to the profession, holds at least a bachelor's degree, and meets the applicable standards of an elementary, middle, or secondary school teacher who is new to the profession; or demonstrates competence in all the academic subjects in which the teacher teaches based on a high objective uniform state standard of evaluation that meets all of the following criteria:
 - Is set by the state for both grade appropriate academic subject matter knowledge and teaching skills.

- Is aligned with challenging state academic content and student academic achievement standards and developed in consultation with core content specialists, teachers, principals, and school administrators.
- Provides objective, coherent information about the teacher's attainment of core content knowledge in the academic subjects in which a teacher teaches.
- Is applied uniformly to all teachers in the same academic subject and the same grade level throughout the state.
- Takes into consideration, but is not based primarily on, the time the teacher has been teaching in the academic subject.
- Is made available to the public upon request.
- May involve multiple, objective measures of teacher competency.

A lender is required to grant a teacher loan forgiveness [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.

November 2004

Withdrawal: The Department of Education issues [DCL GEN-04-12](#) to announce a revised time frame for certain schools to determine a student's [withdrawal date](#). For a school that is required to record attendance, the date of determination that the student withdrew must be no later than 14 days after the student's last date of academic attendance as determined from the school's attendance records. Previous guidance required schools to make this determination no later than 7 days after the student's last date of academic attendance. The change is effective for withdrawal determinations made by the school on or after November 17, 2004.

2005

~~*Annual loan limits:*~~ *Academic Year:* To determine the [academic year](#) and the frequency of Stafford [annual loan limits](#), a school may use either a [scheduled academic year](#) or a borrower-based academic year for its standard term-based credit-hour programs. A school must use a borrower-based academic year for its nonstandard term-based and

non-term-based credit-hour programs, as well as for its [clock-hour](#) programs. These provisions are effective on the publication date of the [05-06 FSA Handbook](#), unless implemented earlier by the school.

Annual loan limits: Stafford loan eligibility for a transfer student is the annual loan limit applicable to the student's current [grade level](#) minus the loan amount that the student has already received for the final academic year of the prior program. For a student who transfers to a standard term-based credit-hour program, the student's Stafford loan eligibility for a subsequent term that begins within the initial academic year of the new program, but after the end of the final academic year of the prior program, is the annual loan limit applicable to the student's current grade level minus the outstanding loan amount the student has already received for that academic year in the new program. These provisions are effective on the publication date of the [05-06 FSA Handbook](#), unless implemented earlier by the school.

May 1, 2005

Annual loan limits: For loan periods beginning on or after May 1, 2005, schools offering Naturopathic Medicine programs that lead to a Doctor of Naturopathic Medicine Degree or a Doctor of Naturopathy Degree and are accredited by the Council on Naturopathic Medical Education are eligible to award increased unsubsidized Stafford loan limits to students [enrolled](#) in those programs.

June 1, 2005

Cohort default rate: The Department sends a domestic school its draft and official electronic cohort default rates (eCDR) through the Student Aid Internet Gateway (SAIG). All domestic schools are required to enroll in the SAIG and designate a SAIG destination point for the receipt of the eCDR notifications. The Department mails draft and official [cohort default rate](#) notifications to [foreign schools](#).

July 1, 2005

Aggregate loan limit: If a borrower inadvertently exceeds an [aggregate loan limit](#) under a Title IV loan program, the borrower may make arrangements satisfactory to the [holder](#) of the loan to repay the excess loan amount and these arrangements may include having the borrower sign an agreement acknowledging the debt and affirming his or intention to repay the excess amount as part of the normal repayment process. Consolidation of the loan(s) that exceeded the aggregate loan limit (provided that the loan(s) is otherwise eligible for consolidation) is also considered to be a [satisfactory repayment arrangement](#).

Annual loan limit: If a borrower inadvertently exceeds an annual loan limit under a Title IV program, the borrower may make arrangements satisfactory to the holder of the loan to repay the excess loan amount and these arrangements may include having the borrower sign an agreement acknowledging the debt and affirming his or intention to repay the excess amount as part of the normal repayment process. Consolidation of the loan(s) that exceeded the annual loan limit (provided that the loan(s) is otherwise eligible for consolidation) is also considered to be a satisfactory repayment arrangement.

Closed school loan discharge: If the lender receives notification that a closed school [discharge](#) may be applicable to the underlying loans of a Consolidation loan, the lender is required to suspend collection activity on the Consolidation loan consistent with the requirements for suspending collection activity on other loans.

If a loan is 270 or more days delinquent and the lender has not filed a [claim](#) on the loan, the lender or [guarantor](#) must identify the borrower's potential eligibility for loan discharge and send the borrower the loan discharge application and other applicable notifications as required for all closed school loan discharge applications. The lender must process an [administrative forbearance](#) on the loan. If the lender did not receive the discharge notification from the guarantor, the lender must notify the guarantor of each borrower it identifies as potentially eligible for loan discharge due to the student's school's closing. If the borrower does not return the loan discharge application for the defaulted loan within 60 days, or the guarantor or the Department has not instructed the lender to file a closed school discharge claim, the lender must discontinue the administrative forbearance and file the [default](#) claim.

If the lender has filed a default claim with the guarantor and that claim has not yet been paid, the lender or guarantor must identify the borrower's potential eligibility for loan discharge and send the borrower the discharge application and applicable notifications as required for other, non-defaulted FFELP loans. If the guarantor returns the claim to the lender, the lender must process an administrative forbearance on the loan. In addition, if the lender did not receive the discharge notification from the guarantor, the lender must notify the guarantor of each defaulted, claim-filed borrower it identifies as potentially eligible for loan discharge due to the student's school's closing. The lender must send the notice to the [guarantor](#) on the same day the lender sends the loan [discharge](#) application materials to the borrower.

If the borrower returns a completed discharge application within 60 days and the guarantor returned the [default claim](#) to the lender, the lender must refile the claim as a closed

school loan discharge claim within 60 days of the date on which it receives either the completed discharge application or notice from the guarantor to file a closed school loan discharge claim. If the borrower does not return the completed discharge application and the guarantor returned the claim to the lender, the lender must refile the default claim within 60 days of the end of the 60-day [administrative forbearance](#) period.

The lender must file or refile a default claim if the borrower fails to return the loan discharge application timely. Refile time frames are measured from the earlier of the day the lender receives notice from the guarantor to file the default claim or, if no response is received from the borrower, within 60 days of the end of the administrative forbearance period. The lender must refile the returned default claim:

- Within 30 days to ensure that the claim will be paid including all outstanding interest.
- On or after day 31, but no later than day 60, to ensure that the claim will be paid, but interest will be limited to 270 days.

If the guarantor did not return the claim, and the borrower returns a completed discharge application within 60 days, the lender must notify the guarantor and must forward all pertinent closed school documentation to the guarantor. If the guarantor did not return the claim to the lender and the borrower fails to return the completed discharge application within 60 days, the lender must notify the guarantor that the closed school loan discharge is no longer pending.

Estimated financial assistance: For a student who is enrolled simultaneously in multiple schools, a Stafford or PLUS loan certified by one school is not included as estimated financial assistance by any other school when determining the student or parent borrower's loan eligibility for the same payment period or period of enrollment. Both schools must ensure that the student does not receive loan funds that exceed the applicable annual loan limit. Effective with the publication of the [05-06 FSA Handbook](#).

False certification loan discharge: If a false certification loan discharge may be applicable to the underlying loans of a Consolidation loan, the lender is required to suspend collection activity on the Consolidation loan.

If the loan is 270 or more days delinquent, and the lender has not filed a [claim](#) on a loan, the lender or guarantor must identify the borrower's potential eligibility for loan [discharge](#), process an [administrative forbearance](#), and send the borrower the loan discharge application and other

applicable notifications as required for all false certification loan discharge applications. If the lender did not receive the discharge notification from the guarantor, the lender must notify the guarantor of each borrower it identifies as potentially eligible for loan discharge due to the false certification of his or her loan.

If the loan discharge application is not returned within 60 days, or the guarantor or the Department has not instructed the lender to file a false certification loan discharge claim, the lender must discontinue the administrative forbearance and file the default claim.

If the lender has filed a default claim with the guarantor and that claim has not yet been paid, the lender or guarantor must identify the borrower's potential eligibility for loan discharge and send the loan discharge application and applicable notifications to the borrower as required for other, non-defaulted loans.

If the guarantor returns the claim, the lender must process an administrative forbearance. In addition, if the lender did not receive the discharge notification from the guarantor, the lender must notify the guarantor of each defaulted, claim-filed borrower it identifies as potentially eligible for loan discharge due to the false certification of his or her loan. The lender must send the notice to the guarantor on the same day the lender sends the loan discharge application materials to the borrower.

The lender must file or refile a default claim if the borrower fails to return the discharge application timely. Refile time frames are measured from the earlier of the date the lender receives notice from the guarantor to refile the default claim or the end of the 60-day administrative forbearance period. The lender must refile the default claim:

- Within 30 days to ensure that the claim will be paid including all outstanding interest.
- On or after day 31, but no later than day 60, to ensure that the claim will be paid, but interest will be limited to 270 days.

If the guarantor does not return the claim, and the borrower returns a completed discharge application within 60 days, the lender must notify the guarantor to reactivate the claim as a false certification loan discharge claim and must forward all pertinent false certification documentation to the guarantor. If guarantor does not return the claim and the borrower fails to return the completed discharge application

within 60 days, the lender must notify the guarantor that the 60-day response time frame has expired and that the lender has not received the discharge application.

Loan amount: 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 is shorter than the statutory minimum for an [academic year](#) or, for a program that is longer than the statutory academic year minimum, the borrower is completing a final period of study that is shorter than an academic year. The school is not required to prorate a loan for 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. Effective with the publication date of [Volume 3 of the 05-06 FSA Handbook](#) for the each of 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.

Forbearance: A lender must grant a [mandatory administrative forbearance](#) on a Federal Consolidation loan that paid in full one or more underlying PLUS loans in the event of the death of the student for whom the PLUS loan was made.

September 21, 2005

Academic year: A school may use a [scheduled academic year \(SAY\)](#) or a [borrower-based academic year \(BBAY\)](#) to determine the Stafford [annual loan limit](#) frequency and to determine the [parent PLUS](#) loan period for a student who is [enrolled](#) in a standard term-based program that is offered in a traditional [academic year](#) calendar, including such a program that is comprised of modules. Revised policy also broadens the definition of BBAY to acknowledge its use in all types of programs and provides new detail concerning the use of a BBAY in standard term-based programs that do, and do not, have a traditional academic calendar. This change is effective with the publication date of the [05-06 FSA Handbook](#).

Annual loan limit: When a student transfers from a graduate program to an undergraduate program within an [academic year](#), the undergraduate Stafford [annual 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 Stafford annual loan limit. The total amount awarded for the academic year may not exceed the higher (graduate/professional) annual loan limit.

~~A school may use a scheduled academic year (SAY) or borrower-based academic year (BBAY) to determine Stafford annual loan limit frequency and determine the parent or Grad PLUS loan period for a student who is enrolled in a standard term-based program that is offered in a traditional academic year calendar, including such a program that is comprised of modules. Revised policy also broadens the definition of a BBAY to acknowledge its use in all types of programs and provides new detail concerning the use of a BBAY in standard term-based programs that do, and do not, have a traditional academic year calendar.~~

Loan certification: A school may not have a general policy of prorating the annual loan limit based on a student's enrollment status.

October 1, 2005

Teacher loan forgiveness: The [Taxpayer-Teacher Protection Act of 2004](#) originally included a termination date for benefits for the increased teacher loan [forgiveness](#) amount of up to \$17,500 for teachers in certain specialties. The [Higher Education Reconciliation Act of 2005](#) amended the Taxpayer-Teacher Protection Act of 2004 by removing the termination date, thus reinstating the previous increased teacher loan forgiveness amounts of up to \$17,500 for teachers in certain specialties and reinstating the additional eligibility criteria that were imposed by the previous legislation.

October 20, 2005

The Department announces in the [Federal Register](#) (Vol. 70, No. 202, issued October 20, 2005) that the [Higher Education Relief Opportunities for Students \(HEROES\) Act](#) waivers have been extended from September 30, 2005, to September 30, 2007. The Department originally issued these waivers on December 12, 2003, effective until September 30, 2005. See [Section H.4](#) for detailed information about the areas of Title IV administration that these waivers affect.

October 27, 2005

Delivering loan funds: A school may deliver [loan proceeds](#) by issuing a stored-value card to the student if the school obtains authorization from the student or [parent](#) borrower, as applicable, and the following conditions are met:

- The value of the card must be convertible to cash and may not be limited to specific vendors.
- The student must not incur any fees for using the card to withdraw the [disbursement](#) over a reasonable period of time. It would be reasonable to allow automated teller machine (ATM) withdrawals to be free, or to provide several free withdrawals per month. It would also be reasonable to charge a fee for use of an ATM that is not affiliated with the issuing bank, as long as ATMs from the issuing bank are conveniently located for the student.
- The student must not be charged by either the school or the affiliated bank for the issuing of a stored-value card. The student may be charged for a replacement card.
- The bank must have an individual account for each student that is insured by the Federal Deposit Insurance Corporation (FDIC).
- The school must not make any claims against the funds on the card without the written permission of the student, except to correct an error in transferring the funds to the bank under existing banking rules.
- The account must not be marketed or portrayed as a credit card account, nor be structured to be converted into a credit card at any time after it is issued. The issuing bank may not link the stored-value card account to any other banking services it may offer, such as checking, savings, or credit card accounts.
- The school must inform the student of any terms and conditions associated with accepting and using the stored-value card.
- The school must ensure that its stored-value card process meets all regulatory time frames for delivery of loan proceeds or payment of Title IV credit balances.

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

~~A borrower is not required to sign the Master Promissory Note (MPN) prior to the end of the loan period or the date on which the student ceased to be enrolled at least half time (or lost eligibility for a reason other than a withdrawal) to be eligible for a late delivery of Stafford or PLUS loan funds, as applicable. However, the borrower must sign the MPN before a lender may make a late disbursement.~~

Late delivery: A borrower is not required to sign the [Master Promissory Note \(MPN\)](#) prior to the end of the [loan period](#) or the date on which the student ceased to be [enrolled at least half time](#) (or lost eligibility for a reason other than a withdrawal) to be eligible for a [late delivery](#) of Stafford or PLUS loan funds, as applicable. This change is effective for [return of Title IV funds](#) calculations completed on or after October 27, 2005.

Post-withdrawal disbursement: The borrower must sign the MPN before a lender may make a [late disbursement](#). This change is effective for return of Title IV funds calculations completed on or after October 27, 2005.

Return of Title IV funds: A school may include Stafford or PLUS loan funds, as applicable, as aid that could have been disbursed in the [return of Title IV funds](#) calculation if the borrower signed the Master Promissory Note (MPN) prior to the date the school completes the calculation.

2006**January 1, 2006**

Claim filing requirements: A lender must include a copy of the applicable power of attorney (POA) document with the [claim](#) file it submits to the [guarantor](#) if the MPN was signed by a third party with POA for the borrower. If the lender is aware that the promissory notes of any of the underlying loans for a Consolidation loan are signed using a POA, and the lender is filing a closed school or false certification claim, the lender must include a copy of the applicable POA document in the claim file.

A lender must include separately on the Claim Form, the amount of unpaid origination fees and unpaid [capitalized interest](#) that is included in the total unpaid [principal balance](#) on the date that the claim is filed.

Eligibility – borrower and student: The unallocated amount of a Consolidation loan is no longer included in the NSLDS calculation for aggregate outstanding principal balances on the NSLDS. The FAA is no longer required to investigate whether an unallocated amount of a Consolidation loan might impact a student's eligibility for additional Stafford loans. However, if the FAA has conflicting information indicating that the unallocated amount would cause the student to exceed the Stafford [aggregate loan limit](#), the FAA must resolve the conflict and must use the information derived from that resolution to determine the student's remaining Stafford loan eligibility.

Social Security number documentation/reporting: Income tax returns, and official military orders, documents, or papers are removed from the list of acceptable documents for making an SSN change. An unexpired U.S. military ID is added as an acceptable document for making an SSN change.

February 8, 2006

President Bush signs into law the [Deficit Reduction Act of 2005 \(P. L. 109-171\)](#) on February 8, 2006. The portion of the act that amends the HEA is referred to as the Higher Education Reconciliation Act of 2005 (HERA).

Disbursement rules: The [delayed delivery](#) requirement and the single-term multiple disbursement requirement are waived for a school that has an [official cohort default rate](#) of less than 10% for each of the three most recent fiscal years for which data are available. The school may begin to certify loans based on the exemptions when the school receives notice of the third year's qualifying rate or notice from the Department of a successful adjustment or appeal that brings the school's official rate to less than 10%. The school must cease certifying loans based on the [multiple disbursement](#) or [delayed delivery](#) exemptions no later than 30 days after the date it receives notification from the Department of an [official cohort default rate](#) that causes the school to no longer meet the qualifications for the exemption. Effective February 8, 2006.

Special allowance: A loan financed with proceeds of a tax-exempt obligation originally issued prior to October 1, 1993, reverts to the regular [special allowance](#) rates paid on other loans if certain actions occur after September 30, 2004. A loan made or purchased on or after February 8, 2006, or a loan that is not subject to the maximum/minimum provisions for special allowance payments as of February 8, 2006, is no longer subject to the maximum/minimum provisions for special allowance payments. However, certain holders of these loans are still subject to

the maximum/minimum provisions for special allowance payments until December 31, 2010, if both of the following criteria apply:

- The [holder](#) was a unit of the state or local government, or a nonprofit private entity as of February 8, 2006, and remains such an entity during the quarter for which the special allowance is paid.
- The holder held, directly or through any subsidiary, affiliate, or trustee, a total unpaid balance of principal equal to or less than \$100 million on loans for which the maximum/minimum special allowance payments were paid in the most recent quarterly payment prior to September 30, 2005.

March 10, 2006

The Department issues [DCL GEN-06-02/FP-06-01](#) to provide guidance regarding the provisions of the [Higher Education Reconciliation Act of 2005 \(HERA\) \(P.L.109-171\)](#).

March 14, 2006

The Department issues [DCL GEN-06-03/FP-06-02](#) to correct the Stafford loan limit charts published in [DCL GEN-06-02/FP-06-01](#).

March 17, 2006

The Department issues [DCL FP-06-03](#) to reiterate its intent to enforce the single-holder rule for Consolidation loans.

March 2006 (undated)

The Department issues [DCL GEN-06-04/FP-06-04](#) to provide guidance regarding the [Lender's Interest and Special Allowance Request and Report \(LaRs\)](#) reporting changes that resulted from the [Higher Education Reconciliation Act of 2005 \(HERA\)](#).

April 1, 2006

Eligibility – lender: Criteria for a school to participate as a lender have changed. The school must meet eligibility criteria as of February 7, 2006, and make a FFELP loan(s) on or before April 1, 2006.

Excess interest rebate: 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. The excess interest rate is the applicable interest rate on any FFELP loan first disbursed on or after April 1, 2006, minus the

appropriate [special allowance](#) support level. The support level is defined as the average of the bond equivalent rates of quotes of the 3-month [commercial paper rates](#) in effect for each of the days in the quarter as reported by the Federal Reserve in Publication H-15 for the 3-month period plus one of the following:

- 2.34% for a Stafford loan in repayment.
- 1.74% for a Stafford loan during the in-school, grace, or [deferment](#) period.
- 2.64% for a Consolidation or PLUS loan.

Special allowance: For special allowance payments made on or after April 1, 2006, a PLUS loan first disbursed on or after January 1, 2000, for any period prior to April 1, 2006, is eligible for special allowance only if the loan is accruing at the cap and the interest rate calculated prior to applying the cap exceeds the maximum interest rate for the loan.

April 24, 2006

Common forms: The Department issues [DCL FP-06-05](#) to publish updated Plain Language Disclosures and addenda for both Stafford and PLUS loans, and an addendum for Consolidation loans. The revised forms explain changes in loan terms derived from the [Higher Education Reconciliation Act of 2005 \(HERA\)](#), including the newly authorized PLUS loans for graduate and professional students. Lenders are required to provide the updated forms to loan applicants as soon as possible, but the letter also provides various implementation scenarios for returning borrowers.

May 8, 2006

Common forms: The Department issues [DCL FP-06-06](#) to announce the approval of revised deferment forms for the FFELP. Beginning September 25, 2006, lenders are required to provide the updated forms to borrowers requesting deferment.

May 11, 2006

Eligibility – borrower and student: A victim of human trafficking and certain relatives of such a victim are eligible noncitizens for purposes of determining eligibility for Title IV assistance.

May 23, 2006

Common forms: The Department issues [DCL FP-06-08](#) to announce the approval of revised Stafford and PLUS [Master Promissory Notes \(MPNs\)](#). Lenders are permitted to use existing paper forms until the supply is exhausted, but are encouraged to use the reapproved forms with the new expiration date as soon as possible.

May 30, 2006

The Department issues [DCL FP-06-09](#) to assist lenders in determining the correct weighted average interest rate for Consolidation loans as of July 1, 2006.

June 5, 2006

The Department issues [DCL FP-06-10](#) to provide guidance to lenders regarding special allowance billing on PLUS loans.

June 15, 2006

President Bush signs into law the [Emergency Supplemental Appropriations Act for Defense, the Global War on Terror and Hurricane Recovery \(P. L. 109-234\)](#) on June 15, 2006. A portion of the act amends the HEA.

Consolidation loans: The single-holder rule is repealed. A borrower may request consolidation from any participating consolidation lender, regardless of whether the consolidating lender is a [holder](#) of any of the borrower's loans.

June 22, 2006

Eligibility – borrower and student: A school may rely on, in addition to paper documentation, information accessed directly from a loan holder's database, or a third-party's Web-based product that displays a loan holder's real-time data, as documentation that satisfactory repayment arrangements have been made on a defaulted loan; a loan is no longer in [default](#); or eligibility problems created by excessive borrowing have been resolved.

June 23, 2006

The Department issues [DCL GEN-06-12/FP-06-11](#) to explain provisions of the [Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery \(Appropriations Act\) \(P.L. 109-234\)](#). The letter includes guidance on the revocation of the single-holder rule for Consolidation loans and the consolidation of defaulted loans into the [Federal Direct Loan Program](#).

July 1, 2006

Academic year: For an undergraduate program of study measured in [clock hours](#), the minimum [academic year](#) requirement is reduced from 30 instructional weeks to 26 instructional weeks. This change is effective for [loan periods](#) beginning on or after July 1, 2006.

Additional unsubsidized Stafford funding: If a parent is approved for a PLUS loan, the student is not eligible for the additional unsubsidized Stafford loan funds available to an [independent student](#). Effective with the publication date of [Volume 3 of the 06-07 FSA Handbook](#), unless implemented earlier by the guarantor.

Audit: A [school lender](#) must submit an annual compliance audit on its FFELP lending activities, regardless of the size of the school's loan portfolio or annual loan volume.

Claim filing requirements: Requires the lender to notify the guarantor if, after filing a [default claim](#), it receives documentation that the loan(s) qualifies for a different type of claim payment. Effective for for false certification loan [discharge](#) as a result of the crime of identity theft received by the lender on or after July 1, 2006.

Claim payment: An [ineligible borrower claim](#) filed by the lender on a loan first disbursed on or after July 1, 2006, is eligible for payment of 100% of outstanding eligible principal and interest.

Common forms: The [National Council of Higher Education Loan Programs \(NCHELP\)](#) Program Operations Committee's Default Aversion and Claims Standardization (DACS) Workgroup revises the Common Claim Form and the chart of data elements has been updated to coordinate with those changes. A lender is now required to enter the total amount of payments made by or on behalf of a borrower after the date the borrower became unable to work and earn money. Various fields that were required only if available are now required. Footnote 3, which states that the information is required only for loans first disbursed on or after September 1, 1998, is removed for the servicer's six-digit [servicer](#) ID assigned by the Department. Item descriptions are added or amended to clarify that a validity indicator field must be populated while the address or telephone number fields are required only if available or if the loan(s) were disbursed on or after September 1, 1998.

DACS also revises the common Default Aversion Assistance Request form and the chart of data elements has been updated to coordinate with those changes. The validity of the borrower's address and the validity of the address for

each reference were only required if available. The cross-reference to footnote 3 for the servicer's six-digit servicer ID assigned by the Department which states that the information is only required for loans disbursed on or after September 1, 1998, is removed. Validity fields for addresses and phone numbers must now be completed and the endorser's or comaker's home telephone number must be completed only if it is available for all loans, regardless of the [disbursement date](#).

Consolidation loans: A married couple is no longer permitted to consolidate their eligible loans jointly.

Cost of attendance: For a student [enrolled](#) in a program that requires professional licensure or certification, the school has the option of including the one-time cost of obtaining the first professional credential, as determined by the school. The license or certification must be required by a state or must be commonly accepted as required to practice or be employed in the profession. In addition, the cost must be incurred while the student is enrolled in school and must not include costs associated with preparing the student for a test required for licensure or certification unless the preparation is part of the eligible program.

The COA does not include the costs satisfied by state financial assistance if the state specifies that the funds must be used to pay a specific component of the student's COA, and the state funds were excluded from the student's [estimated financial assistance](#).

Deferment: A new military [deferment](#) is created. This deferment is for a borrower's loan(s) that are first disbursed on or after July 1, 2001, and is applicable while a borrower is serving on active duty during a war or other military operation, or a national emergency, or while a borrower is performing qualifying National Guard duty during a war or other military operation, or a national emergency.

The military deferment is loan-specific. This deferment is available only for a borrower's Stafford and PLUS loans first disbursed on or after July 1, 2001, and Consolidation loans when all Title IV loans included in the Consolidation loan are loans that were first disbursed on or after July 1, 2001. The borrower must meet the qualifications after July 1, 2001.

The deferment is available only for periods during which a borrower is performing one of the following services:

- Serving on active duty during a war or other military operation, or a national emergency.

- Performing qualifying National Guard duty during a war or other military operation, or a national emergency.

The new regulations provide definitions specific to the context of the military deferment.

A borrower is not eligible for a [refund](#) of any loan payments made prior to the time the deferment is granted.

Disability discharge (total and permanent): A lender must review the records of a borrower who applies to the lender for total and permanent disability loan [discharge](#) for any new loans made to the borrower on or after the date the borrower became [totally and permanently disabled](#). If the lender's records indicate (or the lender is otherwise aware) that a new loan was made during the 3-year conditional discharge period, the lender must deny the discharge and inform the borrower.

Disbursements rules: A lender that disburses [loan proceeds](#) through an [escrow agent](#) must make funds available to the escrow agent no earlier than 10 days prior to the date of the scheduled [disbursement](#) to the school or borrower and must require the escrow agent to disburse loan proceeds no later than 10 days after receiving the proceeds from the lender.

A lender, at the request of a student [enrolled](#) in a study-abroad program that is approved for credit by the home institution, must disburse loan funds directly to the student or pursuant to an authorized power of attorney, only after the lender or [guarantor](#) verifies the student's enrollment. The lender may make a loan disbursement directly to a student enrolled in a [foreign school](#) at the school's request after lender or guarantor verifies the student's enrollment. A student enrolled in a foreign school may not execute a power of attorney for the purpose of endorsing his or her FFELP loan disbursement.

Foreign schools are no longer automatically exempt from the [delayed delivery](#) and multiple disbursement requirements but may be exempted based on low cohort default rates. The delayed delivery requirement and the single-term multiple disbursement requirement are waived for schools that have a [cohort default rate](#) of less than 10 percent for each of the three most recent fiscal years for which data are available.

A guarantor must verify that a school is certified to participate in the Title IV programs prior to the lender's direct disbursement of loan funds to a student enrolled in a foreign school.

Disclosure requirements: A lender no longer needs to disclose to the borrower how the interest rate is calculated. This information is no longer necessary as FFELP loan interest rates are currently fixed.

Eligibility – borrower and student: A student who is convicted of the possession or sale of an illegal drug is ineligible for Title IV funds only if the student was convicted of a state or federal offense that occurred while the student was enrolled in school and receiving Title IV aid.

A student or [parent](#) borrower who has been convicted of, or has pleaded guilty or *nolo contendere* to, a crime involving fraud in obtaining Title IV financial assistance is ineligible for additional Title IV funds until the student or parent borrower, as applicable, repays in full the funds that were obtained fraudulently. The student or parent borrower's eligibility under this provision is based on the borrower's certification provided in the [Master Promissory Note \(MPN\)](#). Regardless of any information the student or parent borrower may certify, if the school or lender is aware of information indicating that the student or parent obtained Title IV funds fraudulently, the discrepancy must be resolved before additional Title IV funds may be disbursed or delivered.

For purposes of Title IV aid, a student is considered independent if 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.

Eligibility – lender: A school must have been eligible to be a [school lender](#) as of February 7, 2006, and must have made a loan(s) on or before April 1, 2006, to participate as a lender. The following rules apply to schools acting as lenders in the FFELP on or after July 1, 2006:

- The school must not be a home-study school.
- The school may make subsidized and unsubsidized Stafford loans only to its graduate and professional students.
- The school may not make PLUS loans or Consolidation loans.
- The school must offer an [origination fee](#) or interest rate, or both, that is less than the statutory maximums for that fee or rate.

- The school must use the proceeds from its interest benefits and [special allowance](#) payments from the Department and from interest payments from its borrowers, as well as the proceeds from the [sale](#) or other disposition of its loans, for need-based grant programs, except for reimbursement of reasonable, direct administrative expenses. The school must ensure that the proceeds from the FFELP loan portfolio are used to supplement the non-federal grant funding sources rather than substitute for funds from those other sources.
- The school must not have a [cohort default rate](#) that exceeds 10%.
- The school must award any contract for financing, servicing, or administration of its FFELP loans on a competitive basis.
- The school must submit to the Department an annual lender compliance audit for any year in which the school engages in activities as an eligible lender. This requirement applies regardless of the size of the school's loan portfolio or annual loan volume.

The requirement that the school separate its lending function from other school functions and that the school employ at least one person whose responsibilities are limited to the lending function is revised. The requirement is revised to require that the school employ one person whose responsibilities are limited to the administration of financial aid programs for students attending that school.

A school lender may make loans only to students [enrolled](#) at that school. The net proceeds that a school lender must use for need-based grants exclude the amount necessary for reimbursement of reasonable and direct administrative expenses, and that definition of administrative expenses does not include the costs associated with securing financing, offering a reduced origination fee, interest rate, or [federal default fee](#) to borrowers. The annual lender compliance audit of the school's FFELP portfolio is required for each fiscal year beginning on or after July 1, 2006, regardless of the size of the school's loan portfolio or annual loan volume.

Estimated financial assistance: [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 are no longer included in a student's EFA.

False certification loan discharge: A new loan [discharge](#) for false certification—due to a crime of identify theft—is available for borrowers. Until the date that the Department's applicable discharge regulations are effective, a lender may provide [administrative forbearance](#) on a borrower's potentially eligible loan(s) if a borrower presents evidence, on or after July 1, 2006, that the lender believes to be reasonably persuasive, showing that the borrower's loan(s) may have been falsely certified due to a crime of identity theft.

Federal default fee: The HERA mandates a federal default fee and eliminates statutory provisions that authorize guarantors to charge a [guarantee fee](#). If a lender deducted the federal default fee (or guarantee fee), and/or origination fee from the borrower's [loan proceeds](#), the lender must reduce the fee(s) proportionate to the amount of returned loan funds that a lender receives from a school. A [guarantor](#) may not charge a federal default fee (formerly guarantee fee) to a borrower who refinances a fixed-rate PLUS or SLS loan to secure a [variable interest rate](#), nor may the lender deduct the fee from the borrower's loan proceeds.

Forbearance: When a portion of a Consolidation loan may be eligible for unpaid refund loan discharge or teacher loan [forgiveness](#) a lender must suspend collection activity and grant an administrative forbearance on the entire Consolidation loan while awaiting documentation and during a guarantor's review of a portion of the loan's eligibility for unpaid refund loan [discharge](#) or teacher loan [forgiveness](#).

A lender may provide [administrative forbearance](#) on a borrower's potentially eligible loan(s) if a borrower presents evidence, on or after July 1, 2006, that the lender believes to be reasonably persuasive, showing that the borrower's loan(s) may have been falsely certified due to a crime of identity theft.

In all cases when a [forbearance](#) agreement is required, a lender and the borrower may agree to the terms of 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.

Interest rates: A Stafford loan first disbursed on or after July 1, 2006, has a fixed interest rate of 6.8%. A PLUS loan first disbursed on or after July 1, 2006, has a fixed interest rate of 8.5%.

Interest subsidy: If a loan is disbursed through an [escrow agent](#), the lender may bill for interest subsidy no earlier than three days before the date of the first disbursement of the loan. For these purposes [disbursement](#) means disbursement to the school or direct disbursement to the borrower.

~~*Late disbursement/post withdrawal disbursement:* Prior to delivering a post withdrawal disbursement of loan funds to the borrower, the school must explain that the borrower is obligated to repay any loan funds that the school delivers and confirm that the borrower still requires the loan funds. The school is also required to document the student's file regarding the result of the contact and the final determination concerning the post withdrawal disbursement.~~

~~*Loan amount:* For an undergraduate program of study measured in clock hours, the minimum academic year requirement is reduced from 30 instructional weeks to 26 instructional weeks.~~

Program of study: A school may use direct assessment instead of credit hours or clock hours as a measure of student learning. The assessment must be consistent with the school's or program's accreditation. The Department must determine whether such a program is an eligible program for Title IV purposes.

The definition of "eligible programs" is expanded as it relates to the use of telecommunications in programs of study. Courses offered by telecommunications are no longer considered to be correspondence courses, and students [enrolled](#) in telecommunications courses are no longer considered to be correspondence students. As a result, an otherwise eligible school that offers over 50% of its courses by telecommunications, or has 50% or more of its regular students enrolled in telecommunications courses, is now eligible to participate in the Title IV programs. A student enrolled in a short-term certificate program of less than one year offered by telecommunications is now eligible for Title IV program assistance. A program of study offered at a [foreign school](#) that includes a telecommunications course is ineligible for Title IV program assistance. Telecommunications technologies may be used in the foreign school classroom to supplement and support instruction offered as part of an otherwise eligible program. The 50% limitations continue to apply to correspondence courses and the students enrolled in those courses.

Loan types: PLUS loans are now available to an eligible [graduate or professional student](#) enrolled in an eligible graduate or professional program at a [participating school](#).

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 who wish to borrow on behalf of their dependent undergraduate students and to the school's graduate and professional students. The school is not permitted to exclude either category of borrower from participation in the Federal PLUS Loan Program.

Before applying for a PLUS loan, the graduate or professional student is required to complete a [Free Application for Federal Student Aid \(FAFSA\)](#) and the school is required to determine the student's maximum eligibility for subsidized and unsubsidized Stafford loan funds. However, the student may decline the Stafford loan funds and the school may not require the student to accept Stafford loan funds as a condition of applying for a [Grad PLUS loan](#).

The PLUS MPN may be used by a graduate or professional student borrower to obtain one or more Grad PLUS loans. 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 Grad PLUS loan borrower.

A school determines a graduate or professional student borrower's maximum eligibility for a Grad PLUS loan by subtracting from the [cost of attendance \(COA\)](#) the [estimated financial assistance \(EFA\)](#) that the student is expected to receive for the [loan period](#).

Origination fee: The maximum [origination fee](#) that may be charged to a Stafford loan borrower is reduced, and will be eventually eliminated. Beginning July 1, 2006, for a Stafford loan first disbursed on or after July 1, 2006, the maximum origination fee that a lender may charge is 2%.

Post-withdrawal disbursement: Prior to delivering a [post-withdrawal disbursement](#) of loan funds to the borrower, the school must explain that the borrower is obligated to repay any loan funds that the school delivers and confirm that the borrower still requires the loan funds. The school is also required to document the student's file regarding the result of the contact and the final determination concerning the post-withdrawal disbursement. Effective for withdrawals that occur on or after July 1, 2006.

Rehabilitation of defaulted loans: A borrower is eligible to rehabilitate a defaulted loan after making nine full monthly payments that are received by the [guarantor](#) or its contracted vendor within 20 days of the due date during a period of 10 consecutive months. Guarantors have the option of considering borrowers to have met the new

rehabilitation standard if at least one of the borrower's payments under the rehabilitation agreement is made on or after July 1, 2006.

Repayment start: A Stafford loan borrower is no longer allowed to waive all or a portion of his or her **grace period** in order to enter repayment early.

Return of Title IV funds: If there are unearned grant funds that must be repaid as a result of the **return of Title IV funds** calculation, the student is not required to return a grant overpayment for which the original balance was \$50 or less, on a program-by-program basis. Furthermore, a student who owes a grant overpayment for which the original balance was \$50 or less as a result of a return of Title IV funds calculation remains eligible to receive Title IV program assistance. The **Academic Competitiveness Grant**, **SMART Grant**, and **Grad PLUS** programs are now included in the order in which unearned funds must be returned to Title IV programs.

The number of days that a school has to return Title IV funds for which it is responsible increases from 30 days to 45 days after the date it determines the student has withdrawn.

The funds excluded from the return of Title IV funds calculation have been revised to exclude the following:

- Leveraging Educational Assistance Partnership (LEAP).
- Special Leveraging Educational Assistance Partnership (SLEAP).
- Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP).
- Student Support Services (SSS).

The method for computing the percentage of the **payment period** or **period of enrollment** completed for a student who withdraws from a **clock-hour** program has been simplified. This calculation is based on the hours the student was scheduled to complete as of the **withdrawal date**.

Status changes and reporting: A lender must retain a copy of the document substantiating the date of birth, or first name change or correction. Acceptable source documents for reporting or correcting those changes are as follows:

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

- Birth certificate
- Current driver's license (if it contains a birth date)
- State ID (if it contains a birth date)
- Passport
- Unexpired U.S. military ID

Acceptable Source Documents for Reporting a First Name Change

- Court order
- Marriage certificate
- U.S. Certificate of Naturalization (Form N-550 or – 570)

Acceptable Source Documents for Reporting the Correction of a First Name

- Social Security card
- Current driver's license
- Birth certificate
- State ID
- U.S. Certificate of Naturalization (Form N-550 or N-570)
- Court order
- Marriage certificate
- W-2 Form
- Passport
- Unexpired U.S. military ID
- U.S. military discharge papers (Form DD214)
- U.S. Certificate of Citizenship (Form N-560 or N-561)
- Alien Registration Card (Form I-551 or I-151)

Teacher loan forgiveness: A teacher who is employed in a nonprofit private school and who is exempt from state certification requirements may have such employment qualify for loan **forgiveness** if the teacher can demonstrate rigorous subject knowledge and skills by taking competency tests in the applicable grade levels and subject areas. The competency tests must be recognized by five or more states for the purpose of fulfilling the highly qualified teacher requirements, and the score achieved by a teacher on each test must equal or exceed the average passing score of those five states. If a nonprofit private school teacher is subject to state certification, the teacher is not required to further demonstrate the knowledge and skills noted in this paragraph or to take additional competency tests.

July 3, 2006

Common forms: The Department issues [DCL FP-06-12](#) to announce a revised addendum for Consolidation loans. The revised form includes updates from the Appropriations Act. Lenders are required to use the new Consolidation loan addendum for all Consolidation loan applicants on or after July 15, 2006. The Department also issues [DCL GEN-06-13/FP-06-13](#) to announce the publication of updated Teacher Loan Forgiveness Application and Teacher Loan Forgiveness Forbearance Form. Lenders are encouraged to provide the updated forms to loan forgiveness applicants as soon as possible, but must use the revised forms not later than December 16, 2006.

July 31, 2006

Common forms: The Department issues [DCL GEN-06-14/FP-06-14](#) to announce the publication of the reapproved Loan Discharge Application: Total and Permanent Disability with an updated expiration date. Lenders are permitted to use existing paper forms until the supply is exhausted, but are encouraged to use the reapproved forms with the new expiration date as soon as possible.

August 2006

Cohort default rate: The school must submit any [cohort default rate](#) challenge 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 draft cohort default rate notification is received. Effective for cohort default rate appeals submitted by the school on or after the publication date of the [August 2006 Cohort Default Rate Guide](#).

August 9, 2006

The Department publishes interim final rules to amend the Federal Student Aid program regulations to implement the changes to the HEA resulting from [P. L. 109-234](#), [P. L. 109-171](#), [P. L. 107-139](#), [P. L. 109-67](#), and [P. L. 109-66](#) in the [Federal Register](#) dated August 9, 2006.

Annual loan limits: A course that uses direct assessment rather than credit hours or clock hours to measure student progress is not an eligible course for purposes of teacher certification or recertification.

September 8, 2006

Academic year: An [academic year](#) for a [program of study](#) is no longer defined as beginning on the first day of classes and ending on the last day of classes or examinations. For the purpose of an academic year, a week of instructional time is any consecutive 7-day period in which the school provides at least one day of regularly scheduled classes or examination, or, after the last scheduled day of classes for a term or [payment period](#), at least one day of study for final examinations. Instructional time does not include periods of orientation, counseling, vacation, or homework.

Disbursement rules: Required verification for a study-abroad or [foreign school](#) student must be completed either by telephone or e-mail before each [disbursement](#). The lender or [guarantor](#) must confirm that a new student has been admitted and that a continuing student is still [enrolled](#). The applicable party must document these confirmations.

The lender must notify the home institution upon disbursing loan funds directly to a study-abroad student. When the school receives the notification, the school must notify the lender if the student is no longer eligible for the disbursement.

A PLUS loan for a student enrolled in a foreign school may be disbursed by EFT or [master check](#) to an account maintained by the school, or by an individual check made copayable to the borrower and the school, and mailed directly to the school.

Estimated financial assistance: The list of aid types that must be included in the [estimated financial assistance \(EFA\)](#) is amended by adding types of veterans' educational benefits, non-need-based fellowships and assistantships, insurance programs for the student's education, and ACG and SMART Grants. Non-need-based employment earnings and aid that is included in the calculation of the student's [expected family contribution \(EFC\)](#) are excluded from the EFA, and that portion of non-federal non-need-based loans used to replace the EFC are excluded from the EFA.

False certification loan discharge: An individual may qualify for false certification loan [discharge](#) that results from a crime of identity theft if the individual does all of the following:

- Certifies that he or she did not sign the [promissory note](#), or that any other means of identification used to obtain the loan were used without the authorization of the individual.

- Certifies that he or she did not knowingly receive or benefit from the proceeds of the loan that had been made without the individual's authorization.
- Provides to the lender a copy of a local, state, or federal court verdict or judgment that conclusively determines that the individual who is named as the borrower or [endorser](#) of the loan was the victim of a crime of identity theft by a perpetrator named in the verdict or judgment.

If the judicial determination of the crime does not expressly state that a FFELP loan(s) was obtained as a result of the crime, the individual must provide all of the following:

- Five different samples of his or her signature, two of which must be no more than one year before or one year after the date of the contested signature, or other means of identification of the individual, as applicable, corresponding to the means of identification used falsely to obtain the loan.
- A statement of facts that demonstrates that eligibility for the student loan in question was falsely certified.

Identity theft is considered the unauthorized use of the identifying information of another individual that is punishable under [18 U.S.C. 1028](#), [1029](#), or [1030](#), or substantially comparable state or local statute. Identifying information includes, but is not limited to:

- Name, SSN, date of birth, official state or government issued driver's license or identification number, alien registration number, government passport number, and employer or taxpayer identification number.
- Unique biometric data, such as fingerprints, voiceprint, retina or iris image, or unique physical representation.
- Unique electronic identification number, address, or routing code.
- Telecommunication of identifying information or access device [as defined in [18 U.S.C. 1029\(e\)](#)].

If a loan was made as a result of the crime of identity theft that was committed by an employee or agent of the lender, or if at the time the loan was made, an employee or agent of the lender knew of the identity theft of the individual named as the borrower or [endorser](#) on the loan, the Department does not pay reinsurance, and does not reimburse the [holder](#), for any amount disbursed on the loan. Also, the

holder must refund to the Department any amounts received as interest benefits and [special allowance](#) payments with respect to the loan and cease future billings.

~~*Loan amount:* An academic year for a program of study is no longer defined as beginning on the first day of classes or ending on the last day of classes or examinations. For the purposes of an academic year, a week of instructional time is any consecutive 7 day period in which the school provides at least one day of regularly scheduled classes or examination, or, after the last scheduled day of classes for a term of payment period, at least one day of study for final examinations. Instructional time does not include periods of orientation, counseling, vacation, or homework.~~

Distance education: A school that provides a program of study offered in whole or in part through telecommunications must be evaluated by an [accrediting agency](#) recognized by the Department as having the evaluation of [distance education](#) programs within its scope of recognition. Beginning July 1, 2006, the Department provides an 18-month waiver of the distance education evaluation requirement to certain distance education programs that were offered as of July 1, 2006, but for which the Department did not recognize the accrediting agency as having the evaluation of distance education programs within its scope of recognition.

Telecommunications technologies may be used in the [foreign school](#) classroom to supplement and support instruction offered as part of an otherwise eligible program, as long as the student and instructor are physically present in the classroom.

Notification – student and borrower: In order to credit a post-withdrawal disbursement of loan funds to outstanding school charges or to deliver a credit balance of funds directly to the student, or borrower in the case of a [parent PLUS loan](#), the school must provide a written notice to the borrower within 30 days of determining that the student has withdrawn. In this notice, the school must request confirmation of the borrower's consent for the credit of a post-withdrawal disbursement of loan funds to the student's account, or for the direct delivery of loan funds to the student or [parent](#), in the case of a parent PLUS loan. The school must explain that a borrower who does not confirm that a post-withdrawal disbursement of loan funds may be credited to outstanding school charges may not receive the direct delivery of any of those loan funds unless the school concurs. The school must explain that the student, or parent in the case of a parent PLUS loan, may accept or decline some or all of the funds. The school also must explain the obligation of the borrower to repay any loan funds he or she chooses to have delivered.

The notice must inform the loan recipient of the deadline to respond and that the school will not deliver the funds if the school does not receive a timely response to the notice, unless the school opts to deliver a post-withdrawal disbursement based on a late response. The deadline may be set by school policy, but may not be less than 14 days after the date the school sent the notification. The deadline must be the same for funds to be applied to outstanding school charges and for funds to be directly delivered to the borrower.

If the school receives no response to the post-withdrawal disbursement notice, the school may not deliver any of those funds. If the school receives a timely response to the post-withdrawal disbursement notice, the school must deliver the funds in the manner specified by the student, or parent in the case of a parent PLUS loan. If the school receives a late response to the notice, the school may deliver the [disbursement](#), provided that the school delivers all of the funds accepted, or the school may decline to deliver any funds. A post-withdrawal disbursement may not be delivered later than 120 days after the date of the school's determination that the student withdrew, unless an exception is granted by the Department. If the school decides not to deliver a post-withdrawal disbursement due to the untimely response of the borrower, the school must provide written notification to the borrower of the denial of the post-withdrawal disbursement.

The school must document in the student's file the result of any notification made of the student's right to cancel or accept all or a portion of the funds, and the final determination made concerning the post-withdrawal disbursement.

Rehabilitation of defaulted loans: A borrower may not include in a [rehabilitation](#) agreement a loan on which the borrower has been convicted of, or has pled *nolo contendere* or guilty to, a crime involving fraud in obtaining Title IV funds.

Teacher loan forgiveness: An elementary or secondary school operated by the Bureau of Indian Education (BIE) or operated on an Indian reservation by an Indian tribal group under contract with the BIE is also considered a qualifying school for the purposes of this program. Lenders may implement this provision on or after July 3, 2006.

September 30, 2006

President Bush signs into law the [Third Higher Education Extension Act \(THEEA\) of 2006 \(P. L. 109-292\)](#) on [September 30, 2006](#). The THEEA extends the HEA through June 30, 2007. Unlike previous extensions, THEEA contains provisions that amend the HEA.

Eligibility – lender: An eligible lender may not enter into a new relationship to make or hold a FFELP loan as a trustee for a school or for an organization affiliated with a school. If an Eligible Lender Trustee (ELT) relationship was established prior to September 30, 2006, it may continue, and be renewed, as long as the relationship remains in effect after September 30, 2006, and the ELT held at least one loan on behalf of the school as of that date.

October 6, 2006

The Department issues [DCL FP-06-15](#) to clarify rules related to the payment of [special allowance](#) on some tax-exempt obligations.

November 1, 2006

The Department publishes final rules that amend the Federal Student Aid program regulations to implement [P. L. 109-171](#), [P. L. 108-409](#), [P. L. 107-139](#), [P. L. 109-66](#), [P. L. 109-67](#), and [P. L. 109-234](#) in the *Federal Register* dated [November 1, 2006](#).

December 1, 2006

The Department issues [DCL GEN-06-20/FP-06-16](#) to clarify Consolidation loan eligibility requirements and the requirement to complete the Loan Verification Certificate (LVC) in a timely manner. The Department also publishes [DCL GEN-06-21/FP-06-17](#) to provide guidance on changes from the [Third Higher Education Extension Act \(P.L. 109-292\)](#), particularly with respect to Eligible Lender Trustee (ELT) relationships.

Consolidation loans: A Federal or a Direct Consolidation loan borrower loses eligibility for a subsequent Consolidation loan unless he or she has eligible loans made before or after the date the Consolidation loan was made. A pre-existing Consolidation loan qualifies as an eligible loan made before or after the consolidation loan. This provision may have been implemented earlier by the [guarantor](#).

A borrower may not consolidate a loan(s) for which he or she is wholly or partially ineligible due solely to the borrower's error but may consolidate any eligible loan(s) that he or she may have. A lender may implement this provision no earlier than July 1, 2000.

A borrower may consolidate a single Consolidation loan into a Direct Consolidation loan if the single Consolidation loan is held by the guarantor as a result of a [bankruptcy claim](#) and the borrower is seeking an [income-contingent repayment schedule](#).

Disbursement rules: For a loan disbursed directly to a student [enrolled](#) in a study-abroad program or at a [foreign school](#), the lender or guarantor may verify the student's enrollment via telephone, e-mail, or facsimile and must confirm that the student is enrolled at least half time. For a student enrolled in a study-abroad program, the enrollment verification must be provided by the home institution. For a student enrolled at a foreign school, the enrollment verification must be provided by an official authorized by the foreign school to act on the school's behalf in administering the FFELP. A lender may make a direct [disbursement](#) to a student attending a foreign school only upon the request of the authorized official.

Loan certification: If a school participates in both the FFELP and the Direct Loan Program, the school must determine the student's maximum Stafford loan eligibility under the program in which the school is participating for Stafford loan purposes. A school may certify loans of different types (Stafford, PLUS) under separate programs for the same [period of enrollment](#) for the same student. A school is prohibited from certifying a loan of the same type under each program for the same student for the same period.

December 28, 2006

The Department publishes interim final rules to implement changes to the HEA resulting from the enactment of [P. L. 109-292](#) in the *Federal Register* dated December 28, 2006.

2007

January 1, 2007

Eligibility – lender: Effective January 1, 2007, a school involved in an eligible lender trustee (ELT) relationship must meet the eligibility requirements applicable to a school acting as a lender, with the exception of the requirement to award servicing contracts on a competitive basis.

March 2007

The Department issues DCL [FP-07-03](#) announcing the approval of the revised [Federal Consolidation Loan Application and Promissory Note](#), and related documents, for use in the FFELP.

The Department issues DCL [FP-07-02](#) announcing a revised [promissory note](#) addendum and Plain Language Disclosure that explain changes made to Federal Stafford [annual loan limits](#) by the [Higher Education Reconciliation Act of 2005](#).

April 2, 2007

The Department issues DCL [FP-07-03](#) announcing the approval of a corrected [Federal Consolidation Loan Application and Promissory Note](#), and related documents.

May 22, 2007

Consolidation loans: The Department provides guidance in [DCL GEN-07-03/FP-07-07](#) to clarify the circumstances under which a loan [holder](#) may decline to complete a Consolidation Loan Verification Certificate (LVC). The list of extenuating circumstances has been expanded and Manual text is expanded to note the cases in which the loan holder must notify the Federal Student Aid Financial Partners staff of its decision not to complete an LVC.

June 11, 2007

The Department issues DCL [GEN-07-04/FP-07-08](#) announcing the approval of the Military Deferment Request form for use in the FFELP.

July 1, 2007

Annual loan limit: For Stafford loans first disbursed on or after July 1, 2007, a [dependent student](#) who is taking preparatory coursework necessary for enrollment in an undergraduate program is eligible to borrow the base Stafford [annual loan limit](#) of \$2,625. An [independent student](#), or a dependent student whose [parent](#) is not eligible for a PLUS loan, who is taking preparatory coursework necessary for enrollment in an undergraduate program is eligible to borrow a combined subsidized and unsubsidized Stafford annual loan limit of \$6,625, of which no more than \$2,625 may consist of subsidized Stafford loan funds.

For Stafford loans first disbursed on or after July 1, 2007 changes to the [annual loan limits](#) are as follows:

- The first-year undergraduate base Stafford annual loan limit has been increased from \$2,625 to \$3,500.
- The second-year undergraduate base Stafford annual loan limit has been increased from \$3,500 to \$4,500.
- The additional unsubsidized Stafford annual loan limit for 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 has been increased from \$5,000 to \$7,000.
- The additional unsubsidized Stafford annual loan limit for 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 has been increased from \$5,000 to \$7,000.
- The additional unsubsidized Stafford annual loan limit for a [graduate or professional student](#) has been increased from \$10,000 to \$12,000.

Claim filing requirements: 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.

Delivering loan funds: Prior to delivering FFELP funds to a transfer student, the school must determine the amount of an [ACG](#) or [SMART grant](#) funds awarded and delivered to the student during the [award year](#). Effective for eligibility determinations made on or after July 1, 2007, unless implemented earlier by the school.

Disability discharge (total and permanent): The Department issues guidance regarding various aspects of loan servicing for comade Consolidation and PLUS loans, and for PLUS loans with an [endorser](#) when one of the comakers or the endorser asserts that he or she is [totally and permanently disabled](#).

These provisions specify when a comaker or endorser may be eligible for total and permanent disability (TPD) discharge of a portion of the loan or of his or her obligation to repay the loan; when the lender retains the loan rather than assigning it to the Department as part of the [discharge claim](#) process; how the lender should service the loan until a discharge eligibility determination is final; and how the loan balance may be effected by the disabled comaker's or endorser's final discharge.

If a comaker of a joint Consolidation loan or PLUS loan applies for a TPD 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 non-disabled comaker may qualify for a deferment on the loan for the period during which the disabled comaker is in a conditional [discharge](#) status. The deferment may begin no earlier than the date that the lender receives the disabled comaker's loan discharge application and ends on the date of the disabled comaker's final discharge determination, or the date that the non-disabled comaker would become otherwise ineligible for additional deferment.

The lender must report the correct status of the non-dischargeable portion in a timely manner so that the [guarantor](#) can ensure accurate NSLDS reporting. If the discharge is denied, the lender and guarantor may continue reporting the full balance under the borrower currently being reported. If a final discharge is granted, the lender continues to report the non-discharged portion of the Consolidation loan under the non-disabled comaker's name and [Social Security number](#).

Eligibility – borrower and student: A student pursuing a bachelor of pharmacology program of study is no longer eligible for increased unsubsidized Stafford loan limits available to health profession students. Effective with the publication date of the [07-08 FSA Handbook](#).

Forbearance: A lender may grant an [administrative forbearance](#) on a loan during a time when a nondisabled [comaker](#) is solely responsible for the repayment of the loan. The administrative forbearance may be applied in conjunction with a period of authorized [deferment](#) to satisfy a period of [delinquency](#) that remains outstanding after the application of an authorized deferment.

Loan amount: A school is not permitted to prorate the Stafford [annual loan limits](#) for an undergraduate borrower enrolled in a credit-hour program that uses standard terms 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. Effective with the publication of [Volume 3 of the 07-08 FSA Handbook](#).

August 15, 2007

Loan certification: A school may not have a general policy that limits the number of times a student may have a full Stafford [annual loan limit](#) at any [grade level](#).

September 7, 2007

The Department issues DCL [GEN-07-05](#) announcing guidance regarding a school release of student information.

September 24, 2007

The Department issues DCL [FP-07-09](#) announcing additional guidance for guarantors evaluating applications for FFELP false certification loan discharges based upon a borrower's claim that a school did not properly determine the borrower's [ability-to-benefit](#).

September 27, 2007

President Bush signs into law the [College Cost Reduction and Access Act \(P.L.110-84\)](#) (CCRAA) on September 27, 2007. The CCRAA reduces payments to lenders and guarantors participating in the FFELP, lowers the interest rates on certain Stafford loans, expands loan repayment options for borrowers, and directs the Department to undertake a pilot program for auctioning the rights to originate FFELP parent PLUS loans.

September 30, 2007

President Bush signs [P.L.110-93](#) on September 30, 2007, to make permanent the Department's authority to issue waivers and modifications of statutory and regulatory provisions under the [Higher Education Relief Opportunities for Students Act of 2003](#). The waivers and modifications will remain in effect until September 30, 2012, unless the Department issues a notice terminating or changing those actions before that date.

October 1, 2007

Deferment: The military active duty student deferment is available for a period of up to 13 months following the completion of active duty military service to a borrower

who is a member of the National Guard or Armed Forces Reserve (including a member in retired status), and is called or ordered to active duty service while [enrolled](#) on at least a half-time basis in an eligible school at the time of, or within 6 months prior to, his or her activation.

The current military service deferment has been revised to eliminate the limitations originally placed on this deferment. It is no longer a loan-based deferment; it is, instead, a borrower-based deferment. In addition, the 3-year limitation has been removed. It is now available to a borrower who has an outstanding balance on any FFELP loan that was in repayment on October 1, 2007, for all periods of active duty service that include that date or begin on or after that date. A military service deferment may be granted to a borrower whose deferment eligibility expired due to the prior 3-year limitation, if that borrower was still serving on eligible active duty on or after October 1, 2007. The deferment may be applied to the borrower's eligible loan(s) retroactively from the date the prior deferment expired until the end of the borrower's active duty service.

The military service deferment period for a borrower whose qualifying service includes October 1, 2007, or begins on or after that date, is extended for 180 days after the date the borrower is demobilized from active duty service. The additional 180-day deferment is available to a borrower each time the borrower is demobilized from qualifying active duty service. A lender may grant expanded deferment benefits without receiving a new deferment request from the borrower or borrower's representative. If a deferment is granted in this manner, the lender must notify the borrower of the additional benefits and provide the borrower the opportunity to decline the deferment.

If a borrower is eligible for both a military service [deferment](#) and a military active duty student deferment, the 180-day extended military service deferment and the 13-month active duty student deferment periods will apply concurrently.

One of the eligibility criteria for the [economic hardship](#) deferment is revised to state that a qualifying borrower's monthly income may not exceed an amount equal to 150% of the poverty line applicable to the borrower's family size.

Exceptional performance: The [exceptional performer](#) designation is eliminated on October 1, 2007, per statutory changes from the [College Cost Reduction and Access Act \(P.L.110-84\)](#). Eligible [default](#) claims filed on or after October 1, 2007, are paid at the insurance rate applicable to each loan.

Lender fee: Beginning with loans first disbursed on or after October 1, 2007, a lender is charged a [lender fee](#) equal to 1.0% of the principal amount of each FFELP loan made.

Special allowance: For loans first disbursed on or after October 1, 2007, the [special allowance](#) factors used to calculate special allowance payments are based on whether or not the lender qualifies as an [eligible not-for-profit holder](#). As prescribed in the [College Cost Reduction and Access Act](#) (CCRAA), an eligible not-for-profit holder is entitled to a higher special allowance payment. The CCRAA provides a new definition for Eligible Not-for-Profit Holder, as it relates to special allowance payments on loans first disbursed on or after October 1, 2007.

October 29, 2007

Claim filing requirements: The lender must notify the guarantor if, after filing a [default claim](#), it receives documentation that the loan(s) qualifies for a different type of claim payment. Requests for loan [discharge](#) for a spouse or parent of a victim of the September 11, 2001, terrorist attacks received by the lender on or after October 29, 2007.

Spouses and Parents of Victims of September 11, 2001, Loan Discharge: Loan [discharge](#) provisions are available to the spouses and parents of victims of September 11, 2001, per the [Third Higher Education Extension Act of 2006](#) (P. L. 109-292).

November 1, 2007

Eligibility – lender: For a school or [school-affiliated organization](#) that makes or originates loans through an eligible lender trustee (ELT), the requirement for a school-affiliated organization to limit lending to Stafford loans for graduate and professional students, and only at one school, has been deleted. The requirement to include ELT loans in an annual compliance audit has been deleted for both the school and the school-affiliated organization involved in an ELT relationship.

November 9, 2007

The Department issues DCL [GEN-07-08](#) announcing the approval of the Loan Discharge Application: Spouses and Parents of September 11, 2001 Victims.

December 21, 2007

President Bush signs into law [P.L.110-153](#) to make technical changes to the [College Cost Reduction and Access Act](#) (P.L.110-84).

2008

January 1, 2008

Deferment: A borrower who is receiving a benefit under a federal or state public assistance program is eligible for an [economic hardship deferment](#). Effective for economic hardship deferments granted by the lender on or after January 1, 2008.

Distance education: The Department's 18-month waiver applicable to certain [distance education](#) programs (begun July 1, 2006) ends. A school that provides a [program of study](#) in whole or in part through telecommunications must be evaluated by an [accrediting agency](#) recognized by the Department as having the evaluation of distance education programs within its scope of recognition. The Department provided a waiver to certain schools if it did not recognize the accrediting agency as having the distance education evaluation as part of its scope and, in the interim, schools without the necessary evaluation were permitted to certify loans for students in those programs. This waiver ends effective January 1, 2008.

January 8, 2008

The Department issues [DCL GEN-08-01/FP-08-01](#) to summarize changes from the [College Cost Reduction and Access Act of 2007](#) (CCRAA).

Common forms: The Department issues [DCL FP-08-02](#) to announce the publication of revised addenda for both Stafford and PLUS loans, and a new Federal Consolidation Loan Application and Promissory Note.

March 24, 2008

President Bush signs into law the [Higher Education Extension Act of 2008](#) on March 24, 2008. This bill extends expiration of provisions of the Higher Education Act of 1965, as amended, from March 31, 2008, to April 30, 2008.

April 14, 2008

The Department issues [DCL GEN-08-03/FP-08-03](#) to provide updates and guidance regarding [Lender of Last Resort \(LLR\)](#) provisions.

April 18, 2008

The Department issues [DCL GEN-08-04/FP-08-04](#) to announce increases in Stafford [aggregate loan limits](#) for graduate and professional students enrolled in specific health care programs of study.

Aggregate loan limits: The Stafford [aggregate loan limit](#) applicable to [graduate and professional students](#) enrolled in certain health profession programs is increased from \$189,125 to \$224,000. Effective April 18, 2008.

May 5, 2008

The Department issues [DCL GEN-08-05/FP-08-05](#) to provide additional guidance regarding LLR provisions.

May 7, 2008

President Bush signs into law the [Ensuring Continued Access to Student Loans Act of 2008](#). This bill increases Stafford [annual](#) and [aggregate loan limits](#), authorizes flexibility in determining PLUS applicant adverse credit, provides new repayment terms for [parent PLUS loans](#), provides authority for the Secretary to advance funds to guarantors and purchase FFELP loans, amends provisions related to LLR loans and expands eligibility for [ACG](#) and [SMART Grants](#).

Lender of last resort: Provisions for lenders of last resort (LLR) are amended, stating that the LLR may provide loans to an entire school's FFELP borrowers rather than on a borrower-by-borrower basis; provisions are also amended to allow the LLR to lend Stafford and PLUS loans to all eligible students and parents. Effective May 7, 2008.

May 9, 2008

The Department issues [DCL GEN-08-06/FP-08-06](#) to provide additional guidance regarding a school's use of [preferred lender lists](#).

Recommended lender list: The Department provides acceptable alternatives to recommended lender lists so that schools may provide support to their prospective and enrolled student and parent borrowers. Effective for information provided by the school on or after May 9, 2008.

June 18, 2008

The Department issues [DCL GEN-08-08/FP-08-07](#) to provide guidance on the provisions of the [Ensuring Continued Access to Student Loans Act of 2008 \(ECASLA\)](#) (P.L. 110-227).

July 1, 2008

Academic year: The school's certification of the student's loan eligibility must be based on the [academic year](#) for the type of program in which the student is enrolled. Policy defines eligibility for students enrolled in and/or

transferring to credit-hour programs of study with nonstandard terms that are substantially equal in length and comprised of at least nine weeks of instructional time ([SE9W](#)). Policy also defines loan eligibility for students enrolled in and/or transferring to [clock-hour](#) programs, non-term-based credit-hour programs, and credit-hour programs with nonstandard terms that are not [SE9W](#). Effective with the publication of [Volume 3 of the 08-09 FSA Handbook](#).

Aggregate loan limit: Certain [aggregate loan limits](#) increase for students with Stafford loans. Dependent undergraduate students may borrow an aggregate of not more than \$31,000 in Stafford loan funds, no more than \$23,000 of which may be subsidized. Independent undergraduate students may borrow up to \$57,500 in Stafford funds, no more than \$23,000 of which may be subsidized.

Annual loan limit: Certain [annual loan limits](#) increase for Stafford loans first disbursed on or after July 1, 2008, for [loan periods](#) that begin on or after that date, as follows:

- First-year dependent undergraduate students – \$5,500, no more than \$3,500 of which may be subsidized.
- Second-year dependent undergraduate students – \$6,500, no more than \$4,500 of which may be subsidized.
- Third-year and beyond dependent undergraduate students – \$7,500, no more than \$5,500 of which may be subsidized.

The Stafford loan limit for a student who transfers between programs at the same school or who completes one program and enters another program at the same school, or who transfers between schools is clarified. The school may certify for the loan period in the new program or at the new school only the student's remaining eligibility for that [academic year](#). Effective for loan 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 substantially equal or at least 9 weeks in length. For increases in the additional unsubsidized Stafford annual loan limit, Stafford loans first disbursed on or after July 1, 2008.

For the purpose of determining the frequency with which a student may receive the Stafford annual loan limit when enrolled in a nonstandard, term-based credit-hour program,

there are two categories of such programs: those with terms that are substantially equal in length and each of the terms contains no less than nine weeks of instructional time and those with terms that are not substantially equal in length or that include terms that are not at least 9 weeks in length. Programs with terms that are substantially equal in length and with at least 9 weeks of instructional time are now treated like standard, term-based credit-hour programs for determining the frequency of the Stafford annual loan limit and for determining increases in the Stafford annual loan limit based on [grade level](#) changes during a single academic year. Changes in the frequency of annual loan limits are effective for loans certified on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007. Grade level change policy is effective with the publication date of [Volume 3 of the 08-09 FSA Handbook](#) unless implemented earlier by the school on or after November 1, 2007.

[Programs of study](#) using nonstandard terms that are substantially equal in length and at least 9 weeks in length (SE9W) in a traditional academic year calendar may use an [SAY](#) as an option to a [BBAY](#) to determine the frequency of Stafford annual loan limits. A [BBAY](#) for programs that are eligible to use [BBAY1](#) (programs with standard terms or nonstandard terms that are SE9W and are offered in a traditional academic year calendar) and [BBAY2](#) (programs with standard terms or nonstandard terms that are SE9W and are *not* offered in a traditional academic year calendar) cannot begin with a term in which the student is not enrolled. However, a [BBAY](#) may begin with a term in which the student is enrolled less than half-time, except that the student is not eligible to receive, or receive the benefit of, a loan for that initial term. When the calendar period associated with all of the terms in an [SAY](#), [BBAY1](#), or [BBAY2](#) has elapsed, a student regains eligibility for new Stafford annual loan limits for a new [BBAY](#) 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. The school must use a [BBAY3](#) for a clock-hour program, a non-term-based credit-hour program, a nonstandard term-based program with terms that are *not* SE9W, and a credit-hour program with standard and nonstandard terms that does not qualify to use an [SAY](#). Effective with the publication date of [Volume 3 of the 08-09 FSA Handbook](#) in a credit-hour program that uses nonstandard terms that are substantially equal and at least nine instructional weeks in length (SE9W) for determining the final period of study for an undergraduate borrower.

Authorizations and certifications: The school is no longer required to obtain a borrower's authorization to deposit FFELP loan proceeds into a borrower's designated bank

account. Regulations are expanded to acknowledge and regulate the use of stored-value and prepaid debit cards. Effective for funds deposited by the [electronic funds transfer \(EFT\)](#) directly to a student's or parent's bank account or to a stored-value card by the school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.

The school is not required to obtain the borrower's authorization to credit current-year loan funds toward prior-year charges for tuition, fees, and room and board. The school is required to obtain the borrower's authorization to credit current-year loan funds toward prior-year charges for other educationally-related expenses. Effective for educationally-related expenses paid by the school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.

Borrower dispute: A borrower may assert certain defenses against the repayment of a loan received for attendance at any postsecondary school if the loan was made by the school or a school-affiliated organization or was made by a lender that was designated by the school, affiliated with the school, or that provided improper inducements to the school to obtain the loan business. Effective July 1, 2008.

Claim filing requirements: A lender is not required to include an [assignment](#) of the proof of claim in a bankruptcy claim file. The lender must include instead the Transfer of Claim to Other Than for Security form and the Notice of Transfer of Claim Other Than for Security form. Effective for original assignments of proof of claim filed by the lender on or after July 1, 2008, unless implemented earlier by the guarantor.

Acceptable death claim documentation now includes an accurate and complete photocopy of the original or certified copy of the death certificate, in addition to the already acceptable documentation of an original or certified copy of a death certificate. In addition, if a lender discovers that it has on file a photocopy of a death certificate for an account that was never submitted as a death claim, or was denied as a death claim (because at the time of original receipt, copies were not acceptable proof of the borrower's death), the lender must file the death claim within 60 days of that discovery. Effective for death discharge requests filed by the lender based on determinations or re-determinations of eligible photocopies on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007.

A lender may use the Request for Reimbursement Due to Partial Discharge of a Federal Consolidation Loan form to request partial [discharge](#) of some underlying portion of the Consolidation loan when that underlying portion is eligible for loan discharge due to [total and permanent disability](#) (only applicable to comade loans), closed school, death, or false certification. Effective upon publication of the form.

Common forms: A lender may use the FFELP Teacher Loan Forgiveness Request form to file for reimbursement based on the borrower's eligibility for teacher loan [forgiveness](#). Effective with the publication of that form.

Consolidation loans: The lender may capitalize unsubsidized interest on a Consolidation loan during a period of in-school [deferment](#) only at the end of that deferment. Effective for unsubsidized interest capitalized on Consolidation loans for periods of in-school deferment on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007.

Policy acknowledges use of electronic delivery methods by lenders. It is suggested that consolidating lenders provide loan applicants with a complete explanation of any applicable loss of loan benefits if the borrower is consolidating loans from other loan programs into a Consolidation loan and an explanation of any special benefits that the lender may offer on Federal Consolidation loans and the criteria for obtaining those benefits. Effective July 1, 2008, unless implemented earlier by the lender.

Credit bureau reporting: If a loan is discharged due to school closure or false certification, the lender must request that the credit bureau remove from the individuals credit history any negative or inaccurate information regarding that loan. Effective for loans discharged on or after July 1, 2008.

If the borrower makes a valid identity theft report or notification to a credit bureau, the lender must suspend credit bureau reporting for a period of 120 days while it determines the legal enforceability of the loan. If the lender determines that the loan does not qualify for discharge due to the identity theft but that it is nonetheless unenforceable, the lender must notify the credit bureau of that determination. Effective for reports of identity theft received on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007.

Deferment: The lender may grant certain deferments on a FFELP loan using the simplified deferment processing method and basing such a deferment on information from an authoritative electronic database maintained or

authorized by the Department when that information supports the borrower's eligibility for deferment for the same reason and the same time period. Effective for deferment requests received by the lender on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007.

A PLUS borrower may request an in-school [deferment](#) on a PLUS loan first disbursed on or after July 1, 2008, and all of his or her other loans (PLUS, Stafford, Consolidation loans) if the borrower meets the required criteria. In addition, a parent PLUS borrower may request an in-school deferment of a PLUS loan first disbursed on or after July 1, 2008, based on the in-school status of the student for whom the loan was obtained.

A borrower or a borrower's representative may request the Armed Forces or military deferment. Effective for Armed Forces or military deferments granted by the lender on or after July 1, 2008, unless implemented earlier on or after November 1, 2007.

Delivering loan funds: The school is permitted to credit a student's account with loan funds from the current year to satisfy up to \$200 in prior-year charges.

If a student does not pick up a check within 21 days of the date of the school's notice that the check is available to pick up, the school must immediately mail the check to the borrower, initiate an [electronic funds transfer \(EFT\)](#) of the funds to the borrower's bank account, or return the loan funds to the lender. Effective for 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.

The school may attempt to deliver loan funds for up to a total of 240 days but if the borrower or student has not received the funds or negotiated them by the end of that period, the school is required to return the loan funds to the lender. If the school chooses not to make additional attempts to return the loan funds after its initial notification to the borrower or student, the school must return the loan funds to the lender within 45 days of the date that the funds were returned to the school or rejected. Effective for loan funds delivered on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.

Disability discharge (total and permanent): A borrower must submit the total and permanent disability (TPD) certification to the lender within 90 days of the date that the physician completed the certification. If the borrower does

not comply with the 90-day time frame, then the physician must complete a new TPD certification and the borrower must submit the new certification to the lender within 90 days of the date on which it is completed. Effective for [total and permanent disability](#) applications received by the lender on or after July 1, 2008.

A borrower is not eligible for a total and permanent disability [discharge](#) if the borrower receives a new [Title IV](#) loan after the date that the physician certifies the loan discharge application. The 3-year conditional period is redefined as the prospective period that begins with the date of the physician's certification of the loan discharge application. Effective for total and permanent disability discharge applications received by the lender on or after July 1, 2008.

Due diligence: Federal [due diligence](#) requirements do not preempt the provisions of the [Fair Credit Reporting Act \(FCRA\)](#) that provide relief to an individual while the lender determines the legal enforceability of a loan. Effective for reports of identity theft with respect to a FFELP loan on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007.

Eligibility – borrower and student: The school must ensure that it obtains and retains documentation regarding the borrower's and/or student's citizenship or eligible non-citizen status. The acceptable types of documentation have changed. Implementation of the federal citizenship documentation standards is determined by the Department.

A [financial aid administrator \(FAA\)](#) may make a dependency override for a student based on the dependency override for that same student made by another FAA at a prior school without gathering supporting documentation. The dependency override of the prior FAA must be within the same [award year](#). The school that uses the dependency override of another school must retain the [SAR/ISIR](#) that was used as the basis for the original dependency override. For subsequent award years, the FAA must make his or her own dependency override determination.

Enrollment status: For an undergraduate program, the school's definition of half-time enrollment must equate to at least half of the academic workload of the applicable minimum full-time enrollment definition for that program. Effective for enrollment periods that begin on or after July 1, 2008.

Entrance counseling: The school must conduct [entrance counseling](#) with a Grad PLUS borrower before he or she may obtain his or her first [Grad PLUS loan](#). Effective for

counseling provided by the school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.

Estimated financial assistance: Regulations revise the way in which [TEACH grants](#) are counted in the student's [estimated financial assistance](#); clarify that TEACH grants do not affect Stafford [annual](#) and [aggregate loan limits](#); prescribe the effect of the TEACH grant on the [return of Title IV](#) calculation; define the impact of obtaining a TEACH grant on [total and permanent disability discharge](#) determinations; and clarify that TEACH grants do not affect the school's [cohort default rate](#). For provisions related to estimated financial assistance and Stafford loan limits, effective for loan eligibility determinations made by the school on or after July 1, 2008. For provisions regarding the return of Title IV funds, effective for TEACH grant recipients who withdraw on or after July 1, 2008. For total and permanent disability discharge determinations, effective for applications received by the lender on or after July 1, 2008. For all other provisions, effective July 1, 2008.

Federal default fee: If the lender does not remit the [federal default fee](#) within 45 calendar days after the [disbursement](#) of the loan proceeds, the guarantor may cancel the guarantee. Effective for federal default fees remitted by the lender on loan disbursements on or after July 1, 2008.

Inducements: A lender is not permitted to offer specific inducements to any school or other party in order to secure applications for FFELP loans or to secure FFELP loan volume. Lenders are prohibited from providing preferential rates for or access to the lenders other financial products; computer hardware or non-loan processing or non-financial aid-related software at below-market rental or purchase cost; or printing or distribution of college catalogs or other materials at reduced or no cost. Revisions provide an explicit list of permitted activities. Effective for lender activities that occur on or after July 1, 2008.

The Department will impose a rebuttable presumption that any inducement provided to a school was provided in an attempt to gain loan volume in violation of prohibited inducement provisions. The Department will require the lender to prove that the inducement was permissible and not for the purpose of gaining loan applications or volume. Effective for administrative actions against FFELP lenders on or after July 1, 2008.

Interest payment and capitalization: The lender may capitalize unsubsidized interest on a Consolidation loan during periods of in-school [deferment](#) only at the end of that deferment. Effective for unsubsidized interest

capitalized on Consolidation loans for periods of in-school deferment on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007.

Interest rates: Subsidized Stafford loans for undergraduate borrowers that are first disbursed on or after July 1, 2008, and before July 1, 2009, have a fixed interest rate of 6%. The interest rate for subsidized Stafford loans for undergraduate borrowers declines incrementally through July 1, 2011, and then return to a higher rate for loans first disbursed on or after July 1, 2012.

Interest subsidy: The Department ends its obligation to pay the interest subsidy on a loan that the lender determines is legally unenforceable due to borrower's assertion of identity theft. Effective for loans deemed unenforceable on or after July 1, 2008.

Late disbursement/post-withdrawal disbursement: The school may deliver a [late disbursement](#) up to 180 days after the last date of the student's eligible attendance. The school may not appeal to the Department for an extension of the late delivery time frame. The school may also deliver a [post-withdrawal disbursement](#) up to 180 days after the date on which it determines that a student has withdrawn. Effective for late disbursements and post-withdrawal disbursements delivered by the school on or after July 1, 2008.

Loan certification: The school may not delay the [certification](#) or processing of a loan due to the borrower's choice of lender or guarantor. Effective for loans certified by the school on or after July 1, 2008.

Loan amount: A school is not permitted to prorate the Stafford annual loan limits for an undergraduate borrower enrolled in a credit-hour program that uses 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. Effective with the publication date of [Volume 3 of the 08-09 FSA Handbook](#).

Loan period: The maximum period of time for which a school may certify a Stafford or PLUS loan is an academic year. The 12-month maximum [loan period](#) is eliminated. The school may certify a loan for the calendar period during which the student is expected to successfully complete the credit or [clock hours](#) and the instructional weeks in the [Title IV](#) academic year. Effective for loan periods beginning on or after July 1, 2008.

The minimum loan period is reduced to a single term for nonstandard term-based credit-hour programs of study with terms that are substantially equal in length and for which no

term provides less than 9 weeks of instructional time. The minimum loan period for a student who transfers, or who completes one program and begins another within an [academic year](#), is the shorter of the remainder of the program or the remainder of the academic year associated with the previous program. Effective for [loan periods](#) beginning on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.

Notification – borrower and student: The school must provide to a Grad PLUS applicant information regarding eligibility for Stafford loan funds, comparative information on the two loan programs, and an opportunity to apply for the maximum Stafford loan eligibility if the applicant has not already done so. Effective for [Grad PLUS loans](#) certified on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.

The school must notify the borrower of the right to cancel the loan using one of two standards. Which standard the school uses is determined by whether the borrower provided affirmative confirmation of his or her desire to receive the loan. The school must honor the borrower's cancellation request when that request is received within the specified time frames. Effective for loans disbursed on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.

Payment period: [Payment periods](#) for a program measured in credit hours with standard terms or with nonstandard terms that are substantially equal in length, for all [Title IV](#) programs, must correspond with the terms of the academic year. For all other types of academic programs, for the purposes of certifying eligibility for FFELP loan funds, the loan period must be divided into two payment periods. Effective for [disbursements](#) delivered by the school on or after July 1, 2008.

Recommended lender list: The school may recommend a list of lenders to its current and prospective students and their families but the list must comply with specific regulatory criteria. A school that chooses not to use a recommended lender list may nonetheless provide certain information to its students and prospective students and their families. Effective for recommended lender lists provided to students and parents on or after July 1, 2008.

Record retention: The holder of an electronically signed [MPN](#) must retain the original MPN for at least 3 years after all of the loans made on the MPN have been satisfied. The Department may require the lender to provide certain documents to resolve a factual dispute with respect to the collection of a defaulted loan assigned to the Department. The lender must retain additional records to substantiate the disbursement of loan funds. Effective for electronically

signed promissory notes in existence on July 1, 2008, and all electronically signed promissory notes created on or after that date. The requirements that the lender retain and provide additional documentation to the Department are effective for [assignments](#) made on or after July 1, 2008.

Special allowance: The Department ends its obligation to pay [special allowance](#) on a loan that the lender determines is legally unenforceable due to the borrower's assertion of identity theft. Effective for loans deemed unenforceable on or after July 1, 2008.

July 7, 2008

Common forms: The Department issues [DCL GEN-08-11/FP-08-09](#) to announce publication of the updated Teacher Loan Forgiveness Application and Teacher Loan Forgiveness Forbearance form. Lenders are encouraged to implement the forms as soon as possible, but must provide the updated forms to borrowers requesting loan [forgiveness](#) on or after January 1, 2009.

August 14, 2008

President Bush signs into law the [Higher Education Opportunity Act of 2008 \(HEOA\) \(P.L. 110-315\)](#), reauthorizing the FFELP and other programs under the Higher Education Act of 1965, as amended, and making numerous changes to those programs.

Ability to benefit: A student without a high school diploma or its equivalent may become eligible to receive Title IV aid upon satisfactory completion of six credit hours or their equivalent coursework that is applicable toward a degree or certificate offered by the school. Effective for awards of Title IV aid made on or after August 14, 2008.

Audit: A school-as-lender, a lender serving as a trustee for a school, or a school-affiliated organization participating as a FFELP lender must have an annual audit of its FFELP lending function. The audit must focus on ensuring that the entity's income is used to provide need-based grants and that only a reasonable portion of that income is used to satisfy administrative expenses. Effective for the first auditable period of the school-as-lender or eligible lender trustee that begins on or after August 14, 2008.

The Department waives the requirement for a financial audit for any [foreign school](#) whose enrolled students received less than \$500,000 in FFELP loan funds for an [award year](#) during an applicable audit period. The waiver is effective for any financial statement audit that would otherwise be due on or after August 14, 2008.

Child care provider loan forgiveness: The program is removed from statute effective August 14, 2008.

Claim filing requirements: For a [total and permanent disability](#) claim, the lender must submit a Discharge Application: Total and Permanent Disability with Sections 1 and 3 completed by the borrower along with the 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. Effective for total and permanent disability – VA applications received by the lender on or after August 14, 2008.

Cohort default rate: The [cohort default rate](#) calculation period is extended through the end of the second fiscal year following the year in which the borrower entered repayment. Effective for cohort default rate calculations for fiscal year 2009 and after.

Consolidation loans: A joint (spousal) Consolidation loan cannot be reconsolidated under either the [FFELP](#) or the [Federal Direct Loan Program \(FDLP\)](#). A single Federal Consolidation loan may be reconsolidated under the FDLP without adding other eligible loans under certain situations. Effective for loan verification certificates received by the lender on or after August 14, 2008.

Consumer reporting agency: Upon successful [rehabilitation](#) of a loan, the guarantor and any other [holder](#) that reported the loan as in [default](#), must request that the [consumer reporting agency](#) to which the default was reported remove the default record from the borrower's credit history.

Credit bureau reporting: The term credit bureau is changed to "consumer reporting agency" and there are new requirements that the lender report to all national consumer reporting agencies. The lender must report, in addition to data previously required, that the loan is an education loan. Effective for loans on which the lender reports credit transactions on or after August 14, 2008.

Deferment: The lender must use data on the [National Student Loan Data System \(NSLDS\)](#) at the request of the school to process a borrower's in-school [deferment](#). Effective for in-school deferments granted by the lender on or after August 14, 2008.

When the lender grants certain deferments on an unsubsidized Stafford loan, it must provide to the borrower information regarding the impact of interest [capitalization](#) on the borrower's loan principal and the total amount of

interest to be paid over the life of the loan. Effective for in-school, graduate fellowship, unemployment, military, and [economic hardship](#) deferments granted on unsubsidized Stafford loans on or after August 14, 2008.

Disability discharge – total and permanent: A borrower may be eligible for a total and permanent disability discharge if the borrower provides a [Discharge Application: Total and Permanent Disability](#) with Sections 1 and 3 completed, along with documentation from the U.S. Department of Veterans' Affairs (VA) that the VA has determined the borrower to be unemployable due to a service-connected condition.

A veteran may qualify for a FFELP loan [discharge](#) based on either of two criteria:

- A determination by the Department of Veterans Affairs (VA) that the veteran has a service-related disability or disabilities that are 100% disabling.
- An individual VA determination that the borrower is unemployable.

A borrower whose loan is discharged under these provisions is not placed into a conditional discharge status, but receives a final discharge of the loan obligation after the Department's review. These changes are effective August 14, 2008, for [total and permanent disability loan discharge](#) requests received on or after that date based on a VA determination.

If the guarantor determines, based on its review of the VA documentation, that the borrower is not eligible for discharge, the guarantor will return the loan discharge application and VA documentation to the lender with an explanation of the reason for the denial. If either the lender or the guarantor determines that the documentation from the VA does not indicate that the borrower is eligible for discharge, the lender must notify the borrower that the discharge request has been denied, provide the reason for the denial, and advise the borrower that collection activities will resume. The lender also must inform the borrower that he or she may reapply for a regular total and permanent disability discharge if the documentation from the VA indicates that the veteran may qualify under regular disability provisions. The lender may treat the loan as if it was in [forbearance](#) during the evaluation process, and capitalize the interest.

If the Department grants a final discharge based on a VA determination, it will notify the guarantor of the discharge. The guarantor will pay the disability [claim](#) and notify the lender. The lender will return any loan payments made on or after the effective date of the VA determination (that the

borrower is unemployable due to a service-connected condition). The borrower is not subject to the 3-year conditional period or post-discharge monitoring period. Title IV loans received prior to the effective date of the VA determination, including the underlying loans in a Consolidation loan, are eligible for discharge, as well as Title IV loans received on or after the effective date of the VA determination.

Effective for total and permanent disability loan discharge requests received by the lender on or after August 14, 2008, that are based on VA determinations.

Disclosure requirements: The lender must include in the initial disclosure to the borrower additional data: that the borrower is receiving a loan that must be repaid; information regarding the option to pay accruing unsubsidized interest while in school; additional information regarding the borrower's option to defer the loan; information regarding the types of repayment options from which the borrower may select; information regarding the option to forbear the loan; information regarding the options for and requirements associated with loan [forgiveness](#). The requirement that the lender include in the initial disclosure information regarding how the acceptance of the loan may affect the student's eligibility for additional financial assistance is removed. The lender may provide to a PLUS or unsubsidized Stafford loan borrower sample monthly payment amounts that assume different levels of borrowing rather than projected monthly payment amounts or information to assist the student in estimating those payment amounts. Initial disclosure requirements are effective August 14, 2008.

In addition, for loans first disbursed on or after August 14, 2008, the lender must disclose at or prior to the start of the borrower's [repayment period](#) each of the following: the servicer's name and the address to which correspondence and payments should be sent; the date any deferment is scheduled to end, if applicable; the estimated balance, including the estimated capitalized interest balance as of the date that the deferment period is scheduled to end, if applicable; information on any special repayment benefits that the lender offers; a description of the [repayment plans](#) available to the borrower and that the borrower may change repayment plans during the repayment period; the number, amount, and frequency of payments based on a [standard repayment plan](#) or the plan selected by the borrower; the amount of interest already paid, if applicable; information regarding the options to avoid or resolve a default; and additional resources of which the lender is aware that the borrower may use to receive advice and assistance with loan repayment.

For Consolidation loans, a lender must disclose to prospective Consolidation loan borrowers, in simple and understandable terms, the following information: whether a Consolidation loan would result in a loss of benefits under the [FFELP](#), [FDLP](#), or [Federal Perkins Loan Program](#); available repayment plans; options to prepay; that benefit programs vary among lenders; the consequences of default; and that applying for a Consolidation loan does not obligate the borrower to take the loan. Effective for Consolidation loan applications provided to potential borrowers on or after August 14, 2008.

When a loan becomes 60 days past due, the lender must provide to the borrower the following additional information: the date on which the loan will default if no additional payments are made; the minimum payment that the borrower is required to make to avoid default; a description of the borrower's options to avoid default; loan [discharge](#) options; and additional resources of which the lender is aware that the borrower may use to receive advice and assistance with loan repayment.

Disbursement rules: The lender is no longer required to provide SSN(s) on an individual check. The lender need not include in the [master check](#) roster the [SSN](#) for the [dependent student](#) for a [parent PLUS loan](#). Lenders are permitted to include either the student's SSN or other reliable identifying information. Effective for loan disbursement checks issued by the lender on or after July 1, 2009, unless implemented earlier by the lender or the guarantor.

A school may disburse a Stafford or PLUS loan in a single disbursement if the school has a [cohort default rate](#) of less than 10% for each of the three most recent fiscal years for which data are available, and any one of the following conditions applies:

- The loan is certified for a [period of enrollment](#) that is not more than one semester, trimester, or quarter.
- In a nonstandard term-based program with terms that are substantially equal and at least 9 weeks of instructional time in length ([SE9W](#)), the loan is certified for a period of enrollment that is not more than one nonstandard term. However, a school must schedule at least two disbursements of a loan made for a single, nonstandard term that is [SE9W](#) but that is more than 4 months in length.
- In a nonstandard term-based program with terms that are not [SE9W](#) — i.e., the terms are not substantially equal or each term is not at least 9 weeks of instructional time in length — or in a non-term-based program, the loan is certified for a period of enrollment

that is not more than 4 months. Effective upon the publication date of [Volume 3 of the 09-10 FSA Handbook](#).

Distance Education: Education that uses one or more technologies to deliver instruction to a student who is separated from the instructor and to support regular and substantive interaction between the student and the instructor, either simultaneously or at different times. Any of the following are permissible [distance education](#) technologies:

- The Internet.
- One-way and two-way transmissions through open broadcast, closed circuit, cable, microwave, broadband lines, fiber optics, satellite, or wireless communications devices.
- Audio conferencing.

Videocassettes, DVDs, and CD-ROMs may also be used in conjunction with any of the technologies listed above. Effective August 14, 2008.

Eligibility – lender: For a national or state-chartered bank, or a credit union with assets of less than \$1 billion, FFELP loans may not represent more than 50% of the lender's consumer credit loan portfolio. Effective August 14, 2008.

For a school acting as a lender or for an eligible lender trustee, the required annual audit must be performed by a qualified independent organization or person. Effective for the first auditable period for the school as lender or eligible lender trustee that begins on or after August 14, 2008.

Eligibility – school: A school that is placed on [limitation](#), [suspension](#), [termination](#), or [emergency action](#) is required to prepare a teach-out plan and provide that plan to its [accrediting agency](#) or association. Effective for limitation, suspension, termination, or emergency actions placed on a school on or after August 14, 2008.

A school must annually report to the Department the amount of any reasonable expenses that were paid or provided by a private education loan lender or group of lenders to an [agent](#) of the school with responsibilities for financial aid. The school must report all of the following:

- The amount for each specific instance of reasonable expenses paid or provided.
- The name of the agent with responsibilities for financial aid to whom the expenses were paid or provided.

- The dates of each activity for which the expenses were paid or provided.
- A brief description of each activity for which the expenses were paid or provided.

Effective for administrative capability standards on or after August 14, 2008.

Entrance counseling: A lender may provide in-person [entrance counseling](#) services to a school. The school's staff must be in control of the counseling, whether in person or via electronic capabilities. The counseling must not promote the products and services of any specific lender. Effective for entrance counseling provided by a lender on behalf of a school on or after August 14, 2008.

Exit counseling: A school must provide information about the terms and conditions of a [Title IV](#) loan (e.g. [deferment](#), [forbearance](#), and cancellation). The school must also provide information about [forgiveness](#) and [discharge](#) benefits available to a [FFELP](#) borrower who consolidates his or her loan(s) into the [FDLP](#). Effective for exit counseling provided by the school on or after August 14, 2008.

Forbearance: The requirement to send a [forbearance](#) notification to the borrower during the forbearance period is revised from a 6-month frequency to a 180-day frequency. The lender must include additional information in the notice, including the amount of interest accrued since the last interest accrual information was provided to the borrower; the amount of interest that will be capitalized and when that will occur; and the option to pay the interest before it is capitalized. The previous exception for sending notices to borrowers during internship/residency forbearance and [mandatory forbearance](#) are removed. Effective for forbearance granted by the lender on or after August 14, 2008.

Inducements: A lender is permitted to provide to a school technical assistance comparable to that provided to Direct Lending schools by the Department. Other permitted and prohibited activities are redefined and added to policy. Effective for lender activities on or after August 14, 2008.

Interest rates: A lender may not assess additional charges or fees to a borrower who is subject to the provisions of the [SCRA \(Servicemembers' Civil Relief Act\)](#), to compensate for the difference between the otherwise applicable interest rate and the reduced rate that the lender is permitted to charge. The endorser is considered to be eligible to request and receive the reduced interest rate if the endorser signed the PLUS MPN Endorser Addendum prior to the start of his or her qualifying military service. A Consolidation loan is

considered to be "incurred" on the date that the Consolidation loan is made, not the date on which any underlying loan is made. Effective for 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 occurring on or after that date.

Loan certification: The school may certify unsubsidized Stafford loan funds for a [dependent student](#) whose parent(s) has ended financial support and refuses to complete the parental section of the [FAFSA](#). Effective for loans certified by the school for [loan periods](#) that begin on or after August 14, 2008.

Loan forgiveness for service in areas of national need: A new type of loan [forgiveness](#) is added to statute but not funded. Effective August 14, 2008.

Loan repayment for civil legal assistance attorneys: A new type of loan repayment is added to statute but not funded. Effective August 14, 2008.

Loan sales and transfers: The notice that lenders or [holders](#) send to borrowers when a loan is assigned, sold, or transferred must also include the effective date of the transaction, the date on which the current holder will stop accepting payments on the loan, and the date on which the new holder will begin to accept payments on the loan. Effective for loans assigned, sold, or transferred on or after August 14, 2008.

Notification – borrower and student: The school must provide a new student with a notice that a conviction on a drug-related offense may result in a loss of eligibility for [Title IV](#) aid. The school also must provide a notice to a student who has been convicted of a drug-related offense while the student is in school and receiving Title IV aid. The school must notify the student that the drug-related conviction results in a loss of Title IV eligibility. The notice must provide the student with information regarding the ways in which the student may regain Title IV eligibility. For the notification at enrollment, the provision is effective for 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-related conviction, the provision is effective for school determinations of the students loss of eligibility on or after August 14, 2008.

Other notices are added to the list of disclosures that the school is required to provide to a student, and some consumer information requirements are eliminated. Policy clarifies that [foreign schools](#) are not required to publish an annual security report. Effective August 14, 2008.

PLUS credit check: Extenuating circumstances for purposes of determining adverse credit are amended to provide, temporarily, that a PLUS applicant may be considered otherwise eligible if he or she has been 180 days or less delinquent on the repayment of 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.

Program participation agreement: The school is not permitted to 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. The school must develop, publish, administer, and enforce a code of conduct that establishes specific parameters. Effective for a school participating in a Title IV loan program on or after August 14, 2008.

Also, the school is required to develop and implement written plans to effectively combat the unauthorized distribution of copyrighted material by users of the school's information technology network. Effective August 14, 2008, for:

- Developing plans to combat the unauthorized distribution of copyrighted material using a technology-based deterrent(s).
- Offering alternatives to illegal downloading or peer-to-peer distribution of intellectual property, to the extent practicable.

Rehabilitation of defaulted loan: Upon successful [rehabilitation](#) of a loan, the guarantor and any other [holder](#) that reported the loan as a [default](#), must request that the [consumer reporting agency](#) to which the default was reported remove the default record from the borrower's credit history. The term "credit bureau" is revised to "consumer reporting agency." Effective August 14, 2008.

Teacher loan forgiveness: An otherwise eligible borrower may qualify for teacher loan [forgiveness](#) if the borrower has provided qualifying teaching service at one or more locations that are operated by an educational service agency but not a school, and that have been determined by the Department in consultation with the state, to be eligible locations for this purpose. The chief administrative officer of the educational service agency may certify a borrower's eligibility for loan forgiveness. Also, a borrower who receives benefits under the Teacher Loan Forgiveness Program may not receive, for the same teaching service, benefits under the [Public Service Loan Forgiveness Program](#) or the Loan Forgiveness Program for Service in Areas of National Need. Effective for Teacher Loan

Forgiveness Applications and Teacher Loan Forgiveness Forbearance Request forms received by the lender on or after August 14, 2008.

October 1, 2008

Consolidation loans: A [FFELP](#) borrower may consolidate into the [Federal Direct Loan Program \(FDLP\)](#) for the purpose of using the no accrual of interest benefit for active duty servicemembers of the FDLP. Effective for Direct Consolidation loans disbursed on or after October 1, 2008, for purpose of using the no accrual of interest benefit for active duty servicemembers.

December 2008

The Department issues [DCL GEN-08-12/FP-08-10](#) to summarize provisions and provide guidance on the [Higher Education Opportunity Act of 2008 \(HEOA\)](#).

January 1, 2009

Consolidation loans: The subsidized, unsubsidized, and HEAL portions of a single Consolidation loan may appear as separate loan records on the lender's system, but 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. Effective for claims filed by the lender on or after January 1, 2009, unless implemented earlier by the guarantor.

February 9, 2009

Common forms: The Department issues [DCL FP-09-01](#) to introduce the revised Discharge Application: Total and Permanent Disability. Lenders may begin to use the revised application immediately but must supply the revised application to borrowers on or after July 1, 2009. Lenders may continue to accept the previous version of the discharge application completed by the borrower on or after July 1, 2009.

April 2, 2009

Loan certification: The Department publishes [DCL GEN-09-04](#) to clarify permissible use of [professional judgment](#), and to encourage financial aid administrators to consider special financial circumstances based on current economic trends.

April 3, 2009

Consolidation loans: The Department publishes [DCL FP-09-03](#) to clarify that FFELP lenders must complete loan verification certificates (LVCs) for all borrowers who are applying for consolidation under the [Federal Direct Loan Program \(FDLP\)](#). The Department's guidance asserts that many borrowers who would otherwise be ineligible for a Federal Consolidation loan will be eligible for a Direct Consolidation loan in order to obtain the new loan forgiveness and no-interest accrual benefits available under the FDLP. The Department's guidance asserts that the new loan forgiveness and no-interest-accrual benefits mean that many borrowers will be eligible for Direct Consolidation loans despite their apparent ineligibility from the FFELP perspective. Lenders still are permitted to refuse to certify a Direct loan LVC if the Consolidation loan that the borrower is choosing to reconsolidate is a spousal Consolidation loan.

April 24, 2009

Common forms: The Department issues [DCL FP-09-04](#) to introduce updated Stafford and PLUS loan [MPNs](#), the PLUS Loan Endorser Addendum, and school certification forms. Schools and lenders must begin to use the updated forms as soon as possible. Lenders must use the updated Stafford and PLUS addenda with existing paper and electronic versions of the MPNs, but the addenda will not be necessary for those borrowers who use the revised MPNs. The letter provides guidance on how the lender and/or school must provide updated loan terms and conditions to borrowers receiving subsequent Stafford or PLUS loans under previously signed MPNs and for current borrowers who are not receiving new loans but for whom some of the new terms and conditions are applicable. Program participants must implement the new forms no later than October 1, 2009.

May 8, 2009

Loan certification: The Department publishes [DCL GEN-09-05](#) to advise school financial aid staff that it is explicitly permitting and encouraging schools to use a student's unemployment benefits letter as sufficient documentation of special circumstances, and that such a student has zero income for purposes of determining the appropriate budget numbers and thus, the appropriate levels of financial assistance. The letter specifies documentation requirements for such actions on the school's part.

May 14, 2009

Audit: The Department publishes [DCL GEN-09-06](#) to announce the waiver of the financial audit requirement for any [foreign school](#) whose enrolled students received less than \$500,000 in FFELP loan funds for an [award year](#) during an applicable audit period. The waiver is effective for any financial statement audit that would otherwise be due on or after August 14, 2008.

Disability – total and permanent: The Department publishes [DCL GEN-09-07](#) to provide guidance on the [total and permanent disability](#) loan discharge provisions for veterans who have been determined “unemployable” due to a service-related condition or disability. The lender must cease collections activity when it receives the Discharge Application: Total and Permanent Disability from the borrower. The guidance in this letter is retroactively effective to August 14, 2008.

June 1, 2009

Eligibility – borrower and student: A U.S. passport card is an acceptable document to confirm a student's or borrower's citizenship, or to correct a date of birth or first name. Effective with the publication of the [09-10 FSA Handbook, Volume 1](#), for citizenship verification. Effective June 1, 2009, for correction of a first name change or date of birth.

July 1, 2009

Consolidation loans: A borrower with a defaulted loan may become eligible for a FFELP Consolidation loan if the borrower agrees to repay the consolidating lender under an [income-based repayment schedule](#). Effective for consolidation requests received by the lender on or after July 1, 2009.

Deferment: Non-taxable income, defined by the IRS as child support, life insurance proceeds, and gifts and bequests, is not treated as income for purposes of determining eligibility for an [economic hardship deferment](#). Effective for economic hardship deferment eligibility determinations made on or after July 1, 2009, unless implemented earlier by the guarantor.

Regulations add a definition for family size as the term pertains to the economic hardship deferment and deletes the two eligibility criteria based on a federal debt-to-income ratio. Elimination of the debt-to-income criteria 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.

A borrower no longer qualifies for an economic hardship deferment based solely on being unemployed, incarcerated, disabled, or on a temporary leave of absence from work, if the condition begins on or after July 1, 2009. If the borrower does not have an income when applying for an economic hardship deferment under item 3, despite working full time as required, the borrower must provide a self-certifying statement, either on the deferment form or in a separate statement indicating that he or she has no income.

Deferment eligibility for a borrower not residing in a state identified in the poverty guidelines is based on the poverty guidelines for the 48 contiguous states, rather than the last state in which the borrower resided. Effective for economic hardship deferments granted on or after July 1, 2009, that begin on or after July 1, 2009.

The military active duty student deferment is renamed a post-active duty student deferment. To be eligible 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. There is no limit to the number of post-active duty student deferments an eligible borrower may receive. Each individual deferment is limited to 13 months. Effective for post-active duty student deferment requests received on or after July 1, 2009, unless implemented earlier by the lender on or after October 23, 2008.

A military service deferment may be granted without supporting documentation 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. Effective for military service deferment requests received by the lender on or after July 1, 2009, unless implemented earlier by the lender on or after October 23, 2008.

Disability discharge (total and permanent): For the purpose of receiving a new loan after a prior loan is discharged based on a determination of a borrower's [total and permanent disability](#), a borrower must obtain the physician certification only once and the school should keep a copy of it in the student's file. However, the school must collect a new borrower acknowledgment statement from the borrower for each new loan he or she requests. Effective upon publication of the [09-10 FSA Handbook, Volume 1](#).

Disbursement rules: The lender is no longer required to provide [SSN\(s\)](#) on an individual check. The lender need not include in the [master check](#) roster the SSN for the [dependent student](#) for a [parent PLUS loan](#). Lenders are permitted to include either the student's SSN or other reliable identifying information. Effective for loan

disbursement checks issued by the lender on or after July 1, 2009, unless implemented earlier by the lender or the guarantor.

Disclosure requirements: A lender must provide disclosures during the [repayment period](#) to any borrower who notifies the lender that he or she is having difficulty making scheduled payments. Effective for required lender disclosures made for loans with first payments due on or after July 1, 2009.

The lender must disclose specific information to a borrower who is 60 days past due. Effective for loans that become delinquent on or after July 1, 2009.

Eligibility – borrower and student: A [financial aid administrator \(FAA\)](#) may 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. Effective for dependency overrides made by the school on or after July 1, 2009.

The definition of an [independent student](#) is expanded to include a student who was in foster care; was an orphan, a ward, or a dependent of the court at any time when the student was 13 years of age or older; or was a student who was, immediately prior to attaining the age of majority, an emancipated minor or in a legal guardianship as determined by a court in the student's state of legal residence. A student also is considered independent if the student has been verified as an unaccompanied youth who is either homeless or at risk of being homeless and self-supporting. Although the specific HEOA changes are not effective until July 1, 2010, the Department has updated the 2009-2010 [FAFSA](#) to reflect the changes. Thus, the policy is implemented for dependency determinations beginning with the 2009-2010 award year.

Estimated financial assistance: All federal veterans' education benefits are excluded from [estimated financial assistance \(EFA\)](#) for determining eligibility for a Stafford or PLUS loan. Effective July 1, 2009.

Forbearance: A lender may grant an [administrative forbearance](#) to cover a period of delinquency that exists at the time a borrower chooses a different repayment plan. Effective for repayment plan changes granted by the lender on or after July 1, 2009.

A [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 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. Effective for deferment requests received by a lender on or after July 1, 2009, unless implemented earlier by the lender on or after October 23, 2008.

Repayment terms: [Income-based repayment \(IBR\)](#) is implemented for borrowers in repayment on or after July 1, 2009. IBR policies include the following:

- Determination of [partial financial hardship \(PFH\)](#) for a borrower who requests to pay under the IBR plan.
- Calculation of a borrower's minimum monthly payment amount under the IBR plan.
- 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 under the IBR plan, 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 ceases to pay under the IBR plan.
- 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.
- Permissible income documentation for use in determining if a PFH exists.

The provisions of the IBR plan are effective July 1, 2009. IBR loan forgiveness may not occur prior to July 1, 2034.

Rehabilitation of a defaulted loan: The lender must permit a borrower to choose any [repayment plan](#) available for the loan type being rehabilitated. The lender is no longer required to ensure that the repayment schedule has initial payments that are equal to or greater than the monthly payments that the borrower made to accomplish the rehabilitation. Effective for rehabilitated loans purchased by the lender on or after July 1, 2009.

July 30, 2009

Common forms: The Department issues [DCL FP-09-06](#) to introduce updated deferment forms that include changes in terms and conditions from the [Higher Education Opportunity Act of 2008 \(HEOA\)](#) and final regulations published in October 2008. Lenders are permitted to begin using the new forms immediately but must implement the forms not later than January 1, 2010.

August 19, 2009

The Department publishes an electronic announcement to clarify the applicability of certain veterans' educational benefits to the calculation of a student's [estimated financial assistance \(EFA\)](#), emphasizing that only those veterans' educational benefits that are included in HEA §480(c) are excluded from the school's calculation of the student's EFA.

August 28, 2009

Disability discharge (total and permanent): A borrower whose prior [Title IV](#) loan(s) is conditionally discharged due to an initial determination that the borrower is [totally and permanently disabled](#) must submit a request to the Department's Conditional Discharge Disability Unit requesting that the was conditionally discharged loan(s) be returned to repayment, and also must advise the school that the process of returning the conditionally discharged loan to repayment has been initiated. Effective for new loan requests received by a school on or after August 28, 2009.

Loan certification: Before a school may certify a new loan for a borrower whose prior Title IV loan(s) is conditionally discharged due to an initial determination that the borrower is totally and permanently disabled, the school must confirm that the borrower has initiated the process to return the conditionally discharged loan(s) to repayment. The school also must determine whether the status of the loan ([default](#) or non-default) will trigger additional requirements before it certifies a new loan for the borrower. A school must not deliver any new loan funds until it confirms that

the conditionally discharged loan(s) has been returned to repayment. Effective for new loan requests received by a school on or after August 28, 2009.

September 4, 2009

Return of Title IV funds: The Department publishes [DCL GEN-09-11](#) to clarify the applicability of rules related to minor prior-year charges. The letter clarifies that for [FFELP](#) purposes, the prior “year” is the prior [loan period](#). If the student’s aid does not include a [FFELP](#) loan, the prior “year” is the [award year](#). Title IV aid applied to prior-year charges is not included as aid disbursed for purposes of the [return of Title IV funds](#) calculation.

September 29, 2009

Delivering loan funds: For programs offered in [modules](#) (either standard term-based, credit-hour programs or nonstandard term-based, credit hour programs in which all of the terms are at least 9 weeks of instructional time and substantially equal in length) if the loan period for a Stafford or PLUS loan consists of one [payment period](#) and does not qualify for a [multiple disbursement](#) exemption (see [Subsection 6.4.A](#)), the school must deliver the second disbursement no earlier than the later of the calendar midpoint between the first and last scheduled days of class of the loan period, or the first day of the first subsequent module in the payment period that the student will actually attend. Effective for the delivery of the second disbursement of a Stafford or PLUS loan certified for a single term of a standard term-based program, modular program, or a modular program with nonstandard terms that are [SE9W](#) on or after September 29, 2009, unless implemented earlier by the school.

H.2

History of Excess Interest Rebates and Variable Interest Rate Conversions

In 1986, Congress authorized a new [interest](#) rate for Stafford loan [borrowers](#), creating a loan that accrues interest at a maximum of 8% for the [in-school](#) and [grace periods](#), and for the first 48 months of repayment. On the first day of the 49th month of repayment, the loan converts to a maximum interest rate of 10% and continues the 10% accrual until the loan is paid in full.

Congress anticipated that there would be periods over the long life of the Stafford loans where the 10% rate might exceed substantially the market interest rates. With a goal of protecting student borrowers from paying excessively high interest rates, Congress created a process that would

require [lenders](#) to “rebate” to the borrower any “excess” interest earnings on the loan after 48 months of repayment, if that interest exceeds the [T-bill](#) rate plus 3.25%.

Following is a brief chronology of [excess interest rebates](#) (also called windfall profit rebates) and the process of [variable interest rate conversion](#) into which it evolved.

1986

October 17, 1986

The Higher Education Amendments of 1986 create the 8%/10% interest rate for loans and a requirement to refund interest to the borrower if the [applicable interest rate](#) on such loans exceeds the T-bill rate plus 3.25%.

Rebates are:

- Applicable only when the interest rate on the loan is 10%. Rebates are to be calculated and applied even if the lender is accruing interest at an [actual interest rate](#) of less than 10%.
- Paid only to the borrower even if the [Department](#) paid interest subsidy for the borrower during the period.
- Based on the quarter-ending [principal balance](#) of the loan.
- Applied to the loan only at year-end if the loan has a principal balance outstanding at year-end.
- Not applicable to loans on which the borrower is more than 30 days delinquent on December 31 of the year for which they are calculated.

1988

July 1, 1988

“New borrowers” receiving their first Stafford loans for periods of enrollment beginning on or after July 1, 1988, sign [promissory notes](#) for the 8%/10% rate and are subject to that rate for all subsequent Stafford loans received.

1992

July 23, 1992

The Higher Education Amendments of 1992 expanded rebate provisions, applying rebates to all Stafford loans first disbursed at “fixed” rates on or after July 23, 1992.

Rebates are now:

- Applicable to all Stafford loans first disbursed on or after July 23, 1992, at fixed interest rates of 7%, 8%, 9%, and to the first loan made at 8%/10% to a [new borrower](#) on or after July 23, 1992. Rebates are now applicable based on the loan's maximum interest rate, even if the lender was accruing interest at a lesser rate.
- Made to the Department if subsidized interest is paid on loans made under the new provisions during a period in which rebates are due.
- Calculated quarterly and applied annually, based on the loan's balance on December 31.
- Applicable when the T-bill rate plus 3.1% is less than the [applicable interest rate](#).

1993

December 20, 1993

The [Technical Amendments of 1993](#) provided for the conversion of loans subject to excess interest rebates to a [variable interest rate](#).

The new legislation requires that:

- Loans previously subject to rebate provisions be converted to an annual variable interest rate.
- Variable-rate loans may be capped at the applicable interest rate for the loan.
- Loans be converted to the annual variable interest rate no later than January 1, 1995.
- Rebates processed for periods before the conversion to variable rate be processed based on the quarterly average [principal balance](#) of the loan.
- [Lenders](#) that have not yet provided rebates retroactively convert loans subject to rebate provisions to a [variable interest rate](#) rather than calculate and apply rebates.
- If the loan is more than 30 days delinquent as of December 31, the rebate on the loan, if applicable, is to be made to the [Department](#).

Processing Options

Based on the preceding legislative provisions, lenders had three options for providing an [interest](#) break to their Stafford loan [borrowers](#):

1. Lenders may process rebates through year-end December 1992 or 1993 then calculate the variable rate conversion and apply it by January 1995.
2. Lenders may retroactively reprocess the loans as variable interest rates without rebates by using the 91-day [T-bill](#) rate for the retroactive adjustments and applying the "excess interest" calculated as a credit. The conversion must be completed by January 1995.
3. Lenders that have processed rebates may reverse those rebates and retroactively convert the loans to the variable rates.

Notes and Cautions

Several provisions are applicable to the rebate/[variable interest rate conversion](#) process:

- A lender that has already applied rebates for year-end 1992 need not provide rebates to the Department if the borrower's loan was more than 30 days delinquent on December 31, 1992. However, even if the lender had calculated and provided rebates for year-end 1993, if the borrower's loan was more than 30 days delinquent on December 31, 1993, the lender must provide rebates to the Department on those loans for which the rebate was not made to the borrower.
- After January 1, 1995, for loans accruing at 8%/10% that are eligible for conversion to a variable interest rate conversion only when the loan reaches the 10% accrual, the lender must convert the loan to a variable interest rate on the first day of the 49th month of repayment. For loans subject to rebates and interest-rate conversion only at 10%, the variable rate is calculated based on the T-bill rate plus 3.25%.
- Variable interest rates change annually and are effective from July 1 of each year to the following June 30.
- For fixed-rate loans that have already been converted to a variable rate, borrowers must have been notified that the interest rate on the loan changed to a variable rate.

The notice was to have been provided no less than 30 days before the rate change occurred. The borrower could not refuse the interest rate conversion.

- For loans subject to variable rates only when the [applicable interest rate](#) changes to 10%, the lender must provide notice to the borrower no less than 30 days before the date on which the loan will convert to the variable interest rate.
 - Adjustments from the rebate or variable interest rate conversion that result in a [refund](#) of subsidized interest to the Department must be included in the ED Form 799 no later than the reports filed for December 31, 1994, and March 31, 1995, respectively.
 - Loans on which a [claim](#) has been filed with the [guarantor](#) for claim payment need not be converted to variable interest rates.
 - Based on guidance from the Department in October 1994, lenders were not permitted to adjust [special allowance](#) billings for loans for which the applicable interest rate was retroactively revised. Based on guidance from the Department dated March 1, 1998, lenders were permitted to recalculate special allowance billings on loans for which the applicable interest rate was retroactively revised, for all or part of the period from July 23, 1992, to December 31, 1994. [DCLs [94-L-171](#) and [98-L-202](#)]
 - Lenders for which an accurate historical [record](#) of the loan's balances is not available may calculate and provide rebates and conversion information based on the best data available.
 - For loans that have been sold or bought during the period for which rebates and/or interest rate conversions are applicable, each [holder](#) of the loan is responsible for making the adjustments for periods during which they held the loan.
 - When completing a Consolidation loan [verification](#) certificate for a loan to which the [interest](#) rate conversion is applicable, the variable rate should be specified.
 - If a loan was filed as a [claim](#) with the [guarantor](#), and is subsequently [recalled](#) or [repurchased](#), the [lender](#) must convert the loan to the variable rate. If the lender is repurchasing the loan because the loan should not have
- been filed as a claim or because the loan is a nondischargeable [bankruptcy](#), the interest rate must be adjusted retroactively to the point at which the loan first became eligible for the rebate or interest rate conversion.
 - If the loan is being recalled or repurchased voluntarily by the lender, the lender need only apply adjustments from the day on which the loan is repurchased.
 - Loans that are rehabilitated must have the interest rate reset as of the date the rehabilitated loan is purchased by the lender.
 - Loans on which the [guarantee](#) is lost but that are subsequently cured must have the interest rate reset as of the date of the [cure](#). Lenders have the option of retroactively making adjustments for periods before the cure.

Summary of Variable-Rate Conversion Provisions

Figure H-1

Loans Subject to Conversion	Quarterly Variable Interest Rates prior to Conversion to an Annual Variable Interest Rate ¹		Annual Variable Interest Rates after Conversion to an Annual Variable Interest Rate	
<i>Higher Education Amendments of 1986:</i>	Quarter ending 9/30/92:	7.03%	7/1/93 through 6/30/94:	6.37%
8%/10% Stafford loans first disbursed before July 23, 1992, when such loans are accruing at the 10% interest rate.	Quarter ending 12/31/92:	6.39%	7/1/94 through 6/30/95:	7.58%
	Quarter ending 3/31/93:	6.42%	7/1/95 through 6/30/96:	9.07%
	Quarter ending 6/30/93:	6.30%	7/1/96 through 6/30/97:	8.41%
8%/10% Stafford loans first disbursed on or after July 23, 1992, but before October 1, 1992, when such loans are accruing at the 10% interest rate, to borrowers who had no outstanding FFELP loans on the date the promissory note was signed.	Quarter ending 9/30/93:	6.30%	7/1/97 through 6/30/98:	8.41%
	Quarter ending 12/31/93:	6.33%	7/1/98 through 6/30/99:	8.41%
	Quarter ending 3/31/94:	6.39%	7/1/99 through 6/30/00:	7.87%
	Quarter ending 6/30/94:	6.59%	7/1/00 through 6/30/01:	9.14%
	Quarter ending 9/30/94:	7.40%	7/1/01 through 6/30/02:	6.94%
	Quarter ending 12/30/94:	7.88%	7/1/02 through 6/30/03:	5.01%
	Quarter ending 3/31/95:	8.71%	7/1/03 through 6/30/04:	4.37%
			7/1/04 through 6/30/05:	4.32%
			7/1/05 through 6/30/06:	6.25%
			7/1/06 through 6/30/07:	8.09%
			7/1/07 through 6/30/08:	8.17%
			7/1/08 through 6/30/09:	5.16%
<i>Higher Education Amendments of 1992:</i>	Quarter ending 9/30/92:	6.88%	7/1/93 through 6/30/94:	6.22%
Stafford loans first disbursed at a fixed rate (7%, 8%, 9%, and 8%/10% loans when accruing at 8% and 10%) on or after July 23, 1992, to borrowers who had outstanding FFELP loans on the date the promissory note was signed.	Quarter ending 12/31/92:	6.24%	7/1/94 through 6/30/95:	7.43% ²
	Quarter ending 3/31/93:	6.27%	7/1/95 through 6/30/96:	8.92% ³
	Quarter ending 6/30/93:	6.15%	7/1/96 through 6/30/97:	8.26% ³
	Quarter ending 9/30/93:	6.15%	7/1/97 through 6/30/98:	8.26% ³
	Quarter ending 12/31/93:	6.18%	7/1/98 through 6/30/99:	8.26% ³
	Quarter ending 3/31/94:	6.24%	7/1/99 through 6/30/00:	7.72% ²
	Quarter ending 6/30/94:	6.44%	7/1/00 through 6/30/01:	8.99% ³
	Quarter ending 9/30/94:	7.25% ²	7/1/01 through 6/30/02:	6.79%
	Quarter ending 12/30/94:	7.73% ²	7/1/02 through 6/30/03:	4.86%
	Quarter ending 3/31/95:	8.56% ³	7/1/03 through 6/30/04:	4.22%
			7/1/04 through 6/30/05:	4.17%
			7/1/05 through 6/30/06:	6.10%
			7/1/06 through 6/30/07:	7.94% ²
			7/1/07 through 6/30/08:	8.02% ³
			7/1/08 through 6/30/09:	5.01% ³

¹ Quarterly interest rates are determined by adding 3.25% for the "1986 loans" or 3.10% for the "1992 loans" to the average of the bond equivalent rate of the 91-day Treasury bill rate as auctioned for the preceding 3-month period.

² Because the variable rate for Stafford loans in this category may not exceed the original interest rate, this variable interest rate does not apply to Stafford loans first disbursed at a fixed 7% interest rate, which are capped at 7%.

³ Because the variable rate for Stafford loans in this category may not exceed the original interest rate, this variable interest rate does not apply to Stafford loans first disbursed at a fixed 7% or 8% interest rate, which are capped at 7% and 8%, respectively.

H.3

History of Ability-to-Benefit Provisions

There have been numerous publications regarding [ability-to-benefit \(ATB\)](#) provisions over the past years: some providing clarification or definition, some revising previous guidance. Following is a compilation of ATB guidance to provide a historical reference regarding this evolving process.

H.3.A

Ability-to-Benefit Requirements

ATB requirements vary in federal law and regulation based on the [period of enrollment](#) for which the loan was issued.

Periods of Enrollment Beginning January 1, 1986, to June 30, 1987

The [school](#) was required to develop and enforce consistent criteria to determine if regular students who did not have high school diplomas or GEDs and who were beyond the age of compulsory attendance had the ability to benefit from the school's training.

Periods of Enrollment Beginning July 1, 1987, to June 30, 1991

The school was required to use one of the following criteria for determining the student's ability to benefit:

- The student received a GED prior to his or her completion of the [program of study](#), or by the end of the first year of the program, whichever was earlier.
- The student was counseled before admission to the program and successfully completed the school's remedial program or developmental education program that did not exceed one [academic year](#) or the equivalent of one academic year.
- The student passed a nationally recognized, standardized, or industry-developed ATB test, subject to criteria developed by the school's [accrediting agency](#).
- If the student failed the ATB test, he or she successfully completed the school's program of remedial or developmental education that did not exceed one year or the equivalent of one academic year.

The school could use more than one method as described above to determine a student's ability to benefit. However, if the school's accrediting agency provided no criteria for the ATB tests, or if the school was not affiliated with an accrediting association, the school could not administer, or have administered, a test as described under the third option noted above.

GED-Specific Guidance

In cases where the student was to receive his or her GED prior to completing the program of study or first year of that program, whichever was earlier, the school must have documented the student's completion of the GED and that no [Title IV funds](#) were used for studies toward the GED. In cases where the student did not complete the GED as required, the student lost his or her eligibility for Title IV aid. The school was not liable for the release of Title IV funds to the [borrower](#), but the borrower remained responsible for the repayment of any loan funds received prior to his or her loss of eligibility. The school could not release Title IV funds to any student who completed the initial program of study or first year of a program for which it could not document the receipt of his or her GED.

Remedial Work

Students could be [enrolled](#) for remedial work, and courses for that remediation could be covered by Title IV funds, provided the remedial courses complied with the requirements of [§668.20](#), including:

- The student must have been enrolled in an eligible program of study at an eligible [institution](#).
- The course or courses must have been necessary for the student to complete a program of study leading to a degree or certificate.
- The courses must not have been a part of a program of instruction leading to a high school diploma or GED.
- The coursework did exceed one academic year.
- The coursework was not at such a low level of academic achievement that, at the end of the coursework, the student would remain at a level that was below the level needed to pursue successfully a degree or certificate program.

The school must have documented its decision to require the student to enroll in remedial work, prescribed a program of work to meet the student's need that did not exceed one academic year in length, and documented its determination

that the student did successfully complete the program. If the student failed to complete the course of study, or was not successful in that course of study, the school could not deliver additional Title IV funds to that student.

Periods of Enrollment Beginning before July 1, 1991

The [school](#) is considered to have violated [ATB](#) provisions in either of the following cases:

- The school substantially failed to comply with its [accrediting agency's](#) standards for ATB testing.
- If no accrediting agency standards existed, the school substantially failed to comply with the test publisher's requirements for the use of the test.

Periods of Enrollment Beginning July 1, 1991, to July 22, 1992

A student who was not a high school graduate or did not have a GED at the time of his or her enrollment must have passed an independently administered ATB test approved by the [Department](#) before the student's receipt of [Title IV](#) aid.

Students were not eligible for SLS loans if they had not received high school diplomas or GEDs. Schools were prohibited from certifying loan [applications](#) for SLS loans until students had obtained high school diplomas or GEDs.

ATB testing must have been completed before the student received any Title IV funds.

The Department issued lists of tests approved for ATB purposes in a series of publications, including the December 19, 1990, [Federal Register](#) and [DCLs GEN-91-1](#), [GEN-91-8](#), and [GEN-91-20](#).

Periods of Enrollment Beginning on or after July 23, 1992

A student who was not a high school graduate or did not have a GED at the time of enrollment must have met one of the following standards before receiving any Title IV aid:

- The student must have achieved a score specified by the Department on an independently administered ATB test that was approved by the Department.
- The student must have been considered to have had the ability to benefit from the school's training in accordance with a process prescribed by the [state](#) in which the school is located.

A student who was admitted initially under ATB provisions and who dropped out or withdrew from classes must have been reevaluated under the provisions in effect at the time of his or her reenrollment before the student may have been readmitted.

Effective for Periods of Enrollment Beginning on or after July 1, 1996

Final regulations for these provisions were published in December 1995, and were effective July 1, 1996.

Schools may use tests and test scores approved before July 1, 1996, for a period of up to 60 days after the first approved test and test score is published in the [Federal Register](#). Also, a student whose eligibility was determined under the old ATB rules need not be retested under the new provisions unless the student withdraws from the school and later reenrolls, in which case the student must meet the ATB rules in effect at the time of his or her reenrollment.

A student without a high school diploma, or one who did not have a GED at the time of enrollment, must have met one of the following standards before receiving any Title IV aid:

- Achieved a passing score on an independently administered test that has been approved by the Department. Note that the "passing score" will also be defined by the Department. If the student is required to pass an independently administered test, the student must have obtained a passing score not more than 12 months before the receipt of Title IV funds.
- Obtained a passing score on a Department-approved state test or assessment.
- [Enrolled](#) in an eligible [institution](#) (located in a State) that has been approved by the Department.

A school may be liable for Title IV funds delivered to a student admitted under ATB provisions if the school uses a test administrator who is not independent of the school at the time the test is administered, if the school interfered with the testing process in such a way as to compromise the test's integrity, or if the school cannot document that the student received a passing score.

Effective for borrower eligibility certified by the school on or after August 14, 2008

The [Higher Education Opportunity Act of 2008](#) was signed into law on August 14, and the ability-to-benefit (ATB) provisions in that law were effective on that date.

The new provisions allow a student who does not have a high school diploma or its equivalent to demonstrate an ability to benefit by satisfactorily completing six credit hours or equivalent coursework that is applicable toward a degree or a certificate offered by the school. The student who completes those hours or their equivalent becomes eligible for [Title IV](#) aid. The student is not eligible for Title IV aid while earning the six credit hours or their equivalent.

H.3.B Ability-to-Benefit Provisions

Testing

Each student being admitted under ATB testing provisions must have been administered a test in compliance with the school's nationally recognized [accrediting agency's](#) criteria. For students admitted for periods of enrollment prior to July 1, 1991, the test could be administered by the school or any independent administrator. The school was required to maintain a [record](#) of that test and the student's score on the test. If the [school](#) administered the test itself, it was required to maintain a copy of the actual test as part of its recordkeeping requirements. If the school did not administer the test, a record of the results of that test satisfies the recordkeeping requirements.

Testing Violations

The following violations of testing rules are deemed sufficient to invalidate the [ATB](#) test results:

- A test that was required to be administered by an independent test administrator was not administered by an independent administrator.
- A school permitted a student who failed an ATB test to retake the test earlier than the minimum time frames for that test, or more frequently than permitted for that test.
- A school allowed more time for a student to complete the ATB test than was permitted.
- A school considered a student to have passed an ATB test even though the student did not achieve the minimum passing score permitted under statute, regulation, and the [Department](#) guidance in effect at that time.

- The school administered only a part of a multipart test, unless that was permissible under rules for that test.
- For ATB tests given for periods of enrollment beginning on or after July 1, 1991, the version of the test that was used by the school was not approved by the Department and was not administered in a manner such that it complied substantially with the test publisher's rules for its use.
- The school supplied answers to the test or permitted the students taking the test to discuss the answers among themselves, in violation of the test rules.

Immaterial Violations

The Department of Education identified three violations of an [accrediting agency's](#) or test publisher's requirements that do not have a material effect on the student's test scores and that do not justify a loan [discharge](#):

- Use of a photocopied ATB test.
- Use of an ATB test version that was obsolete by less than one year.
- Use of an ATB test that was approved by the Department but not approved by the school's accrediting agency.

Foreign Language ATB Testing

If the ATB test was administered in a foreign language and subsequent courses were conducted in English, the student may qualify for an ATB discharge if the proper test was not administered. There are multiple tests available for non-English speaking students: tests for students [enrolled](#) in an English as a Second Language (ESL) course, tests where ESL courses are a component of the overall course of study, and tests for non-English speaking students who will enroll in regular academic or vocational courses. If the appropriate test was not administered to match with the student's intended course of study, the student may qualify for ATB discharge.

Remedial Work

For a student enrolled in a course of study with a [period of enrollment](#) beginning in the period July 1, 1987, to July 1, 1991, the school is considered to have complied with the ATB provisions if the school ensured that the student enrolled in and successfully completed the school's program of remedial or developmental education within

one [academic year](#). A student also must have been counseled prior to admission and have failed an ATB test administered by the school.

Documentation that the Student Was Unable to Get a Job

A key component of demonstrating ability to benefit is whether the student subsequently was unable to obtain a job in the field for which the course of study at the school provided training. To document this inability to obtain a job:

- If the student did *not* complete the [program of study](#), the student must certify that he or she did not find employment in that occupation.
- If the student completed the program of study and claims that he or she was unable to find employment in that occupation, then the student must provide evidence that he or she made a reasonable attempt to obtain that employment. A reasonable attempt could be considered three separate attempts to obtain employment, documented by a list of the companies at which the student applied, the address of each potential employer, the date that the potential employer was contacted, the position for which the student applied, and the reason given by the potential employer for not hiring the student.

Applicability of Provisions Regarding Student's Age, Criminal Record, etc.

The regulatory provisions regarding the student's eligibility for loan [discharge](#) due to his or her inability to obtain employment in an occupation due to his or her age, physical or mental condition, or criminal record are applicable to all students—regardless of the [loan period](#) start date or any requirement imposed on the [school](#) to determine the student's ability to benefit.

Documentation of a Condition that Prohibited Employment

If the student claims that he or she was subject to a condition that prohibited employment in the position for which he or she trained, that condition and the [state's](#) prohibition regarding employment must be documented. A loan is not eligible for discharge if it can be proven that the student was asked if such a condition existed and the student did not disclose that condition.

Group Discharges

In some cases discharge may be authorized for a group of [borrowers](#) who demonstrate that they belong to a particular cohort of students defined by the [Department](#). All

borrowers must request discharge and sign a sworn statement as prescribed in regulation. The Department will advise [guarantors](#) when a situation exists where it appears that an entire group of borrowers may be eligible for false certification discharge.

The Department requests that interested parties notify it of special situations where such an approach might be appropriate. Such a situation would be one in which a school appears to have committed "serious and pervasive violations" of regulations.

Borrower Fraud

If a [guarantor](#) suspects, but cannot prove, that a borrower has made false statements on a discharge request, the incident should be reported to the Department of Education's Inspector General.

Notification to the Department of Education

When a guarantor becomes aware that a school may have falsely certified a student's eligibility, that guarantor is required to notify the Department's Guarantor and Lender Review Branch in the regional office responsible for the state in which the school is located.

Rules for Discharge

In order to have a loan discharged based on improper determination of the student's ability to benefit, the following criteria must be met:

- The loan must have been disbursed in whole or in part on or after January 1, 1986.
- The student must certify under penalty of perjury that the school failed to determine or improperly determined his or her ability to benefit from the school's training; and
- If the student withdrew from the school, the student must certify that he or she did not obtain employment in the field for which the school's course of study was intended; or,
- If the student completed the course of study, the student must certify that he or she made a reasonable attempt and was unable to obtain employment in the field for which the course of study was designed, or obtained employment in that field only after receiving additional training from another school; or

- The student must certify that he or she did not, at the time of enrollment, meet the legal requirements for employment in the student's state of residence in the field for which the course of study was preparatory because of a mental or physical condition, age, or criminal record, or other reason accepted by the Department.

Absence of Documentation/Evidence

A borrower's statement that he or she (or, in the case of a PLUS loan, the student) was "falsely certified" or "improperly tested" would not be considered sufficient evidence of the borrower's entitlement to [discharge](#) if it is not supported by some evidence that the student was admitted to a course of study to which he or she should not have been admitted as a result of improper administration of [ATB](#) provisions.

The [guarantor](#) is expected to obtain [documentation](#) and [records](#) from any available public or private agency which reviewed or had oversight responsibilities for the school. If the guarantor determines that evidence or documentation does not exist, it is the borrower's responsibility to substantiate the claim with substantive persuasive evidence.

H.4 History of Statutory and Regulatory Waivers

H.4.A Waivers for Operations Desert Shield/Desert Storm

Several statutory and regulatory provisions were introduced in 1991 to provide additional benefits to borrowers who served on active duty in connection with Operations Desert Shield/Desert Storm. For additional information on these provisions, refer to DCLs [GEN-91-11](#) and [GEN-91-19](#) and the *Federal Register* dated September 16, 1991.

H.4.B HEROES Act Waivers

The [Higher Education Relief Opportunities for Students \(HEROES\) Act of 2003 \(P.L. 108-76\)](#) requires the Department to publish waivers or modifications to statutory or regulatory provisions applicable to the Title IV federal student aid programs. The HEROES Act directs the Department to publish waivers and modifications that are appropriate to assist "affected individuals" who are also federal student aid applicants and recipients. The

Department originally announced the HEROES Act waivers in a [Federal Register notice dated December 12, 2003](#), effective until September 30, 2005. In a [Federal Register notice dated October 20, 2005](#), the Department extended the waivers to September 30, 2007. The Department further extended the waivers to September 30, 2012, in a [Federal Register notice published December 26, 2007](#), unless the Department terminates or otherwise changes the provisions prior to that date.

Not all waivers and modifications apply to all affected individuals. The Department designated four categories of waiver recipients, and identified specific waivers and modifications that apply to each category. In addition to granting waivers to affected individuals, the Department also granted waivers to the *dependents and spouses* of two categories of affected individuals (see [Figure H-2](#) under "HEROES Act Waivers and Modifications").

Affected Individuals under the HEROES Act

The HEROES Act defines an "affected individual" as any one of the following:

- A member of a U.S. Armed Force serving on active duty in connection with a war or other military operation, a national emergency, or subsequent actions or conditions, who is assigned to a duty station at a location other than the location at which the individual is normally assigned.
 - Active duty service includes a Reserve, or a retired member of a U.S. Armed Force ordered to active duty in connection with a war or other military operation, or a national emergency, regardless of the location at which that active duty service was performed.
- A member of the National Guard on full-time National Guard duty under a call to active service authorized by the president or the Secretary of Defense for a period of more than 30 consecutive days in connection with a war or other military operation, or a national emergency.
- An individual who resides or is employed in an area that was declared a disaster area by any federal, state, or local official in connection with a national emergency.
- An individual who suffers direct [economic hardship](#) as a direct result of a war or other military operation, or a national emergency, as determined by the Department.

For the purpose of determining who is an “affected individual,” additional conditions apply, as follows:

- “Active duty” *excludes* active duty for training or attendance at a service school (e.g., the U.S. Military Academy or the U.S. Naval Academy).
- “Military operation” means a contingency operation, as defined in 10. U.S.C. Section 101(a)(13).
- “National emergency” means a national emergency declared by the president of the United States.

HEROES Act Waivers and Modifications

Figure H-2 lists, by topic, each of the statutory and regulatory waivers or modifications the Department authorizes and identifies the individuals to which that waiver or modification applies. Statutory and regulatory waiver and modification topics listed in Figure H-2 and in the more detailed waiver or modification description that follows are presented in life-of-a-loan order, corresponding to the progression of policies within the *Common Manual* to the extent possible.

HEROES Act Waivers and Modifications

Figure H-2

WAIVER TOPIC	Current Requirement Reference	WAIVER RECIPIENT*					
		U.S. Armed Forces Member	Dependent or Spouse of U.S. Armed Forces Member	National Guard Member	Dependent or Spouse of National Guard Member	Individual Lived or Worked in Declared Disaster Area	Individual Suffered Direct Economic Hardship
1. Signatures required for the FAFSA, SAR, and ISIR	07-08 FSA Handbook, Application and Verification Guide, Chapter 2, p. AVG-33		X		X		
2. Reinstatement of Title IV Eligibility	5.2.D; 07-08 FSA Handbook, Volume 1, Chapter 3, p. 1-48	X		X		X	
3. Professional Judgment	6.5.D, 6.6.B; 07-08 FSA Handbook, Application and Verification Guide, Chapter 5, p. AVG-99	X		X		X	X
4. Need Analysis	6.6; 07-08 FSA Handbook, Application and Verification Guide, Chapter 3	X	X	X	X	X	X
5. Verification of AGI and Income Tax Paid	8.5; 07-08 FSA Handbook, Application and Verification Guide, Chapter 4, pp. AVG-81 and AVG-87	X		X			
6. Verification Signature Requirements	8.5; 07-08 FSA Handbook, Application and Verification Guide, Chapter 4, p. AVG-84		X		X		
7. Cash Management – Borrower Notice to Cancel Loan	8.2.D; 07-08 FSA Handbook, Volume 4, Chapter 2, pp. 4-21 to 4-22	X		X		X	
8. Cash Management – Required Authorizations	8.3; 07-08 FSA Handbook, Volume 4, Chapter 2, pp. 4-22 to 4-24	X		X		X	

WAIVER TOPIC	Current Requirement Reference	WAIVER RECIPIENT*					
		U.S. Armed Forces Member	Dependent or Spouse of U.S. Armed Forces Member	National Guard Member	Dependent or Spouse of National Guard Member	Individual Lived or Worked in Declared Disaster Area	Individual Suffered Direct Economic Hardship

* See the subheading "Affected Individuals," above, for detailed information about criteria that HEROES Act waivers and modification recipients must meet.

9. Satisfactory Academic Progress	8.4; 07-08 FSA Handbook, Volume 2, Chapter 10, p. 2-121	X		X		X	
10. Delivering Credit Balances for a Withdrawn Student	8.8.D; 07-08 FSA Handbook, Volume 5, Chapter 2, p. 5-36	X		X		X	
11. Approved Leave of Absence	9.3; 07-08 FSA Handbook, Volume 5, Chapter 2, p. 5-26	X		X		X	
12. Refund of Institutional Charges	9.5.A; 07-08 FSA Handbook, Volume 5, Chapter 2, p. 5-32	X		X			
13. Return of Title IV Funds – Post-withdrawal Disbursements	9.5.A; 07-08 FSA Handbook, Volume 5, Chapter 2, p. 5-78	X		X		X	
14. Return of Title IV Funds – Grant Overpayments Owed by the Student	9.5.A; 07-08 FSA Handbook, Volume 5, Chapter 2, p. 5-92	X		X		X	X
15. Return of Title IV Funds – Unearned Funds Owed by the School	9.5.A, 9.5.B; 07-08 FSA Handbook, Volume 5, Chapter 2, p. 5-87	X		X		X	X
16. In-School and Grace Period	10.2, 10.3.C	X		X		X	
17. Deferment – In-School and Graduate Fellowship	11.5, 11.6; Figure 11-1	X		X		X	
18. Deferment – Armed Forces	11.3; Figure 11-1	X		X			
19. Forbearance	11.23.B	X		X		X	
20. Rehabilitation of Defaulted Loans	13.7	X		X		X	
21. Loan Forgiveness	13.9.A	X		X		X	
22. Consolidating Defaulted Title IV Loans	15.2	X		X		X	
23. Collection Activities on Defaulted Title IV Loans	§682.410; 07-08 FSA Handbook, Volume 6	X		X		X	

* See the subheading "Affected Individuals," above, for detailed information about criteria that HEROES Act waivers and modification recipients must meet.

For each topic discussed below, any applicable statutory or regulatory requirement is summarized and followed by a description of the waiver or modification that pertains to that requirement.

1. *Signatures Required on the Free Application for Federal Student Aid (FAFSA), Student Aid Report (SAR), and Institutional Student Information Record (ISIR)* (see the [07-08 FSA Handbook, Application and Verification Guide, Chapter 2, p. AVG-32](#))

Generally, when a [dependent student](#) applies for Title IV aid and submits a [FAFSA](#) or submits corrections to a previously submitted FAFSA, at least one parental signature is required.

This requirement is waived, so that an applicant need not provide a parent's signature when there is no responsible parent who can provide the required signature because of the parent's status as an affected individual. In these situations, a student's high school counselor or the [financial aid administrator \(FAA\)](#) may sign on behalf of the parent as long as the applicant provides adequate documentation concerning the parent's inability to provide a signature due to the parent's status as an affected individual.

2. *Reinstatement of Title IV Eligibility* (see [Subsection 5.2.D](#) and the [07-08 FSA Handbook, Volume 1, Chapter 3, p. 1-48](#))

To have eligibility for Title IV aid reinstated, a defaulted borrower must make [satisfactory repayment arrangements](#), i.e., six consecutive, full, monthly payments to the appropriate [holder](#) of each defaulted loan. These payments must be made on time (within 15 days of the payment due date), voluntarily (directly by the borrower, regardless of whether there is a judgment against the borrower), and must be reasonable and affordable.

The requirement for the borrower to make consecutive payments in order to reestablish eligibility for Title IV aid is waived. Guarantors should not treat any payment missed during the time that a borrower is an affected individual as an interruption in the requisite six consecutive, monthly, on-time payments. When the borrower is no longer considered to be an affected individual, or in a 3-month transition period that immediately follows, the required sequence of qualifying payments may resume at the point at which they were discontinued as a result of the borrower's status.

3. *Professional Judgment* (see [Subsections 6.5.D and 6.6.B](#), and the [07-08 FSA Handbook, Application and Verification Guide, Chapter 5, p. AVG-99](#))

An FAA may use [professional judgment](#) to increase or decrease a student's [cost of attendance \(COA\)](#), or to increase or decrease a specific data element within the calculation of the [expected family contribution \(EFC\)](#), based on extenuating circumstances and on a case-by-case basis.

This provision is modified by removing the requirement that adjustments be made on a case-by-case basis for affected individuals. FAAs are encouraged to use professional judgment to more accurately reflect the [financial need](#) of affected individuals.

In addition, FAAs are encouraged to use the most beneficial of any one of the following methods to determine need for any affected individual:

- The individual's need using the adjusted gross income plus untaxed income and benefits received in the first calendar year of the [award year](#).
- The individual's need as determined using professional judgment.
- The individual's unmodified need. (For example, in some cases, an individual's income will increase as a result of serving on active duty or performing qualifying National Guard duty.)

An FAA must clearly document the reasons for any adjustment to the COA or the data elements within the EFC calculation, and report any professional judgment decisions that affected a student's eligibility for a Federal [Pell grant](#) to the Central Processing System (CPS).

4. *Need Analysis* (see [Section 6.6](#) and the [07-08 FSA Handbook, Application and Verification Guide, Chapter 2, p. AVG-12](#) and [Chapter 3](#))

In the calculation of an applicant's EFC, the term "total income," which is used in the determination of "annual adjusted family income" and "available income," is equal to the adjusted gross income (AGI), plus untaxed income and benefits for the preceding tax year, minus excludable income.

This provision is modified to allow a school to substitute AGI plus untaxed income and benefits received in the first calendar year of the [award year](#) for

which a need determination is made for any affected individual, and, if applicable, for the applicant's spouse and dependents, in order to more accurately reflect the financial condition of the affected individual and his or her family. A school has the option of using the applicant's original EFC, or the EFC based on the data from the first calendar year of the award year. If a school chooses to use an alternate EFC, it should use the alternative administrative [professional judgment](#) procedures described above under the subheading entitled "Professional Judgment."

5. *Verification of AGI and U.S. Income Tax Paid* (see [Section 8.5](#) and the [07-08 FSA Handbook, Application and Verification Guide, Chapter 4, pp. AVG-81 to AVG-83](#))

When an individual whose income was used in the calculation of the EFC has not filed an income tax return because he or she has been granted a filing extension by the Internal Revenue Service (IRS), a school must obtain, in lieu of an income tax return for [verification](#) of AGI or income tax paid, both of the following:

- A copy of IRS form 4868, "Application for Automatic Extension of Time to File U.S. Individual Income Tax Return," that the individual filed with the IRS for the [base year](#). If the individual requested an additional extension of the filing time frame, the school must obtain a copy of the IRS's approval of an extension beyond the automatic extension period, instead of a copy of the IRS form 4868.
- A copy of each W-2 received for the base year. For a self-employed individual, a school must obtain a statement signed by the individual certifying the amount of AGI for the base year, instead of a W-2.

This requirement is modified so that the submission of a copy of IRS form 4868 or a copy of the IRS extension approval is not required if an individual whose income was used in the calculation of the EFC met both of the following criteria:

- The individual has not filed and was not required to file an income tax return by the filing deadline because he or she was called up for active duty or for qualifying National Guard duty during a war or other military operation, or national emergency.
- The individual was not required to file an extension.

For such an individual, a school must obtain, in lieu of an income tax return for verification of AGI or income tax paid, both of the following:

- A statement from the individual certifying that he or she has not filed and was not required to file an income tax return or a request for filing extension because he or she was called up for active duty or for qualifying National Guard duty during a war or other military operation, or national emergency.
- A copy of each W-2 received for the base year. For a self-employed individual, a school must obtain a statement signed by the individual certifying the amount of AGI for the base year, instead of a W-2.

The school must obtain the tax return from the student once it is filed with the IRS in order for the school to confirm the AGI and taxes paid.

6. *Verification Signature Requirements* (see [Section 8.5](#) and the [07-08 FSA Handbook, Application and Verification Guide, Chapter 4, p. AVG-83](#))

To verify the number of family members in a [dependent student's](#) household and the number of the dependent student's family members who are [enrolled](#) in a postsecondary institution, a school must collect from the student a statement signed by one of the student's parents.

The requirement for a school to collect a [verification](#) statement signed by one of a dependent student's parents is waived when no responsible parent can provide the required signature because of the parent's status as an affected individual.

7. *Cash Management - Borrower Notice to Cancel Loan* (see [Subsection 8.2.D](#) and the [07-08 FSA Handbook, Volume 4, Chapter 2, p. 4-21](#))

A student or [parent](#) borrower must inform the school if he or she wishes to cancel all or a portion of a loan or loan [disbursement](#). The school must return the [loan proceeds](#); cancel all or a portion of the loan or loan disbursement, as applicable; or do both if the school receives a cancellation request in either of the following time frames:

- Within 14 days after the date the school sends the notification advising the student or [parent](#) borrower that the school has credited the student's account at the school.

- By the first day of the [payment period](#), if the school sends the notification more than 14 days prior to the first day of the payment period.

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

For a borrower who is an affected individual, these provisions are modified to require a school to allow at least 60 days, rather than at least 14 days, for the borrower to request cancellation of all or a portion of the loan or loan disbursement. If a school receives a request from a borrower after the 60-day period, the school may, but is not required to, comply with the borrower's request.

8. *Cash Management - Required Authorizations* (see [Section 8.3](#) and the [07-08 FSA Handbook, Volume 4, Chapter 2, pp. 4-22 to 4-23](#))

A school must obtain written authorization from a student or parent borrower, as applicable, to perform the following activities:

- Deliver Stafford or PLUS loan proceeds to the borrower's personal bank account.
- Use the Stafford or PLUS loan proceeds to pay for current-year charges other than tuition, fees, and contracted room and/or board.
- Hold a credit balance on behalf of the student or parent borrower.

These provisions are modified to permit a school to accept an authorization provided by the student or parent borrower orally, rather than in writing, if the student or parent is prevented from providing a written authorization because of his or her status as an affected individual.

9. *Satisfactory Academic Progress* (see [Section 8.4](#) and the [07-08 FSA Handbook, Volume 2, Chapter 10, p. 2-121](#))

A school may determine that a student is making satisfactory progress even though the student does not satisfy the school's [satisfactory academic progress](#) requirements, if the school determines that the student's failure to meet those requirements is based on mitigating or special circumstances.

In cases when a student failed to meet satisfactory academic progress standards as a direct result of being an affected individual, schools are permitted to apply the mitigating or special circumstances exception noted above.

10. *Delivering Credit Balances for a Withdrawn Student* (see [Subsection 8.8.D](#) and the [07-08 FSA Handbook, Volume 5, Chapter 2, p. 5-28](#))

If a student withdraws and has a Title IV credit balance on his or her account, the school must complete a [return of Title IV funds](#) calculation before delivering any portion of the credit balance to the student or returning any portion of the credit balance to the Title IV programs. Within 14 days of the date that the school performs the return of Title IV funds calculation, the school must pay any remaining Title IV credit balance. The school must first allocate the Title IV credit balance to repay any grant overpayment owed by the student as a result of the current withdrawal. If there is no grant overpayment owed, or if an additional credit balance exists on the account after a grant overpayment is repaid, the school must use the credit balance to pay outstanding, authorized charges at the school, reduce the student's loan debt (with the student's authorization), or deliver the credit balance to the student or parent borrower.

For a student who withdraws because he or she is an affected individual, a school is considered to have met the 14-day deadline for paying a credit balance if, within that 14-day period, the school attempts to contact the student or parent borrower, as applicable, to suggest that the student or parent borrower give permission for the school to return the credit balance to the loan program(s). The school must allow the student or parent borrower 45 days to respond. Within that 45-day period, based on the instructions of the student or parent borrower, the school must promptly return the loan funds or pay the credit balance to the student or parent borrower. If there is no response within 45 days, the school must promptly return the funds to the appropriate Title IV program. Instead of first requesting permission to return funds to a loan program in order to reduce the borrower's loan debt, the school may pay authorized charges at the school or directly pay the credit balance to the student or [parent borrower](#). (See *14. Return of Title IV Funds – Grant Overpayments Owed by the Student* for additional information about a waiver that exempts certain affected individuals from owing a grant overpayment.)

11. *Approved Leave of Absence* (see [Section 9.3](#) and the [07-08 FSA Handbook, Volume 5, Chapter 2, p. 5-26](#))

Before granting an approved [leave of absence](#) to a student, a school must collect from the student a written, signed, and dated request that includes the reason for the leave. Unforeseen circumstances may prevent a student from providing a written request prior to the leave of absence. In such cases, the school may grant the student's request for a leave of absence if it documents its decision and collects the student's written request at a later date.

In certain limited cases, it may be appropriate for a school to provide an approved leave of absence to a student whose enrollment is interrupted because he or she is an affected individual. The requirement for a school to collect a student's written request for an approved leave of absence is waived when the student would have difficulty providing a written request as a result of being an affected individual.

12. *Refund of Institutional Charges* (see [Subsection 9.5.A](#) and the [07-08 FSA Handbook, Volume 5, Chapter 2, p. 5-32](#))

The institutional charges used in the [return of Title IV funds](#) calculation for a withdrawn student are always the institutional charges that were initially assessed the student for the [payment period](#) or [period of enrollment](#), unless the school adjusted the student's institutional charges before the student withdrew.

For an affected individual, schools are encouraged to provide a full [refund](#) of tuition, fees, and other institutional charges for the portion of a period of instruction that the student was either unable to complete, or for which the student did not receive academic credit. As an option, a school may choose to provide an affected individual with a credit in a comparable amount against future charges.

However, before a school makes a refund of institutional charges, it must perform the required [return of Title IV funds](#) calculation based on the originally assessed institutional charges (see “15. *Return of Title IV Funds – Unearned Funds Owed by the School*” for an additional waiver relating to institutional charge amounts used in the return of Title IV funds calculation). After determining the amount that the school must return to the Title IV programs, any reduction of institutional charges may take into account the funds that the school is required

to return. In other words, schools are not expected to both return funds to the Title IV programs and also provide a refund of those same funds to the student.

Schools should consider providing easy and flexible reenrollment options to affected individuals, minimizing deferral of enrollment or reapplication requirements, and providing the greatest flexibility possible with administrative deadlines related to those applications.

13. *Return of Title IV Funds – Post-withdrawal Disbursements* (see [Subsection 9.5.A](#) and the [07-08 FSA Handbook, Volume 5, Chapter 2, p. 5-78](#))

If a student (or parent) responds to a school's [post-withdrawal disbursement](#) notice within 14 days of the date the school sends the notice and instructs the school to make all or a portion of the post-withdrawal disbursement, the school must make the post-withdrawal disbursement of the credit balance (any amount that remains after the student's institutional charges are paid) within 120 days of determining that the student withdrew and in the manner specified by the student (or parent). If the student (or parent) responds to the school's notice after 14 days have expired, the school may, but is not required to, make the post-withdrawal disbursement of the credit balance to the student (or parent).

This requirement is modified for a student who is an affected individual and eligible for a post-withdrawal disbursement so that the 14-day time period in which the student (or parent) must normally respond to the offer of the post-withdrawal disbursement is extended to 45 days. If the student (or parent) submits a response after the 45-day time period, the school may, but is not required to, make the post-withdrawal disbursement of the credit balance.

If the student (or parent) submits a timely response instructing the school to make all or a portion of the post-withdrawal disbursement, or if the school chooses to make a post-withdrawal disbursement based on receipt of a late response, the school must deliver the funds within 120 days of determining that the student withdrew.

14. *Return of Title IV Funds – Grant Overpayments Owed by the Student* (see [Subsection 9.5.A](#) and the [07-08 FSA Handbook, Volume 5, Chapter 2, p. 5-92](#))

If a student withdraws and the [return of Title IV funds](#) calculation shows that the student must repay funds to a Title IV grant program, the student is obligated to return only one half of the unearned grant amount.

For a student who withdraws from a school because of his or her status as an affected individual, the student is not required to return or repay a grant overpayment based on the return of Title IV funds provisions. For these students, the following federal requirements are also waived:

- The school's obligation to notify the student of a grant overpayment.
- The actions a student must take to resolve the overpayment.
- Denial of Title IV eligibility for a student who owes an overpayment and does not take any action to resolve the overpayment.
- The school's obligation to refer an overpayment to the Department under certain conditions.

A school is not required to contact the student, notify the [National Student Loan Data System](#), or refer the overpayment to the Department. A school must document in the student's file the amount of any overpayment as part of the documentation of this waiver's application. A school must not apply a Title IV credit balance to the grant overpayment before paying any amount of the Title IV credit balance to the student or [parent](#) borrower. (See *Delivering Credit Balances for a Withdrawn Student*, above, for more information about the waiver that applies to delivering credit balances for affected individuals.)

15. *Return of Title IV Funds – Unearned Funds Owed by the School* (see [Subsections 9.5.A](#) and [9.5.B](#), and the [07-08 FSA Handbook, Volume 5, Chapter 2, p. 5-87](#))

A school must return to the appropriate Title IV program its share of unearned funds for a withdrawn student. The amount that must be returned is the lesser of the amount of Title IV funds that the student did not earn, or the amount of institutional charges incurred by the student for the [payment period](#) or [period of enrollment](#), multiplied by the percentage of funds not earned.

A school must return unearned funds for an affected individual as it must for any student who withdraws. However, for a student who withdraws because of his or her status as an affected individual, the amount of any charges that the school is required to cover, and has covered, with non-Title IV sources of aid is excluded from the student's total institutional charges.

Example: A student receives a state grant of \$800 that must be used only for tuition charges. The school applies the state grant toward the total institutional charges of \$1,000. The student withdraws. The school uses \$200, the difference between the full institutional charges and the amount of the state grant the school was required to apply to institutional charges, as the student's total institutional charges for the payment period or period of enrollment when determining the amount of unearned Title IV funds that the school must return.

16. *In-School and Grace Period* (see [Section 10.2](#) and [Subsection 10.3.C](#))

The [in-school period](#) on a loan begins on the date the student begins at least half-time enrollment and ends when the student ceases to be continuously [enrolled](#) at least half time. A Stafford loan borrower who has a loan in an in-school status that would subsequently enter a [grace period](#), or has a loan in a grace period, and who is serving on active duty, performing qualifying National Guard duty, or residing or employed in a disaster area, is entitled to one or more extensions of the in-school or grace period. (For more information about the groups of affected individuals who are eligible for this waiver, see the subheading "Affected Individuals.") Any single extended period may not exceed 3 years. The maximum 3-year extension for any single extended period includes the time necessary for a borrower to resume enrollment at the next available and regularly scheduled period of enrollment, if the borrower plans to return to school. The Department pays the interest that accrues on subsidized Stafford loans during any extended period. Affected individuals are entitled to a full six-month or nine-month grace period, as applicable, upon completion of the excluded period.

17. *Deferment – In School and Graduate Fellowship* (see [Sections 11.5](#) and [11.6](#), and [Figure 11-1](#))

Once the [repayment period](#) has begun, a qualified borrower is entitled to defer principal payments on a FFELP loan while enrolled at an eligible school or in an eligible graduate fellowship program. Generally speaking, a borrower's [deferment](#) period ends when the

condition establishing the borrower's eligibility for the [deferment](#) ends. (See [Sections 11.5 and 11.6](#), and [Figure 11-1](#) for detailed information about in-school and graduate fellowship deferment eligibility criteria.)

The Department waives the statutory and regulatory eligibility requirements for in-school and graduate fellowship deferments for borrowers who are required to interrupt a graduate fellowship or who are in an in-school deferment but must leave school because of their status as an affected individual. The loan [holder](#) is required to maintain the loan in a graduate fellowship or in-school deferment status for a period not to exceed 3 years during which the borrower was an affected individual. This period includes the time necessary for the borrower to resume his graduate fellowship program or resume enrollment in the next regular enrollment period if the borrower returns to school. The Department pays interest that accrues on a subsidized Stafford loan as a result of extending a borrower's eligibility for either type of deferment under this waiver.

18. *Deferment – Armed Forces* (see [Section 11.3](#) and [Figure 11-1](#)): Certain borrowers are entitled to defer principal payments on a FFELP loan for periods not to exceed 3 years when the borrower is on active duty status in the U.S. Armed Forces, or a member of the National Guard or Reserves serving a period of full-time active duty in the Armed Forces. To qualify for deferment, the borrower must provide the loan holder with documentation establishing his or her eligibility for the deferment. (See [Section 11.3](#) for detailed information about military deferment criteria.)

The Department modifies the 3-year cumulative limit on armed forces deferment so that the time during which affected individuals are serving on active duty is excluded from the time limit. The Department pays interest that accrues on subsidized Stafford loans during an extended deferment period under this modification. In addition, the Department waives the requirement that a borrower request the deferment. A loan holder may grant deferment to an affected individual based on a request from a family member or other reliable source. Further, the Department waives documentation requirements to allow a loan holder to grant an affected individual an armed forces deferment for a 1-year period without documentation. In order to grant a military deferment beyond the initial 1-year period, the loan holder must obtain supporting documentation from the borrower, a member of the borrower's family, or another reliable source.

19. *Forbearance* (see [Subsection 11.23.B](#)): A loan holder must require a borrower who requests [mandatory administrative forbearance](#) because of military mobilization to provide documentation showing that the borrower is subject to a military mobilization.

The Department waives this requirement to allow a borrower to receive [forbearance](#) at the request of the borrower, a member of the borrower's family, or another reliable source, for a one-year period, including a 3-month transition period that immediately follows, without providing the loan holder with documentation. In order to grant the borrower forbearance beyond this initial, fifteen-month period, the loan holder must obtain documentation supporting the borrower's military mobilization.

20. *Rehabilitation of Defaulted Loans* (see [Section 13.7](#))

To be eligible for [rehabilitation](#), a defaulted borrower must make nine on-time (received within 20 days of the due date), full, monthly payments to the appropriate holder of each defaulted loan during a period of 10 consecutive months. These payments must be made voluntarily (directly by the borrower, regardless of whether there is a judgment against the borrower), and must be reasonable and affordable.

The requirement that the borrower make payments as described in the preceding paragraph in order to rehabilitate a defaulted loan is waived. Guarantors should not treat any payment missed during the time that a borrower is an affected individual as an interruption in the requisite nine on-time, monthly payments during a period of 10 consecutive months. When the borrower is no longer considered to be an affected individual, or in a 3-month transition period that immediately follows, the required sequence of qualifying payments may resume at the point they were discontinued as a result of the borrower's status.

21. *Loan Forgiveness* (see [Subsection 13.9.A](#))

Borrowers may qualify for loan [forgiveness](#) if they are employed full-time in specified occupations (e.g., as per the Teacher Loan Forgiveness Program). Generally, to qualify for loan forgiveness, borrowers must perform uninterrupted, otherwise qualifying service for a specified length of time or for consecutive periods of time.

The requirement that periods of service be uninterrupted and/or consecutive is waived, if the reason for the interruption is related to the borrower's status as an affected individual. The period during

which the borrower is an affected individual, including a 3-month transition period that immediately follows, will not be considered an interruption in the required service for the borrower to receive loan forgiveness.

22. Consolidating Defaulted Loans (see Section 15.2)

A defaulted Title IV loan is eligible for consolidation if, at the time of application for the Consolidation loan, the borrower has agreed to repay the Consolidation loan under an [income-sensitive repayment schedule](#), or the borrower has made satisfactory repayment arrangements. Satisfactory repayment arrangements for Consolidation loan eligibility purposes are defined as three, consecutive, on-time (received within 15 days of the due date), voluntary, full monthly payments. These payments must be reasonable and affordable with respect to the borrower's financial situation and must be received by the [holder](#) of the defaulted loan during the 3 months immediately preceding the receipt of a consolidating lender's verification certificate.

For an affected individual who establishes eligibility to consolidate a defaulted loan by making satisfactory repayment arrangements, the requirement for consecutive monthly payments is waived. Guarantors should not treat any payment missed during the time that a borrower is an affected individual as an interruption in the requisite three consecutive, monthly, on-time payments. When the borrower is no longer considered to be an affected individual, or in a 3-month transition period that immediately follows, the required sequence of qualifying payments may resume at the point they were discontinued as a result of the borrower's status.

23. Collection Activities on Defaulted Loans (see 34 CFR 682.410 and the 07-08 FSA Handbook, Volume 6)

Title IV loan holders must attempt to recover amounts owed from defaulted loan borrowers.

The provisions that require collection activities on defaulted Title IV loans are waived for the time period during which the borrower is an affected individual. Collection activities may cease upon notification by the borrower, a member of the borrower's family, or another reliable source that the borrower is an affected individual. The loan holder is not required to obtain evidence of the borrower's status as an affected individual. Collection activities must resume after the borrower has notified the loan's holder that he or she is no longer an affected individual, and must include the

3-month transition period that immediately follows. The loan holder must document in the loan file the reason that it suspended collection activities.

Documentation Requirements

A school, lender, or [guarantor](#) must document the application of a waiver or modification in such a way that it can report to the Department, upon request, the effect of the waivers and modifications.

H.4.C Higher Education Hurricane Relief Act Waivers

The [Higher Education Hurricane Relief Act of 2005 \(P.L. 109-148\)](#) authorized the Department to waive or modify any statutory or regulatory provision applicable to the Title IV programs, or any student or institutional eligibility provision in the HEA, as the Department deems necessary in connection with a Gulf hurricane disaster.

Based on this authority, on February 23, 2006, the Department published [Electronic Announcement #9](#) and [Electronic Announcement #12](#), stating that affected schools that were in possession of Title IV funds that were awarded to students [enrolled](#) for an [academic period](#) that was disrupted by Hurricane Katrina or Hurricane Rita will, generally, not be required to return those funds for students who withdrew or who never began attendance. For the purposes of this relief, an affected school is a school with a main campus that ceased on-campus operations for more than thirty days as a result of Hurricane Katrina or Hurricane Rita, as determined by the Department.

See [Subsection H.4.D](#) for additional waivers pertaining to a student or borrower who is affected by a hurricane or other disaster.

H.4.D Disaster Waivers

In [DCL GEN-04-04](#) posted on February 24, 2004, the Department issued general guidance for helping Title IV participants affected by a disaster. This guidance supplements the [FSA Handbook](#) and [Disaster Letter 99-28](#), published August, 5, 1999, which provided separate guidance on the treatment of borrowers who have been affected by a disaster.

The [Pell Grant Hurricane and Disaster Relief Act \(P.L. 109-66\)](#) and the [Student Grant Hurricane and Disaster Relief Act \(P.L. 109-67\)](#) authorized the Department to provide a

waiver of a student's [Title IV](#) grant overpayment if the student withdrew from a school because of a major disaster. On November 9, 2005, the Department issued [DCL GEN-05-17](#), to implement the Title IV grant overpayment waiver.

On June 24, 2008, the Department issued [GEN-08-10](#) to remind Title IV participants that the waivers first published in [DCL GEN-04-04](#) and [DCL GEN-05-17](#) remain in effect.

Unless stated otherwise, this regulatory relief applies to all Title IV recipients and their families who, at the time of a disaster, were residing in, employed in, or attending a school located in a federally-declared disaster area. This relief also applies to schools that are located in such areas. Federally-declared disaster designations are available on the [Federal Emergency Management Agency's \(FEMA\) Website](#).

A school or lender that deviates from otherwise required actions on the basis of these waivers must document that fact and indicate what alternative procedures were followed.

Schools should consult [DCL GEN-04-04](#) for additional information about waivers that are specific to the [Federal Pell Grant, Campus-Based, and Federal Direct Loan Programs](#).

Need Analysis

A [financial aid administrator \(FAA\)](#) will not count special financial relief aid (for example, grants or low-interest loans) that a victim of a disaster received from the federal government or from a state as [estimated financial assistance \(EFA\)](#) or income for the purpose of calculating a student's [expected family contribution \(EFC\)](#).

Professional Judgment

An FAA may exercise [professional judgment](#) to make adjustments to the [cost of attendance \(COA\)](#) or to the values of the items used in calculating the EFC to reflect a student's special circumstances (see [Subsections 6.5.D](#) and [6.6.B](#)). The Department encourages an FAA to use professional judgment in order to reflect more accurately the financial need of students and families who are affected by a disaster. The FAA still must make adjustments on a case-by-case basis and clearly document the student's file with the reason(s) for any adjustment.

Verification

A school is not required to complete [verification](#) during the [award year](#) for Title IV federal student aid applicants selected for verification whose records were lost or destroyed because of a disaster. A school must document when it does not perform verification for this reason.

Recordkeeping Requirements for Schools

A school that is affected by a disaster is required to attempt to reconstruct Title IV federal student aid records that are lost because of the disaster. (See [Section 4.5](#) and the [08-09 FSA Handbook, Volume 2, Chapter 9](#) for more information about required records that a school must maintain.) However, a school will not be held responsible for records and documentation that, because of disaster damage, cannot be reconstructed. The school must document that the records were lost due to a disaster.

Disbursement of FFELP Loan Proceeds

A lender is not required to disburse FFELP loan proceeds to a school according to the school's original [disbursement](#) schedule if the lender has been informed that the school has delayed or will delay opening for a scheduled term, or has ceased operations for an undetermined period of time because the school was affected by a disaster. Such a school should request a revised [disbursement date\(s\)](#), and the lender should await a revised disbursement schedule from the affected school. A loan [holder](#) may revise information on the [loan period](#) and graduation date on a loan record related to the revised disbursement schedule as the information becomes available from the school. In this case, neither the school nor the lender should require a borrower to reapply for a loan.

Credit Balances

If a Title IV credit balance exists for any reason when a student withdraws, including as a result of the school's policy for refunding institutional charges, that credit balance must first be applied to any Title IV grant overpayment that exists as a result of the student's withdrawal. However, if a school grants a waiver of any Title IV grant overpayment that exists as a result of the student's withdrawal, the school must not apply any Title IV credit balance toward the grant overpayment. See "[Grant Overpayment Waiver](#)" below.

Satisfactory Academic Progress

If a student fails to meet a school's [satisfactory academic progress](#) standards due to a disaster, the school should suspend the satisfactory academic progress standards for

that student in accordance with its policies for satisfactory academic progress appeals due to mitigating circumstances. (For more information, see the [08-09 FSA Handbook, Volume 2, Chapter 10, pp. 2-127 and 2-130.](#)) The school must document in the student's file that a disaster constituted the mitigating circumstances that caused the student's failure to maintain satisfactory academic progress.

Enrollment Reporting

If, as a direct result of a disaster, a school is unable to complete and return its Enrollment Reporting Submittal File to the [National Student Loan Data System \(NSLDS\)](#) according to the school's established schedule, the school must contact the NSLDS Customer Service Center (see [Section D.6](#)) to modify its reporting schedule. A school that uses a servicer to report enrollment information to the NSLDS should contact its servicer to determine whether the school's [enrollment reporting](#) data submission schedule should be adjusted. If a school receives a warning letter from NSLDS regarding missed reporting deadlines, it should contact NSLDS Customer Service to ensure that reporting schedule modifications have been made.

In-School Period

A Stafford loan borrower who was in an [in-school period](#) on the date the borrower's attendance at a school was interrupted due to a disaster should be continued in an in-school status until such time as the borrower withdraws or re-enrolls in the next regular enrollment period, whichever is earlier. This period of disaster-related nonattendance should not result in a borrower entering or using any of his or her [grace period](#). This guidance does not affect the way a school should report a borrower's enrollment status on its Enrollment Reporting Submittal File (see [Section 9.2](#)).

Leaves of Absence

A school is not required to collect a written request for an approved [leave of absence](#) from a student who was directly affected by a disaster. A school's documentation of its decision to grant the leave of absence must include the reason for the leave of absence and the reason for waiving the required written request. For more information about the requirements for an approved leave of absence, see [Section 9.3](#).

Institutional Charges and Refunds

A school is strongly encouraged to provide a full [refund](#) of tuition, fees, and other institutional charges, or to provide a credit in a comparable amount against future charges for a student who withdraws from school as a direct result of a

disaster. The Department urges a school to consider providing easy and flexible re-enrollment options to such a student. However, before a school makes a refund of institutional charges, it must perform the required [return of Title IV funds](#) calculation based upon the originally assessed institutional charges (see [Subsection 9.5.A](#)). After determining the amount that the school must return to the Title IV programs, any reduction of institutional charges should take into account the funds that the school is required to return. The Department does not expect that a school would both return funds to the Title IV programs and also provide a refund of those same funds to the student.

Grant Overpayment Waiver

A withdrawn student is not required to repay a Title IV grant overpayment if the circumstances of the student's withdrawal meet all of the following conditions:

- The student was residing in, employed in, or attending a school that is located in a federally-declared disaster area.
- The student withdrew because of the impact of the disaster on the student or the school.
- The student's withdrawal occurred within the [academic year](#) during which the federal disaster designation occurred or during the next succeeding academic year, beginning with any academic year that occurs, in whole or in part, with the 2005-06 [award year](#).

A school that waives a student's grant overpayment under these conditions is not required to notify the student or the NSLDS of the overpayment, or refer any portion of the overpayment to the Department. In addition, a school must not apply any Title IV credit balance toward the grant overpayment.

In addition to documenting the application of this waiver in the student's file, a school must also document the amount of any overpayment that has been waived.

Deferment – In-School

A loan [holder](#) must treat a loan that was in an in-school [deferment](#) status on the date disaster conditions interrupted normal operations at a school as if the loan continues in an in-school deferment until such time as the borrower withdraws or re-enrolls at the next regular enrollment period, whichever is earlier. The borrower, a member of the borrower's family, or another reliable source should notify the loan holder(s) of the borrower's status. This guidance

does not affect the way a school should report a borrower's enrollment status on its Enrollment Reporting Submittal File (see [Section 9.2](#)).

Administrative Forbearance

A loan holder may grant an [administrative forbearance](#) for up to 3 months to a borrower who has been adversely affected by a disaster. See [Subsection 11.21.M](#).

Other Regulatory Requirements

A school that is affected by a disaster should contact the appropriate School Participation Team (see [Section D.1](#)) to address case-by-case concerns about the following regulatory requirements:

- Credit balances.
- Notices and authorizations.
- Borrower request for loan cancellation.
- Time frames for delivery or return of FFELP funds.
- Institutional eligibility.
- Financial responsibility.
- Administrative capability.
- [Late disbursements](#).
- [Return of Title IV funds](#) deadlines and time frames, including the time frame for allowing a student, or parent borrower, to respond to the offer of a [post-withdrawal disbursement](#).

A school that wishes to apply for the LLR designation must meet criteria established by the Department, including that the school, at a minimum:

- Demonstrates that it has made at least three attempts to identify participating lenders, beyond those lenders that had previously provided FFELP loans to students and parents of students attending the school, that will make FFELP loans.
- Documents its determination that 80% or more of the students and parents of students at its school are unable to obtain FFELP loans.
- Provides other documentation and information specified by the Department.
[[HEA §428\(j\)\(4\)](#); [DCL GEN-08-08](#)]

H.4.E

Waiver of Borrower-by-Borrower LLR Designation

Through June 30, 2009, if a school requests and is granted a [lender of last resort \(LLR\)](#) designation by the Department, eligible student borrowers attending the school and eligible parent borrowers may obtain loans from the LLR. The LLR must make loans to eligible student borrowers attending the school and to eligible parent borrowers even if they are otherwise unable to obtain Stafford or PLUS loans from other eligible lenders for the same [period of enrollment](#).
[[HEA §428\(j\)\(3\)](#)]