Common Manual
Unified Student Loan Policy

Summary of Changes Approved October 2006 through November 2006

This summary lists changes made since the 2006 Annual Update of the *Common Manual* was printed.
Change bars denote the latest policy changes, which were approved November 16, 2006.
Changes made before the 2006 Annual Update was printed are shown in appendix H of the manual.

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 4: School Participation			
4.1.A Establishing Eligibility 4.1.C Maintaining Eligibility	Clarifies that, in order to establish or maintain eligibility, schools must submit requests for approval to participate in the Title IV programs and report changes to its current participation agreement to the Department electronically, using the Application for Approval to Participate in Federal Student Financial Aid Programs (E-App).	Applications for recertification, reinstatement, or changes in ownership submitted by the school on or after the publication date of the 1998-1999 *Federal Student Aid Handbook*. Applications for reporting changes to a current approval submitted by the school on or after the publication date of the 1999-2000 *Federal Student Aid Handbook*. Applications for initial certification submitted by the school on or after the publication date of the 2000-2001 *Federal Student Aid Handbook*.	903/134
Chapter 6: School Certification			
6.11.G Effects of a Consolidation Loan on New Stafford Loan Eligibility	The unallocated amount of a Consolidation loan is no longer included in the NSLDS calculation of a student borrower's aggregate outstanding principal balances, and the FAA is no longer required to investigate whether an unallocated amount 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 aggregate limit, the conflict must be resolved and the information derived from that resolution must be used in determining the student's remaining Stafford eligibility.	January 2006.	908/135
Chapter 10: Loan Servicing			
10.11.E Applying Funds Returned by the School	Clarifies that, if a lender deducted the federal default fee (or guarantee fee), or origination fee from the borrower's loan proceeds, the lender must reduce the fee proportionate to the amount of returned loan funds that a lender receives from a school.	Federal Stafford and PLUS loans guaranteed on or after July 1, 2006.	906/134
Chapter 13: Claim Filing, Discharge, and Forgiveness			
13.8.G Unpaid Refund	Revised policy states that a borrower must complete, certify, and submit to his or her lender or guarantor an unpaid refund loan discharge application *which includes* a sworn statement of several declarations.	Retroactive to the approval of the common Loan Discharge Application: Unpaid Refund.	910/135

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 15: Federal Consolidation Loans			
15.2 Borrower Eligibility and Underlying Loan Holder Requirements 15.3.C Reviewing the Loan Verification Certificate	Revised policy allows a borrower to seek consolidation with any consolidation lender, even if the borrower's loans are held by one holder.	Federal Consolidation loan applications received by the lender on or after June 15, 2006.	904/134
Chapter 16: Cohort Default Rates and Appeals			
16.1 Overview of Cohort Default Rates and Terminology	Adds information regarding the electronic process that the Department uses to notify schools of draft and official cohort default rates.	Domestic school's receipt of draft and of official cohort default rate notifications on or after June 1, 2005.	905/134
Appendix B: PLUS/SLS Refinancing			
B.2 Option 2: Refinancing to Secure a Variable Interest Rate	Clarifies that neither the guarantor nor the lender may charge a borrower a federal default fee (formerly guarantee fee) for refinancing loans to secure a variable interest rate.	Federal Stafford and PLUS loans guaranteed on or after July 1, 2006.	906/134
B.2 Option 2: Refinancing to Secure a Variable Interest Rate B.3 Option 3: Refinancing by Obtaining a New Loan	Adds the statutory limitations that define which loans may be refinanced for the purpose of changing a fixed-rate PLUS or SLS Loan to a variable-rate loan.	PLUS or SLS loans first disbursed prior to July 1, 1987.	907/134

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- The program's duration is equal to or longer than the statutory minimum for an academic year, but the borrower is completing the remainder of the program in a period of enrollment that is shorter than an academic year.
  [§682.204(a) and (d)]

Loan proration is not required for a student completing coursework necessary for a professional credential or certification from a state, or for a student completing preparatory coursework necessary for admission into either an undergraduate or a graduate program of study. (For information on loan limits for these categories of students, see subsection 6.11.A.)

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

- If the student drops hours after the loan has been certified, the student must continue to be enrolled at least half time to be eligible for the loan.

- If the student increases hours after the loan has been certified so that the student is attending the full academic year, the student may be eligible for additional loan funds. If the student requests and is eligible for an increased loan amount, the school may certify the increased loan amount without requiring the student to complete a new Federal Stafford Loan Master Promissory Note (Stafford MPN). For more information on increased loan amounts, see section 6.20.
  [§682.603(f)(4); DCL GEN-98-25; DCL GEN-99-9]

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

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

subsidized Stafford loan limit and the portion that should be applied to the unsubsidized Stafford loan limit.
[§682.204(j)]

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

~~If the borrower's outstanding loan balance is close to the aggregate Stafford loan limits, the FAA must also review any remaining balance of a Consolidation loan that is reported by the NSLDS as unallocated. No additional action is necessary if the FAA can assume that the unallocated amount is from either subsidized or unsubsidized Stafford loans and if, when the unallocated amount is added to the reported aggregate Stafford loan amounts, such an assumption would not affect the amount of a new Stafford loan the student would otherwise be eligible to receive. If this assumption changes the amount of a new Stafford loan for which a student may be eligible, the FAA must verify the unallocated amount.~~ Unallocated amounts may represent any of the following:

- Capitalized interest that is included in the Consolidation loan. Capitalized interest does not count toward a borrower's aggregate limits. ~~If the FAA determines that all or a portion of the unallocated amount reported by the NSLDS represents capitalized interest, the FAA may deduct that portion from the reported aggregate amounts.~~[1]

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1. Policy 908 (Batch 135), approved November 16, 2006

- An underlying Health and Human Services (HHS) loan that is included in the Consolidation loan. HHS loans are not reported to the NSLDS and are not, therefore, automatically excluded from the aggregate calculations. ~~If the FAA determines that all or a portion of the unallocated amount reported by the NSLDS represents an underlying HHS loan, the FAA may deduct that portion from the reported aggregate amounts.~~

- An underlying loan that is from the borrower's spouse that is included in the Consolidation, in the case of a joint Consolidation loan. If the FAA determines that all or a portion of the unallocated amount reported by the NSLDS represents an underlying loan that is from the borrower's spouse, the FAA may deduct that portion from the reported aggregate amounts.

- An underlying FFELP or FDLP loan that has not yet been added to the NSLDS because of an edit condition that occurred when the information was sent to the NSLDS, but that is included in the Consolidation loan. ~~If the FAA determines that all or a portion of the unallocated amount reported by the NSLDS represents an underlying Stafford loan that does not yet appear on the NSLDS, the FAA must add that portion to the reported aggregate amounts.~~

~~After identifying the underlying subsidized and unsubsidized Stafford loans, including amounts previously identified as unallocated, those outstanding principal balance amounts must be allocated to the proper aggregate loan limit for each Stafford loan type (subsidized or unsubsidized) when determining new Stafford loan eligibility. If the FAA has included or excluded all or a portion of an unallocated amount, the school must document its findings and calculations for audit purposes.~~

A school is ~~only~~ responsible for the financial aid history information that is available from the NSLDS at the time it ~~delivers aid to the~~ certifies a loan for a student. <u>The FAA is not required to investigate whether an unallocated amount of a Consolidation loan might impact a student's eligibility for additional Stafford loan funds unless the FAA has information that conflicts with the data reported in the NSLDS. The FAA must resolve any conflicting information prior to certifying the eligible loan amount and, if it has received conflicting financial aid information between the date the loan was certified and the date the loan funds are delivered, the school must resolve any conflict prior to delivering the loan funds. The school must include the result of that resolution in the school's certification of the student's eligible loan amount.</u> If the school receives written documentation that confirms that a student is eligible for additional aid, the school may deliver the aid without waiting for the NSLDS to be updated. [§668.16(f); DCL GEN-96-13, Q&A #13 and #14; DCL GEN-03-12, Q&A #20; NSLDS Newsletter Number 11, February 2006][1]

6.12
Determining the Eligible Loan Amount

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

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

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

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

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

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

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

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

[1.] Policy 908 (Batch 135), approved November 16, 2006

Information to Be Provided on the Claim Form

Figure 13-1

Item Description	Required[1]	If Available[2]
Type of claim being submitted.	•	
Date condition occurred.	•	
Borrower's Social Security number (SSN).	•	
Borrower's last name, first name, and middle initial.	•	
AKA (previous or alternate name used by the borrower).		•
Borrower's last-known complete address.	•	
Validity of the borrower's address.	•	
Borrower's home telephone number, work number, and other number.		•
Validity of the borrower's telephone numbers.	•	
Name, telephone number, and address of the borrower's place of employment.		•
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).	•	
Date the loan sold (as applicable).	•	
Date on which the current servicer assumed responsibility for servicing the loan for each loan identified on the Claim Form (as applicable).	•	
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.	•	
Current principal balance (including all insured and uninsured capitalized interest) due for each loan identified on the date of the claim request.	•	
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.	•	
PLUS student's Social Security number (SSN), and name.	•	
PLUS student's last-known complete address.		•
Validity of the PLUS student's address.	•	
PLUS student's home telephone number.		•
Validity of the PLUS student's home telephone number.	•	
Full name of the endorser or comaker, the identifying code (i.e., E=endorser, C=comaker), and the numeric identifier.	•	
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.	•	
Endorser's or comaker's home telephone number.	•[3]	
Validity of the endorser's or comaker's home telephone number.	•	
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.	•	
Date the lender was notified of the original out-of-school date.	•	
Note whether the original out-of-school date changed after the account entered repayment.	•	
Due date of the first monthly payment.	•	
Total amount of payments made by or on behalf of the borrower.	•	
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.	•	
Number of months due date advanced by payments made by or on behalf of the borrower.	•	
Number of regular monthly payments deferred or forborne.	•	
Number of months account was out of guarantee.	•	
Total number of noncontinuous individual periods of deferment and forbearance.	•	
Number of reconversion months.	•	
Due date of the first unmet payment of the borrower's delinquency.	•	
Date through which interest was last paid.	•	
Total original principal value disbursed to the borrower for the loans claimed.	•	
Total amount of interest capitalized.	•	
Total principal repaid on the borrower's account before and after entering repayment.	•	
Total principal value of the borrower's debt which is used to compute the interest claimed.	•	
Amount of interest capitalized not eligible for claim payment.	•	
Total principal value of the claim.	•	
Amount of unpaid cure interest not capitalized.	•	
Amount of outstanding insured interest claimed and the date through which it was accrued.	•	
Amount of any other insured costs incurred on the account.	•	
Lender's six-digit lender ID assigned by the Department and, as applicable, four digit non-Department suffix.	•	
Servicer's six-digit servicer ID assigned by the Department.	•	
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.	•	
Preparer's name and telephone number.	•	
Borrower, endorser, and comaker collection activity codes and dates the activities were performed.	•	

[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.

Treatment of Payments

If the lender receives a payment from or on behalf of the borrower after a total and permanent disability claim has been filed but before the lender receives the claim payment, the lender must hold the borrower's payment. After the lender receives the claim payment, the lender must forward the borrower payment to the guarantor.
[§682.402(c)(9)]

13.8.G
Unpaid Refund

The Higher Education Act provides relief for borrowers who are entitled to, but did not receive, refunds from their respective schools. Borrowers who meet the criteria outlined in this subsection may be eligible to have a loan discharged, in full or in part.

To qualify for an unpaid refund loan discharge, a borrower must complete, certify, and submit to his or her lender or guarantor ~~an unpaid refund loan discharge application~~ a Loan Discharge Application: Unpaid Refund ~~and~~ which includes a sworn statement (notarization is not required), made under penalty of perjury, that declares the following:

- That ~~T~~the borrower (or the student for whom a parent obtained a PLUS loan) received any part of the proceeds of the FFELP loan on or after January 1, 1986, to attend school.

- That ~~T~~the borrower (or the student), within a time frame that entitled the borrower to a refund, withdrew from, was terminated from, or did not attend the school.

- That ~~T~~the borrower (or the student) did not receive the benefit of a refund to which the borrower was entitled either from the school or from a third party, such as a holder of a performance bond or a tuition recovery program.
  [§682.402(l)(4)(i)]

~~The borrower's discharge application must also include the following:~~

- ~~A statement of w~~Whether the borrower has any other discharge application pending for this loan, in full or in part.
  [§682.402(l)(4)(ii)]

- ~~A statement t~~That the borrower agrees to provide, upon request by the Department or the Department's designee other documentation reasonably available to the borrower demonstrating that the borrower meets the qualifications for an unpaid refund discharge.

- ~~A statement t~~That the borrower agrees to cooperate with the Department or the Department's designee in enforcement actions and to transfer to the Department any right to recovery against a third party.

- ~~A statement t~~That the information provided on the discharge application is true and accurate.
  [§682.402(l)(4)(iii)][1]

The guarantor may, with the Department's consent, grant an unpaid refund discharge without a borrower's discharge application if the guarantor determines, based on information in the guarantor's possession, that the borrower qualifies for a discharge.

When a borrower receives a discharge under the unpaid refund provisions, the discharge amount will include other costs associated with the portion of the loan discharged (including accrued interest, late charges, collection costs, origination fees, and guarantee fees). If the total discharge amount exceeds the current outstanding balance of the loan, the lender must refund that excess amount to the borrower.
[HEA 437(c); §682.402(l)(3)]

Suspending Collection Activity

If a guarantor or the Department notifies a lender, or the lender receives reliable information from another source (such as a telephone call or letter from the borrower) that a school did not pay a required refund, the lender must provide the borrower an unpaid refund loan discharge application and an explanation of the qualifications and procedures for obtaining a discharge. The lender also must immediately suspend all collection activity and grant an administrative forbearance on any affected loan for at least 60 days, or until the lender receives the guarantor's determination, whichever is earlier. If an unpaid refund loan discharge may be applicable to any underlying loan(s) of a Consolidation loan, the lender must suspend collection activity on the entire Consolidation loan. See subsection 11.20.Q for more information about granting administrative forbearance.
[§682.402(l)(5)]

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1. Policy 910 (Batch 135), approved November 16, 2006