#	Subject	Summary of Change to *Common Manual*	Type of Update	Effective Date
924	Student Eligibility and Source Data	5.2.E Prior Default 5.5 Effect of Exceeding Loan Limits on Eligibility Revised policy clarifies that, in addition to paper documentation, a school can rely upon information accessed directly from a loan holder's database as documentation that satisfactory repayment arrangements have been made on a defaulted loan, that a loan is no longer in default, or that eligibility problems created by excessive borrowing have been resolved.	Federal	Title IV eligibility determinations made by a school on or after June 22, 2006.
925	Academic Year Definition	6.1 Defining an Academic Year Figure 6-1 appendix G Revised policy reduces the minimum academic year requirement for clock-hour programs from 30 weeks to 26 weeks in figure 6-1 and in the appendix G definitions of Academic Year and One-Academic-Year Training Program. Revised policy removes language that states that an academic year begins on the first day of classes and ends on the last day of classes or examinations. It adds language that says, for purposes of defining the 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.	Federal	The reduction in the minimum number of weeks in an academic year for a clock-hour program is effective for periods of enrollment beginning on or after July 1, 2006. The deletion of the phrase “begins on the first day of classes and ends on the last day of classes or examinations” from the definition of “academic year” is effective September 8, 2006.

#	Subject	Summary of Change to *Common Manual*	Type of Update	Effective Date
926	Rehabilitation of Defaulted FFELP Loans	13.7 Rehabilitation of Defaulted FFELP Loans appendix G Revised policy removes references to a borrower first making satisfactory repayment arrangements in order to rehabilitate a defaulted loan. Also, revised policy acknowledges that a borrower who has been convicted of, or has plead nolo contendere or guilty to a crime involving fraud in obtaining Title IV, HEA program assistance loan may not rehabilitate that loan. Further, revised policy changes the manual's glossary definition of the term "satisfactory repayment arrangements" to delete the reference to loan rehabilitation.	Federal	Regarding the disconnection between satisfactory repayment arrangements and loan rehabilitation: Loan rehabilitation eligibility determinations made on or after July 1, 2006. Regarding a borrower who has been convicted of, or has pled *nolo contendere* or guilty to, a crime involving fraud in obtaining Title IV funds: Loan rehabilitation eligibility determinations made on or after September 8, 2006.
927	Teacher Loan Forgiveness	13.9.B Teacher Loan Forgiveness Program Revised policy states that a *qualifying school* also includes all elementary and secondary schools operated by the Bureau of Indian Affairs (BIA) or operated on Indian reservations by Indian tribal groups under contract with the BIA.	Federal	Teacher Loan Forgiveness determinations made by the lender on or after September 8, 2006. Lenders may implement this provision on or after July 3, 2006.
928	Effects of Unallocated Consolidation Amounts on New Stafford Loan Eligibility	6.11.G Effects of Consolidation Loan on New Stafford Loan Eligibility Revised policy removes from the third bullet in subsection 6.11.G the requirement for the FAA to investigate whether the unallocated amount of a Consolidation loan reported by NSLDS might impact a student's eligibility for additional Stafford loans.	Correction	January 2006.

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 15, 2007

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Feb 15

SUBJECT: **Student Eligibility and Source Data**

AFFECTED SECTIONS: **5.2.E Prior Default**
5.5 Effect of Exceeding Loan Limits on Eligibility

POLICY INFORMATION: **924/Batch 138**

EFFECTIVE DATE/TRIGGER EVENT: Title IV eligibility determinations made by a school on or after June 22, 2006.

BASIS:
NSLDS Newsletter Number 12, dated June 22, 2006.

CURRENT POLICY:
Current policy states that before certifying a new loan for a borrower who has defaulted on a prior loan, the school must obtain documentation that the borrower has made the required payments to re-establish Title IV eligibility, including a certification from the guarantor regarding each defaulted loan. In addition, current policy states that the school may not certify a new loan for a borrower who has exceeded annual or aggregate loan limits, unless the excess amount has been repaid.

REVISED POLICY:
Revised policy clarifies that, in addition to paper documentation, a school can rely upon 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, that a loan is no longer in default, or that eligibility problems created by excessive borrowing have been resolved.

REASON FOR CHANGE:
This change is necessary to align the *Common Manual* with Departmental guidance.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Revise subsection 5.2.E, page 7, column 2, paragraph 4, as follows:

Documentation Required to Prove Default Resolution

If the school learns that the borrower has defaulted on a prior loan, the school must obtain, before ~~certifying the borrower's eligibility for a new loan~~ awarding additional Title IV aid, documentation from the NSLDS, the borrower, or the holder of the loan that the borrower has made the required payments on any defaulted loan(s). The documentation must include ~~a certification from the guarantor regarding each defaulted loan~~ either a written certification from the guarantor regarding each defaulted loan or information accessed directly from a loan holder's database that a loan shown on the NSLDS as being in default is no longer in default. Access to loan data directly from a loan holder's database may be facilitated by the use of third-party web-based products that display a loan holder's real-time data. To be used for purposes of determining a borrower's Title IV eligibility, such Web-based products must obtain data directly from the relevant guarantor's, lender's or servicer's system and must display the data without any modification. The school must retain an image of the information it obtains from the real-time Website that clearly identifies the borrower, the status of the debt, and the source of the data. For ~~a new loan to be guaranteed by~~ a guarantor that is not the ~~guarantor~~ holder of the defaulted loan(s) to guarantee a new loan, the school or the borrower must ~~forward~~ obtain documentation that the default has been resolved (such as a copy of the original promissory note stamped "paid in full," information accessed directly from a loan holder's database, or a letter from the ~~guarantor holding~~ holder of the defaulted loan(s) stating

that the borrower has resolved the default ~~with that guarantor~~). The documentation must be included with the new loan request when it is sent to the guarantor for guarantee processing, unless the information is already available to the guarantor.
[HEA 428F(b); §668.35; §682.200; §682.401(b)(4); April 1996 Supplement to DCL 96-G-287/96-L-186, Q&A #6; NSLDS Newsletter Number 12, June 2006]

Revise section 5.5, page 11, column 1, paragraph 1, as follows:

5.5 Effect of Exceeding Loan Limits on Eligibility

The school may not, under any circumstances, ~~certify~~ award additional Title IV funds for a student who has exceeded applicable annual or aggregate loan limits. If the school determines that the student inadvertently violated the annual or aggregate loan limits, the school must give the student an opportunity to ~~repay~~ resolve the excess ~~amount~~ borrowing before making a final determination on the student's eligibility for additional Title IV assistance. To resolve eligibility problems created by the NSLDS reporting of excessive borrowing by a student, a school can rely upon either paper documentation or information it accesses directly from a loan holder's database. Access to information directly from a loan holder's database may be facilitated by the use of third-party Web-based products that display a loan holder's real-time data. The school must be able to verify that the loan being reviewed is the problematic loan. The school must retain an image of the information it obtains from the real-time Website that clearly identifies the borrower, the status of the debt, and the source of the data. (See subsection 6.11.E.)
[§668.35(d); NSLDS Newsletter Number 12, June 2006]

PROPOSED LANGUAGE - COMMON BULLETIN:
Student Eligibility and Source Data
The *Common Manual* has been revised to clarify that, in addition to paper documentation, a school can rely upon 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, that a loan is no longer in default, or that eligibility problems created by excessive borrowing have been resolved.

GUARANTOR COMMENTS:
None.

IMPLICATIONS:
Borrower:
A borrower may experience quicker resolution of eligibility problems caused by prior default or inadvertent over-borrowing.

***School*:**
A school may more quickly resolve borrower eligibility problems caused by prior default or inadvertent over-borrowing.

Lender/Servicer:
A lender may experience a decrease in requests for paper documentation of the resolution of borrower eligibility problems.

Guarantor:
A guarantor may experience a decrease in requests for paper documentation of the resolution of borrower eligibility problems. The guarantor may also need to revise program review procedures.

***U.S. Department of Education*:**
The Department may need to revise program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:
June 27, 2006

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:
February 8, 2007

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

Comments Received From:
AES/PHEAA, EAC, Great Lakes, NASFAA, NCHELP, NHHEAF, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, and USA Funds.

Responses to Comments

Note: Most commenters supported this policy as written. Other commenters recommended word smithing changes that made no substantive changes to the policy statement but that added clarity to the proposed language, and were incorporated without comment. We appreciate the review of all commenters, their careful consideration of the policy, and their assistance in crafting clear, concise policy statements.

COMMENT:
One commenter requested that the phrase "or a third-party's Web-based product that displays a loan holder's real-time data" be added to the Revised Policy statement and the Common Bulletin language, to include complete information about permissible data sources.

Response:
The Committee agrees.

Change:
The Revised Policy statement has been modified as follows:

> Revised policy clarifies that, in addition to paper documentation, a school can rely upon information accessed directly from a loan holder's authoritative 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, that a loan is no longer in default, or that eligibility problems created by excessive borrowing have been resolved.

The Common Bulletin language has been modified as follows:

> The *Common Manual* has been revised to clarify that, in addition to paper documentation, a school can rely upon information accessed directly from a loan holder's authoritative 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, that a loan is no longer in default, or that eligibility problems created by excessive borrowing have been resolved.

COMMENT:
Three commenters suggested changes to the proposed language for section 5.5, page 11, column 1, paragraph 1 to include changes to permissible sources of information as well as document retention and to improve clarity.

Response:
The Committee agrees.

Change:
The proposed language for section 5.5, page 11, column 1, paragraph 1 has been modified as follows:

> ~~In addition to paper documentation,~~ To resolve eligibility problems created by the NSLDS reporting of excessive borrowing by a student, a school~~s~~ can rely upon either paper documentation or information ~~they~~ it access~~es~~ directly from a loan holder's authoritative database ~~to resolve eligibility problems created by the reporting in the NSLDS of excessive borrowing by a student~~. Access to information directly from a loan holder's database may be facilitated by the use of third-party Web-based products that display a loan holder's real-time data. The ~~S~~school~~s~~ must be able to verify that the loan being reviewed is the problematic loan. The school must retain an image of the information it obtains from the authoritative real-time Website that clearly identifies the borrower, the status of the debt, and the source of the data.

COMMENT:
One commenter believed that the word "authoritative" is not sufficiently defined to be meaningful, and thus, is unclear as to who would deem the source "authoritative." The commenter suggested the modifier be changed to "recognized", as this term does not imply some higher review or designation.

Response:
The Committee agrees that the term "authoritative" is not well-defined; however, the Committee believes that the term "recognized" would present some of the same problems with interpretation. Therefore, we have elected simply to delete the modifier.

Change:
The word "authoritative" has been deleted throughout the policy.

kke/edited-chh

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 15, 2007

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Feb 15

SUBJECT: **Academic Year Definition**

AFFECTED SECTIONS: **6.1 Defining an Academic Year**
Figure 6-1
appendix G

POLICY INFORMATION: **925/Batch 138**

EFFECTIVE DATE/TRIGGER EVENT: The reduction in the minimum number of weeks in an academic year for a clock-hour program is effective for periods of enrollment beginning on or after July 1, 2006. The deletion of the phrase "begins on the first day of classes and ends on the last day of classes or examinations" from the definition of "academic year" is effective September 8, 2006.

BASIS:
Higher Education Act of 1965, Section 481(a)(2), as amended by the Higher Education Reconciliation Act (HERA) of 2005; *Federal Register* published on August 9, 2006, pages 45669, 45689, and 45693; *Dear Colleague Letter* GEN-06-05.

CURRENT POLICY:
Current policy in figure 6-1 and appendix G of the *Common Manual* states that the academic year for a clock-hour program must include a minimum of 30 weeks.

Current policy also states that an academic year begins on the first day of classes and ends on the last day of classes or examinations.

REVISED POLICY:
Revised policy reduces the minimum academic year requirement for clock-hour programs from 30 weeks to 26 weeks in figure 6-1 and in the appendix G definitions of "Academic Year" and "One-Academic-Year Training Program."

Revised policy removes language that states that an academic year begins on the first day of classes and ends on the last day of classes or examinations. It adds language that says, for purposes of defining the 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.

REASON FOR CHANGE:
This change is necessary to align the "Academic Year" definition in figure 6-1 and appendix G with changes approved in Proposal 882/Batch 132. This policy also incorporates in the *Common Manual* an additional change in the definitions of "Academic Year" and "One-Academic-Year Training Program" made by the interim final regulations published on August 9, 2006.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Revise section 6.1, page 1, column 1, paragraph 1 as follows:

> **6.1**
> **Defining an Academic Year**
>
> To determine and certify the appropriate loan amount, the school must first define the program's academic year for which the funds are intended.

For purposes of defining the 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.
[§668.3(b)]

Undergraduate Program of Study Measured in Clock Hours

- For an undergraduate program of study measured in clock hours, an academic year is a period of at least 26 weeks of instructional time ~~that begins on the first day of classes and ends on the last day of classes or examinations~~. During this period, a full-time student is expected to complete a minimum of 900 clock hours.
  [HEA 481(a)(2); §668.3]

Undergraduate Program of Study Measured in Credit Hours

- For an undergraduate program of study measured in credit hours, an academic year is a period of at least 30 weeks of instructional time ~~that begins on the first day of classes and ends on the last day of classes or examinations~~. During this period, a full-time student is expected to complete a minimum of 24 semester or trimester hours, or 36 quarter hours.
  [§668.3(a)]

~~A school may define an academic year that is longer than 30 weeks. In some cases, the school may define an academic year that is shorter than the required 30 weeks.~~ The Department may allow a credit-hour program to have an academic year that is shorter than the 30-week minimum if the following criteria are met:

- . . .

Graduate or Professional Program of Study

For a graduate or professional program of study, an academic year is a period of at least 30 weeks of instructional time ~~that begins on the first day of classes and ends on the last day of classes or examinations~~. While the Department regulates the amount of coursework that an undergraduate student is expected to complete in an academic year, it does not regulate the amount of coursework that a graduate or professional student is expected to complete in an academic year. For graduate and professional programs, the school is expected to establish academic standards to determine the amount of work that a full-time graduate or professional student is expected to complete within an academic year.
[§668.3(c)(1) and (2)]

Typically there are two categories of academic year:

- A scheduled academic year (SAY) is a "fixed" academic period as published in a school's printed materials that generally begins and ends at about the same time each year according to an established schedule. ~~The year begins on the first day of classes and ends on the last day of classes or examinations.~~

- . . .

Revise figure 6-1, page 3 as follows:

Statutory Definition of an Academic Year **Figure 6-1**

Method used to measure academic progress	Number of hours a student enrolled full time is expected to complete in a full academic year	Minimum instructional time requirement
Semester hours	24 semester hours	30 weeks

Trimester hours	24 trimester hours	30 weeks
Quarter hours	36 quarter hours	30 weeks
Clock hours	900 clock hours	~~30~~ 26 weeks

Revise appendix G, page 1, column 1 as follows:

> **Academic Year**: For the purposes of determining a borrower's Title IV aid eligibility, a period ~~that begins on the first day of classes and ends on the last day of classes or examinations and that consists of at least 30 weeks of instructional time~~ during which an undergraduate, full-time student is expected to complete either of the following:
>
> - At least 30 weeks of instructional time and 24 semester or trimester hours, or 36 quarter hours in an educational program that measures program length in credit hours.
>
> - At least 26 weeks of instructional time and 900 clock hours in an educational program that measures program length in clock hours.
>
> Upon written request from a school, ~~T~~the Department may~~, at its option,~~ reduce the minimum number of weeks in an academic year to between 26 and 29 weeks of instructional time for a credit- hour program that leads to an associate degree or a bachelor's degree.

Revise appendix G, page 14, column 1 as follows:

> **One-Academic-Year Training Program:** A program that ~~is at least at least 30 weeks in length during which the student earns at least~~ includes:
>
> - At least 30 weeks of instructional time and 24 semester or trimester hours~~ or units~~, or 36 quarter hours ~~or units at a school~~ in a program using credit hours ~~or units~~ to measure academic progress.
>
> - At least 26 weeks of instructional time and 900 clock hours of supervised training ~~at a school~~ 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.

PROPOSED LANGUAGE - COMMON BULLETIN:

Academic Year Definition

The *Common Manual* has been updated to incorporate changes derived from the Higher Education Reconciliation Act of 2005 and the final regulations published November 1, 2006. This change corrects the minimum academic year requirement for a program of study measured in clock hours from 30 weeks to 26 weeks in figure 6-1 and in the appendix G definitions of "Academic Year" and "One-Academic-Year Training Program." The policy also removes language which stated that an academic year begins on the first day of classes and ends on the last day of classes or examinations and inserts text to state that, for the purposes of defining the 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.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

None.

School:
A school must ensure that the academic year for each of its programs of study complies with minimum academic year requirements.

Lender/Servicer:
None.

Guarantor:
A guarantor may need to modify program review procedures.

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

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
AES/PHEAA

Date Submitted to CM Policy Committee:
August 29, 2006

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:
February 8, 2007

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

Comments Received From:
AES/PHEAA, EAC, Great Lakes, NASFAA, NCHELP, NHHEAF, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, and USA Funds.

Responses to Comments

Note: Most commenters supported this policy as written. Other commenters recommended word smithing changes that made no substantive changes to the policy statement but that added clarity to the proposed language, and were incorporated without comment. We appreciate the review of all commenters, their careful consideration of the policy, and their assistance in crafting clear, concise policy statements.

COMMENT:
One commenter requested that the reference to a clock-hour "school" in the Effective Date/Trigger Event be changed to a clock-hour "program", as these changes apply to the definition of a program's academic year, rather than a school's.

Response:
The Committee agrees.

Change:
The word "school" in the Effective Date/Trigger Event has been changed to "program".

COMMENT:
One commenter requested that the second sentence of the Effective Date/Trigger Event be modified as follows:

> The ~~removal of language stating that~~ change to the beginning and ending dates of an academic year (i.e., that an academic year begins on the first day of classes and ends on the last day of classes or examinations) is effective September 8, 2006.

Response:
The Committee agrees that the wording of this effective date is awkward; however, the suggested language implies that the beginning and ending dates of an academic year are being changed by the policy. The intent of the policy is to delete any reference to beginning and ending dates in reference to the definition of the academic year.

The preamble to the *Federal Register* dated August 9, 2006, page 45669, states that all programs must define an academic year that conforms to the minimum requirements even if the program itself is shorter than the academic year. It is for this reason that the phrase "begins on the first day of classes and ends on the last day of classes" was removed from the definition of "academic year."

The effective date has therefore been modified to improve the clarity of the statement.

Change:
The second sentence of the Effective Date/Trigger Event has been modified as follows:

> The ~~removal~~ deletion of ~~language stating that an academic year~~ the phrase "begins on the first day of classes and ends on the last day of classes or examinations" from the definition of "academic year" is effective September 8, 2006.

COMMENT:
Three commenters requested that pages 45689 and 45693 of the *Federal Register* dated August 9, 2006, be cited in the basis of the policy.

Response:
The Committee agrees.

Change:
Pages 45689 and 45693 of the *Federal Register* dated August 9, 2006, have been added to the basis.

COMMENT:
Two commenters requested that the new paragraph 2 of section 6.1 be repositioned to immediately follow the introductory sentence to the section. The commenters believed that this placement more clearly conveyed that the description of a week of instructional time applies to both clock-hour and credit-hour programs.

Response:
The Committee agrees.

Change:
The new paragraph 2 of section 6.1 has been repositioned to immediately follow the introductory sentence to the section.

COMMENT:
One commenter requested that the first two sentences of the pre-existing second paragraph of section 6.1, which immediately follow the definition of the academic year for a program measured in credit hours, be stricken. The commenter stated that these sentences were no longer applicable.

Response:
The Committee agrees.

Change:
The pre-existing second paragraph of section 6.1 has been added to the policy with the obsolete language stricken, as follows:

> ~~A school may define an academic year that is longer than 30 weeks. In some cases, the school may define an academic year that is shorter than the required 30 weeks.~~ The Department may allow a credit-hour program to have an academic year that is shorter than the 30-week minimum if the following criteria are met:

COMMENT:
One commenter requested that the appendix G definition of "Academic Year" be modified as follows:

Academic Year: For the purposes of determining a borrower's Title IV aid eligibility, a period . . . .

Response:
The Committee agrees.

Change:
The appendix G definition of "academic year" has been modified as suggested by the commenter.

COMMENT:
One commenter requested that the appendix G definition of "One-Academic-Year Training Program" be modified to remove the term "units", as this term is not included in the regulatory definition in 34 CFR 600.2. The commenter also requested that the phrase "at a school" be changed to "in a program" for consistency.

Response:
The Committee agrees.

Change:
The appendix G definition of "One-Academic-Year Training Program" has been modified as follows:

One-Academic-Year Training Program: A program that includes:

- At least 30 weeks of instructional time and 24 semester or trimester hours ~~or units~~, or 36 quarter hours ~~or units at a school~~ in a program using credit hours ~~or units~~ to measure academic progress.
- At least 26 weeks of instructional time and 900 clock hours of supervised training ~~at a school~~ 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.

kke/edited-chh

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 15, 2007

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Feb 15

SUBJECT: **Rehabilitation of Defaulted FFELP Loans**

AFFECTED SECTIONS: **13.7 Rehabilitation of Defaulted FFELP Loans**
appendix G
H.4 Statutory and Regulatory Waivers

POLICY INFORMATION: **926/Batch 138**

EFFECTIVE DATE/TRIGGER EVENT: Regarding the disconnection between satisfactory repayment arrangements and loan rehabilitation: Loan rehabilitation eligibility determinations made on or after July 1, 2006.

Regarding a borrower who has been convicted of, or has pled *nolo contendere* or guilty to, a crime involving fraud in obtaining Title IV funds: Loan rehabilitation eligibility determinations made on or after September 8, 2006.

BASIS:
Higher Education Act of 1965, Section 428F(a)(1)(A), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Interim Final Rules published in the *Federal Register*, dated August 9, 2006, pages 45677 and 45707-45708; Final Rules published in the *Federal Register*, dated November 1, 2006, pages 64382-64383, 64389, and 64398-64399.

CURRENT POLICY:
Current policy in sections 13.7 and H.4 states that to be eligible to rehabilitate a defaulted FFELP loan, a borrower must first make satisfactory repayment arrangements with the guarantor or a collection agency acting on its behalf. The current glossary definition of "satisfactory repayment arrangement" states that satisfactory repayment arrangements may be established by a borrower to rehabilitate a defaulted loan. Further, the definition also contains a cross-reference to section 13.7 for more information on loan rehabilitation.

REVISED POLICY:
Revised policy removes references to a borrower first making satisfactory repayment arrangements in order to rehabilitate a defaulted loan. Also, revised policy acknowledges that a borrower who has been convicted of, or has pled *nolo contendere* or guilty to, a crime involving fraud in obtaining a Title IV funds may not rehabilitate that loan.

REASON FOR CHANGE:
Revised policy aligns the manual's language with current regulations regarding criteria for a borrower to rehabilitate his or her loan. Also, revised policy aligns the manual's glossary definition of "satisfactory repayment arrangement" with current regulations.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Revise section 13.7, page 14, column 2, paragraph 3, as follows:

13.7
Rehabilitation of Defaulted FFELP Loans

To be eligible to rehabilitate a defaulted FFELP loan, a borrower must ~~first make satisfactory repayment arrangements~~ enter into a rehabilitation agreement with the guarantor or a collection agency acting on its behalf. A borrower who receives loan funds for which he or she is ineligible due solely to his or her error may not rehabilitate the ineligible funds or otherwise have his or her Title IV eligibility reinstated until the ineligible funds are repaid in full.

A borrower ~~with a defaulted loan on which a judgment has been obtained~~ may not include ~~that loan~~ in a rehabilitation agreement a loan on which a judgment has been obtained or a loan on which the borrower has been convicted of, or has pled *nolo contendere* or guilty to, a crime involving fraud in obtaining Title IV funds.
[§682.405(a)(1)]

. . .

Revise appendix G, page 17, column 1, paragraph 4, as follows:

Satisfactory Repayment Arrangement: A specified number of consecutive, on-time, voluntary, reasonable and affordable full monthly payments made by a borrower to the holder of any loan or loans in default. Satisfactory repayment arrangements may be established by a borrower either to regain eligibility for Title IV funds~~, to rehabilitate a defaulted loan,~~ or to consolidate a defaulted loan. The loan holder's determination of a "reasonable and affordable" payment amount is based on the borrower's total financial circumstances. "Voluntary" payments are payments made directly by the borrower, and do not include payments obtained by state offsets or federal Treasury offset, garnishment, or income or asset execution. An "on-time" payment is a payment received by the guarantor within 15 days before or after the scheduled due date. See subsection 5.2.E for more information on regaining eligibility for Title IV funds. ~~See section 13.7 for more information on rehabilitating a defaulted loan.~~ See section 15.2 for more information on consolidating a defaulted loan.

Revise section H.4, page 100, column 1, paragraph 3, as follows:

Note: This section was updated by proposal 922 in batch 137 approved by the Governing Board on January 18, 2007.

20. Rehabilitation of Defaulted Loans (see section 13.7)

To be eligible for rehabilitation, a defaulted borrower must make ~~satisfactory repayment arrangements, i.e.,~~ 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.

. . .

PROPOSED LANGUAGE - COMMON BULLETIN:
Rehabilitation of Defaulted FFELP Loans
The *Common Manual* has been updated to remove references to a borrower being required to first make satisfactory repayment arrangements in order to rehabilitate a defaulted loan. Also, policy has been updated to acknowledge that a borrower who has been convicted of, or has pled *nolo contendere* or guilty to a crime involving fraud in obtaining Title IV funds may not rehabilitate that loan. These changes align the manual's text with current regulations regarding criteria for a borrower to rehabilitate his or her loan.

GUARANTOR COMMENTS:
None.

IMPLICATIONS:
Borrower:
A borrower does not need to enter into a satisfactory repayment arrangement with the holder of the defaulted loan before entering into a rehabilitation agreement with the guarantor. Also, a borrower may not rehabilitate a loan for which he or she has pled *nolo contendere* or guilty to a crime involving fraud in obtaining Title IV funds.

School:
A school may need to update counseling materials related to loan rehabilitation.

Lender/Servicer:
A lender may need to update counseling materials related to loan rehabilitation.

Guarantor:
A guarantor may need to update counseling materials related to loan rehabilitation, as well as loan rehabilitation agreements.

U.S. Department of Education:
The Department may need to update loan rehabilitation counseling materials and update its program review procedures.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:
December 12, 2006

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:
February 8, 2007

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

Comments Received From:
AES/PHEAA, EAC, Great Lakes, NASFAA, NCHELP, NHHEAF, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, and USA Funds.

Responses to Comments

Note: Many commenters supported this policy as written. Other commenters recommended word smithing changes that made no substantive changes to the policy statement but that added clarity to the proposed language. We appreciate the review of all commenters, their careful consideration of the policy, and their assistance in crafting clear, concise policy statements.

COMMENT:
One commenter made word smithing suggestions to the first effective date/trigger event for clarity, noting that it is the disconnection between satisfactory repayment arrangements and loan rehabilitation that is being addressed. The commenter also suggested that the effective date should be retroactive to the implementation of the *Common Manual* because the exclusion of satisfactory repayment arrangements as a requirement for loan rehabilitation was not necessitated by HERA.

Response:
The Committee agrees that the commenter's suggested wording adds clarity to the subject being addressed. However, the Committee does not believe that the effective date should be changed. For many years, the industry connected satisfactory repayment arrangements with rehabilitation eligibility because the intervals between required payments were the same for defaulted loan consolidation, regaining Title IV eligibility after default, and rehabilitation. It was only when HERA implemented changes to the payment intervals for rehabilitation that there became a disconnect between satisfactory repayment arrangements and rehabilitation.

Change:
The first effective date/trigger event was changed to note that this effective date/trigger event applies to the disconnection between satisfactory repayment arrangements and loan rehabilitation.

COMMENT:
Several commenters recommended including in the basis additional references to *Federal Register*

publications.

Response:
The Committee agrees.

Change:
The additional citations were added to the basis.

COMMENT:
One commenter noted that the current policy statement should be revised to strike reference to “on-time payments” in the definition of “satisfactory repayment arrangement.”

Response:
The Committee agrees.

Change:
Reference to “on-time payments” in the definition of ‘satisfactory repayment arrangement” has been stricken from the current policy statement.

COMMENT:
One commenter suggested changes to the second paragraph of section 13.7 to merge the two sentences into one for economy of language.

Response:
The Committee agrees.

Change:
The two sentences in the second paragraph of section 13.7 have been merged into one sentence.

COMMENT:
During the comment period for proposal 922, batch 137, a request was made to remove from the rehabilitation waiver in section H.4 references to satisfactory repayment arrangements. The commenter also requested that the Committee add verbiage to rehabilitation information to state that “a borrower must enter a loan rehabilitation agreement and make *at least* nine consecutive on-time payments.” The Committee noted that it would consider these changes during the comment/responses to this proposal which specifically addressed this topic in section 13.7.

Response:
The Committee agrees that satisfactory repayment arrangement information should be removed from the rehabilitation waiver in section H.4. However, the Committee does not agree to add information that a borrower must make *at least* nine payments within a designated time frame because the policy would then be more onerous than the regulations.

Change:
The rehabilitation waiver in section H.4 has been added as an affected section to this proposal and references to satisfactory repayment arrangements have been removed from the waiver description.

ma/edited-ch

COMMON MANUAL - FEDERAL POLICY PROPOSAL

Date: February 15, 2007

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Feb 15

SUBJECT: **Teacher Loan Forgiveness**

AFFECTED SECTIONS: **13.9.B Teacher Loan Forgiveness Program**

POLICY INFORMATION: **927/Batch 138**

EFFECTIVE DATE/TRIGGER EVENT: Teacher loan forgiveness determinations made by the lender on or after September 8, 2006. Lenders may implement this provision on or after July 3, 2006.

BASIS:
Interim Final Rules published in the *Federal Register* dated August 9, 2006, pages 45702 - 45703; *Dear Colleague Letter* FP-06-13/GEN-06-13 dated July 3, 2006.

CURRENT POLICY:
Current policy states that for the purposes of teacher loan forgiveness, a qualifying school is one that is in a school district that qualifies for funds under Title I of the Elementary and Secondary Education Act of 1965, as amended; has been selected by the Department based on a determination that more than 30 percent of the school's total enrollment is made up of children who qualify for services provided under Title I; and is listed in the *Annual Directory of Designated Low-Income Schools for Teacher Cancellation Benefits*. (If this directory is not available before May 1 of any year, the previous year's directory may be used.)

REVISED POLICY:
Revised policy states that a qualifying school is also an elementary or secondary school operated by the Bureau of Indian Affairs (BIA) or operated on an Indian reservation by an Indian tribal group under contract with the BIA.

REASON FOR CHANGE:
Revised policy aligns the manual with current regulations and the Department's OMB-approved Teacher Loan Forgiveness Application published July 3, 2006, regarding qualifying schools for the Teacher Loan Forgiveness Program.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Revise subsection 13.9.B, page 43, column 2, paragraph 4, bullet 1, as follows:

Definitions Applicable to Teacher Loan Forgiveness

In the context of the teacher loan forgiveness provisions, the following definitions apply:

- A *qualifying school* is <u>an elementary or secondary school operated by the Bureau of Indian Affairs (BIA) or operated on an Indian reservation by an Indian tribal group under contract with the BIA, or</u> ~~one~~ <u>a school</u> that meets all of the following criteria:

  - Is in a school district that qualifies for funds under Title I of the Elementary and Secondary Education Act of 1965, as amended.

  - Has been selected by the Department based on a determination that more than 30 percent of the school's total enrollment is made up of children who qualify for services provided under Title I.

  - Is listed in the *Annual Directory of Designated Low-Income Schools for Teacher Cancellation Benefits*. (If this directory is not available before May 1 of any year, the previous year's directory may be used.)

[§682.215(c)(1)(iii)]

- . . .

PROPOSED LANGUAGE - COMMON BULLETIN:

Teacher Loan Forgiveness

The *Common Manual* has been updated to reflect current regulations regarding qualifying schools for the Teacher Loan Forgiveness Program by adding that an elementary or secondary school operated by the Bureau of Indian Affairs (BIA) or operated on an Indian reservation by an Indian tribal group under contract with the BIA qualifies as a qualifying school.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:

Borrower:

A borrower may qualify for teacher loan forgiveness if he or she is teaching at an elementary or secondary school operated by the Bureau of Indian Affairs (BIA) or operated on an Indian reservation by an Indian tribal group under contract with the BIA.

School:

A school may need to update its counseling materials for the Teacher Loan Forgiveness Program.

Lender/Servicer:

A lender may need to update its counseling materials for the Teacher Loan Forgiveness Program as well as update its procedures for identifying a qualifying school for this forgiveness program.

Guarantor:

A guarantor may need to update its counseling materials for the Teacher Loan Forgiveness Program as well as update its procedures for identifying a qualifying school for this forgiveness program.

U.S. Department of Education:

The Department may need to update its counseling materials for the Teacher Loan Forgiveness Program as well as update its procedures for identifying a qualifying school for this forgiveness program.

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:

CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:

December 12, 2006

DATE SUBMITTED TO CM GOVERNING BOARD FOR APPROVAL:

February 8, 2007

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AES/PHEAA, EAC, Great Lakes, NASFAA, NCHELP, NHHEAF, NSLP, OGSLP, PPSV, SCSLC, SLMA, SLND, SLSA, TG, UHEAA, and USA Funds.

Responses to Comments

Note: Many commenters supported this policy as written. Other commenters recommended word smithing changes that made no substantive changes to the policy statement but that added clarity to the proposed

language. We appreciate the review of all commenters, their careful consideration of the policy, and their assistance in crafting clear, concise policy statements.

COMMENT:
Two commenters suggested adding the regulatory citation §682.215(c)(1)(iii) to the basis and the proposed text.

Response:
The Committee appreciates the commenters' suggestions and notes that policy proposals implementing the recent Interim and Final Rules have been drafted using in the basis the *Federal Register* publication of those changes rather than using the reference to the applicable 34 CFR citations. However, the Committee will add the suggested regulatory citation in the proposed language of the proposal so that it will be incorporated into the text of the manual.

Change:
The regulatory citation has been added to the proposed language.

COMMENT:
One commenter suggested revising the proposed language in order to use singular rather than plural construction and to remove the redundant phrase "serving low income students" from the sentence.

Response:
The Committee agrees.

Change:
The sentence has been changed to use a singular construction and to remove redundant language.

COMMENT:
One commenter suggested changing the placement of the new language in subsection 13.9.B, page 44, column 1, bullet 1, subbullet 3 because, as currently placed, the new policy appears to make an exception only in cases where a school may not be listed in the Directory. By moving the new text into the area of text that defines a qualifying school, it is explicit that an elementary or secondary school operated by the Bureau of Indian Affairs (BIA) or operated on an Indian reservation by an Indian tribal group under contract with the BIA is a qualifying school in all cases. Also, the commenter notes that this movement more clearly shows the intent of the policy described in the revised policy statement and reflects ED's placement of this new policy language on the Teacher Loan Forgiveness Application. This commenter notes that the regulations may require a technical correction regarding the placement of the language in 34CFR 682.215.

Response:
The Committee agrees and appreciates the commenter's recommendations to provide for a more broad interpretation of the policy than current placement allows. However, the Committee will modify the movement slightly from the commenter's suggestion for consistency with the current policy's formatting structure. Since regulatory technical corrections fall outside of the scope of the Committee's purview, it will forward the commenter's suggestion regarding placement of this language in the regulations to the NCHELP Regulations Committee for their review and consideration.

Change:
The newly added policy has been moved to page 43, column 2, paragraph 4, bullet 1, which defines a qualifying school.

COMMENT:
Three commenters noted that DCL FP-06-13 is listed in the basis and that the Department also designated this DCL as GEN-06-13; therefore, GEN-06-13 should be added to the basis.

Response:
The Committee agrees.

Change:
GEN-06-13 has been added to the basis.

COMMON MANUAL - CORRECTION POLICY PROPOSAL

Date: February 15, 2007

	DRAFT	Comments Due	
	FINAL	Consider at GB meeting	
X	APPROVED	with no changes	Feb 15

SUBJECT: **Effects of Unallocated Consolidation Amounts on New Stafford Loan Eligibility**

AFFECTED SECTIONS: **6.11.G Effects of Consolidation Loan on New Stafford Loan Eligibility**

POLICY INFORMATION: **928/Batch 138**

EFFECTIVE DATE/TRIGGER EVENT: January 2006.

BASIS:
Dear Colleague Letter GEN-96-13, Q&A #13 and #14; NSLDS Newsletter Number 11, February 2006.

CURRENT POLICY:
Current policy states that the financial aid administrator (FAA) must review any part of a Consolidation loan that is reported by the National Student Loan Data System (NSLDS) as unallocated and determine whether it might affect the student's loan eligibility, based on the aggregate loan limits.

REVISED POLICY:
Revised policy removes from the third bullet in subsection 6.11.G the requirement for the FAA to investigate whether an unallocated amount might impact a student's eligibility for additional Stafford loans.

REASON FOR CHANGE:
This change aligns *Common Manual* guidance with the most recent guidance from the Department and with proposal 908 in Batch 135.

PROPOSED LANGUAGE - *COMMON MANUAL*:

Note: This subsection was previously updated in policy 908 in Batch 135, that was approved by the Governing Board on November 16, 2006.

Revise subsection 6.11.G, page 25, column 2, paragraph 2, as follows:

. . . Unallocated amounts may represent any of the following:

- . . .
- . . .
- 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.~~
- . . .

PROPOSED LANGUAGE - COMMON BULLETIN:
Effects of Unallocated Consolidation Amounts on New Stafford Loan Eligibility
The *Common Manual* has been revised to remove the requirement that a financial aid administrator investigate whether the unallocated amount of a Consolidation loan might impact a student's aggregate loan limit and eligibility for additional Stafford loans.

GUARANTOR COMMENTS:

None.

IMPLICATIONS:
Borrower:
A borrower who previously had a Title IV spousal Consolidation loan may experience faster processing of additional Stafford loans.

School:
The school is not required to investigate whether an unallocated amount of a Consolidation loan impacts a student's eligibility for additional Stafford loans, except when the school has information that conflicts with NSLDS data.

Lender/Servicer:
The lender may experience a decrease in inquiries from schools and borrowers seeking to verify unallocated amounts of Consolidation loans.

Guarantor:
A guarantor may need to amend program review procedures.

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

To be completed by the Policy Committee

POLICY CHANGE PROPOSED BY:
CM Policy Committee

DATE SUBMITTED TO CM POLICY COMMITTEE:
December 12, 2006

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Responses to Comments

Note: All commenters supported this policy as written. Other commenters recommended word smithing changes that made no substantive changes to the policy statement but that added clarity to the proposed language. We appreciate the review of all commenters, their careful consideration of the policy, and their assistance in crafting clear, concise policy statements.

kb/edited-rl