

Summary of Changes Approved August 2005 through December 2005

This summary lists changes made since the July 2005 edition of the *Common Manual* was printed.

Change bars denote the latest policy changes, which were approved December 15, 2005.

Changes made before the July 2005 edition was printed are shown in appendix H of the manual.

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 3: Lender Participation			
3.5.F Social Security Number Change Reporting	Revised policy adds the list of acceptable source documents for date of birth and first name changes or corrections.	Date of birth and first name changes or corrections made on or after July 1, 2006, unless implemented earlier by the guarantor.	841/125
3.5.F Social Security Number Change Reporting	Removes an income tax return from the list of acceptable documents for making an SSN change.	Social Security number changes made by the lender or school on or after January 1, 2006, unless implemented earlier by the guarantor.	827/122
Chapter 4: School Participation			
4.1.A Establishing Eligibility 4.2.C Withdrawal Rates	Eliminates subsection 4.2.C and moves the information about student withdrawal rate requirements for schools seeking initial participation in Title IV programs to subsection 4.1.A "Establishing Eligibility." States that a school seeking to participate for the first time in the FFELP must not have a withdrawal rate during its latest completed award year that exceeds 33%. In addition, instructions are added for calculating the withdrawal rate.	Retroactive to the implementation of the <i>Common Manual</i> .	830/122
Chapter 5: Borrower Eligibility			
5.1.C Parent Borrower Eligibility Requirements	States that any eligible parent borrower may borrow separately to provide for the educational expenses of a dependent student, provided the combined borrowing of the parents does not exceed the calculated cost of attendance (COA) minus estimated financial assistance (EFA).	Retroactive to the implementation of the <i>Common Manual</i> .	828/122
5.2.E Prior Default	Eliminates language stating that the parent borrower who has defaulted on a Title IV loan is eligible for a new FFEL loan if the default is resolved through loan discharge because the parent borrower was unable to complete a program of study due to the school's closing.	Retroactive to the implementation of the <i>Common Manual</i> .	834/123
5.3 Prior Loan Written Off	Removes language stating that the borrower is ineligible for a FFELP loan if he or she has had a prior FFELP loan partially or totally written off by the lender.	Retroactive to the implementation of the <i>Common Manual</i> .	832/123

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 6: School Certification			
6.11.A Stafford Annual Loan Limits	Clarifies that a student may not receive loan funds that exceed the annual loan limits applicable to the student's grade level in his or her current program of study, as determined by the school.	Retroactive to the implementation of the <i>Common Manual</i> .	839/124
6.11.A Stafford Annual Loan Limits 6.11.B Stafford Aggregate Loan Limits	Reorganize and clarify text pertaining to both undergraduate and graduate Stafford annual and aggregate loan limits.	Retroactive to the implementation of the <i>Common Manual</i> .	838/124
6.11.C Increased Unsubsidized Stafford Loan Limits for Health Profession Students	Clarifies that schools may only award the increased unsubsidized Stafford loan limits for health profession students enrolled in specific health profession disciplines.	Loan periods that begin on or after May 1, 2005.	837/124
6.15 School Certification of the Loan	To align sections within the <i>Common Manual</i> .	Retroactive to the implementation of the <i>Common Manual</i> .	843/125
6.15.C PLUS 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.	PLUS loans certified by the school on or after July 1, 2004.	842/125
6.15.D Additional Unsubsidized Stafford Loan Certification	Incorporates the additional criterion that the student's family must be otherwise unable to provide the student's expected family contribution.	Retroactive to the implementation of the <i>Common Manual</i> .	833/123
Chapter 9: School Reporting Responsibilities and the Return of Title IV Funds			
9.1 Reporting Social Security Number Changes	Revised policy adds the list of acceptable source documents for date of birth and first name changes or corrections.	Date of birth and first name changes or corrections made on or after July 1, 2006, unless implemented earlier by the guarantor.	841/125
9.1 Reporting Social Security Number Changes	Removes an income tax return from the list of acceptable documents for making an SSN change.	Social Security number changes made by the lender or school on or after January 1, 2006, unless implemented earlier by the guarantor.	827/122
Chapter 11: Deferment and Forbearance			
11.18.G Forbearance of Defaulted Loans	Clarifies that a lender may grant a discretionary forbearance following the date of default via a verbal or written agreement with the borrower or endorser. Also clarifies that the lender must obtain a new signed agreement to repay the debt, which may be included in a written forbearance agreement or it may be separate, at the lender's discretion.	Discretionary forbearance granted by the lender on or after July 1, 2003, unless implemented earlier by the lender, but not before November 1, 2002, as permitted by the guarantor.	849/126
Chapter 12: Due Diligence in Collecting Loans			
Figure 12-5 Information To Be Provided on the Default Aversion Assistance Request Form	Figure 12-5 is being revised to make it consistent with the content and structure of the current version of the DAAR form and to correct terminology within the figure.	Default aversion assistance requests sent by the lender on or after July 1, 2006, unless implemented earlier by the guarantor.	845/126

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
Chapter 13: Claim Filing, Discharge, and Forgiveness			
13.1.D Claim File Documentation	Requires a lender to include a copy of a power of attorney (POA) document with the claim file it submits to the guarantor if the Master Promissory Note (MPN) was signed by a third party with POA for the borrower.	All claims filed on or after January 1, 2006, unless implemented earlier by the guarantor.	836/124
13.2.B Claim Recalls	Clarifies that a lender may grant a discretionary forbearance following the date of default via a verbal or written agreement with the borrower or endorser. Also clarifies that the lender must obtain a new signed agreement to repay the debt, which may be included in a written forbearance agreement or it may be separate, at the lender's discretion.	Discretionary forbearance granted by the lender on or after July 1, 2003, unless implemented earlier by the lender, but not before November 1, 2002, as permitted by the guarantor.	849/126
13.8.B Closed School	Requires a lender to include a copy of a power of attorney (POA) document with the claim file it submits to the guarantor if the Master Promissory Note (MPN) was signed by a third party with POA for the borrower.	All claims filed on or after January 1, 2006, unless implemented earlier by the guarantor.	836/124
13.8.D False Certification	Adds language that clarifies that if a borrower meets all criteria stated within the subsection, they will be eligible to have their loan or a part of their loan discharged	Retroactive to the implementation of the <i>Common Manual</i> .	844/125
13.8.D False Certification	Clarifies that a lender may respond directly to a communication from a borrower who asserts that their loan was falsely certified.	Retroactive to the implementation of the <i>Common Manual</i> .	846/125
13.8.D False Certification	Requires a lender to include a copy of a power of attorney (POA) document with the claim file it submits to the guarantor if the Master Promissory Note (MPN) was signed by a third party with POA for the borrower.	All claims filed on or after January 1, 2006, unless implemented earlier by the guarantor.	836/124
13.8.D False Certification	Clarifies the activities that a lender must perform when notified of a loan discharge from the guarantor.	Retroactive to the implementation of the <i>Common Manual</i> .	847/125
Appendix G: Glossary			
Out-of-School Date	Removes the definition of "separation date" from the glossary and add the definition of "out-of-school date."	Retroactive to the implementation of the <i>Common Manual</i> .	848/126

11.18.D Payment of Interest during Forbearance

In cases when a forbearance agreement is required, the borrower and the lender must agree to the way in which the interest accruing during the forbearance will be paid. If interest during a period of deferment is forborne, the lender must notify the borrower at the time of the deferment that interest payments are to be forborne.

If payments of interest are forborne, they may be capitalized. For more information on capitalizing interest, see [section 10.10](#).
[§682.202(b)]

11.18.E Reporting Forbearances

Under the [Department's](#) National Student Loan Data System (NSLDS) reporting requirements, a [lender](#) must report [forbearances](#) to the [guarantor](#), including the date each forbearance begins. When a forbearance ends, the lender must report the new loan status and the effective date. For more information on lender reporting, see [section 3.5](#).

11.18.F Forbearance of Delinquent Loans

A lender must not administratively forbear a delinquent borrower in cases where the borrower is delinquent before a mandatory forbearance or certain mandatory administrative forbearances. A lender should resolve any delinquencies that exist before these types of forbearance by working with the borrower to grant a discretionary forbearance. This requirement to resolve existing delinquency using a discretionary forbearance does not apply to mandatory administrative forbearances granted for military mobilization, local or national emergencies, or a designated disaster area (see [subsection 11.19.K](#) for more information).

11.18.G Forbearance of Defaulted Loans

A lender may grant a discretionary forbearance to a borrower or endorser to resolve a delinquency and permit the resumption of payments following after the date of default only if the forbearance is granted prior to the lender's receipt of the claim payment. In order to grant a forbearance after the date of default, the lender must obtain a verbal or written agreement regarding the terms of the discretionary forbearance and a new signed agreement to repay the debt. At the lender's discretion, the signed agreement to repay the debt may be included in the context of a written forbearance agreement or may be separate. If the lender grants a discretionary forbearance based on a verbal agreement, the lender must send, within 30 days of that agreement, a notice to the borrower or endorser confirming the terms of the forbearance. (See [section 11.20](#) for more information about granting a discretionary forbearance.) To resolve the delinquency, the terms of a discretionary forbearance agreement made after default must include the borrower's or endorser's signature and a new signed agreement to repay the debt. The lender is not required to obtain a new signed agreement to repay the debt if is not required if an the administrative forbearance is applied to resolve a delinquency remaining after a deferment request that resolves a borrower's default has been granted in conjunction with an authorized deferment that begins prior to the 270th day of delinquency.
[§682.211(b) and (d); ~~§682.211(f)(9)~~]¹

¹. Policy 849 (Batch 126), approved December 15, 2005

Information To Be Provided on the Default Aversion Assistance Request Form Figure 12-5

Item Description	Required ¹	If Available ²
Type of default aversion assistance requested (i.e., SK = skip assistance request, DF = default aversion assistance request for a borrower delinquent on monthly payments, DQ = default aversion assistance request for a borrower delinquent on payments due less frequently than monthly).	•	
Date the default aversion assistance request was generated.	•	
Borrower's Social Security number (SSN).	•	
Borrower's last name, first name, and middle initial.	•	
AKA (previous or alternative name used by the borrower).		•
Borrower's last-known <u>complete</u> address.	•	
Validity of the borrower's address.	•	•
Address Effective date of the borrower's address.		•
Borrower's home telephone number, work number, and other number, and validity of the telephone numbers.		•
Validity of the borrower's telephone numbers.	•	
Name, telephone number, and address of the borrower's place of employment.		•
Name of the last-known eligible school attended by the borrower or attended by the student for a PLUS loan.	•	
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.		•
Six or eight-digit code assigned by the Department of the last-known eligible school attended by the borrower.		•
Address and last name, first name, and middle initial of two references.	• ³	
Validity of the references' address(es) address for each reference.	•	•
Relationship of each reference to the borrower (i.e., E = employer, F = friend, G = guardian, O = other, P = parent, R = relative, S = sibling, M = spouse, or N = not available).		•
Home telephone numbers, and work numbers, other numbers, and validity of the telephone numbers for each reference.		•
Validity of the telephone numbers for each reference.	•	
Loan type for each loan identified on the default aversion assistance request (i.e., SF= subsidized Stafford, including non subsidized prior to 10/92; SU = unsubsidized Stafford; PL= PLUS; SL = SLS; CL = Consolidation).	•	
Loan ID for each loan identified on the default aversion assistance request (e.g., the loan identifier code, file number, guaranty date, or amount, as indicated by the guarantor).	•	
First disbursement date for each loan identified on the default aversion assistance request, as specified in the lender's records.	•	
Current principal balance (including all reinsured and unreinsured capitalized interest) due on the date of the default aversion assistance request for each loan identified on the default aversion assistance request.	•	
Accrued interest due on the date of the default aversion assistance request for each loan identified on the default aversion assistance request.	•	
Date the loan sold (as applicable).	•	
Date on which the current servicer assumed responsibility for servicing the loan for each loan identified on the default aversion assistance request (as applicable).	•	
Payment due date of the borrower's first unmet payment.	•	
Payment amount of the borrower's currently scheduled installment.	•	
Amount of the most recent payment received and the date received.		•
Total amount delinquent on the date the default aversion assistance request was generated.	•	
Number of days delinquent on the date the default aversion assistance request was generated.	•	
Total number of deferment and/or discretionary forbearance months granted to the borrower for each specific deferment or discretionary forbearance identified on the default aversion assistance request.		•

Item Description	Required ¹	If Available ²
Full name of the endorser, comaker, or PLUS student and identifying code (i.e., “E” if the individual is an endorser, “C” if the individual listed is a comaker, “S” if the individual listed is a PLUS student E = endorser, C = comaker, S = PLUS student)	• ³	
Endorser’s, comaker’s, or PLUS student’s Social Security number SSN.	• ³	
Endorser’s or comaker’s last-known complete address and validity of the address.	• ³	
Validity of the endorser’s or comaker’s address.	•	
Endorser’s or comaker’s home telephone number and validity of the number.	• ³	•
Validity of the endorser’s or comaker’s telephone number.	•	
PLUS student’s last-known complete address and validity of the address.		•
Validity of the PLUS student’s address.	•	
PLUS student’s home telephone number and validity of the number.		•
Validity of the PLUS student’s telephone number.	•	
Lender or servicer name and address. If the account is being serviced, only the servicer name and address must be provided.	•	
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.	• ³	
Contact and telephone number to whom the borrower should be referred (e.g., Customer Service Department, Collections Department).	•	
Telephone number and name of the person or unit responsible for answering questions about information provided on the form.	•	

¹ Refers to information the lender must provide on the default aversion assistance request.

² Refers to information the lender may or may not have. If the lender has the information, it must be provided on the default aversion assistance request.

³ Refers to information the lender is required to must provide on the default aversion assistance request with for loans first disbursed on or after September 1, 1998. For disbursements prior to September 1, 1998, if the lender has the information, it must be provided on the default aversion assistance request.[†]

[†] Policy 845 (Batch 126), approved December 15, 2005

12.5.C Default Aversion Assistance and Bankruptcy Filing

If the lender has received a Notice of the First Meeting of Creditors (the Notice) or other proof of filing from the borrower’s attorney or the bankruptcy court (either directly 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 submit a default aversion assistance request to the guarantor.

Further, if the lender has already requested default aversion 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 default aversion activities based on a bankruptcy action filed on the borrower’s loans.

[§682.402(f)(2) and (3)]

A guarantor will permanently cancel a loan’s guarantee if either of the following conditions occurs:

- The lender requests default aversion assistance on a loan on which it has received notice of a bankruptcy action.
- The lender fails to timely notify the guarantor, within 5 business days, to cease collection activity on a loan on which default aversion assistance was previously requested.

The loss of guarantee will be considered permanent and is based solely on whether the lender’s failure to comply with these provisions results in the court’s determining the loan to be unenforceable. 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. For more information on the suspension of collection during bankruptcy, see [subsection 13.8.A](#).

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); §682.406(a)(8)]

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 in an **interest** penalty, provided the late refile has not resulted in the guarantor's missing any court-established deadlines for bankruptcy activity.
- Any other claim must be refiled within 60 days after the lender's receipt of the returned claim. However, claims refiled on the 31st through the 60th day inclusive are subject to certain restrictions, as outlined in [section 14.4](#).
 [§682.406(a)(6); DCL 96-L-186/96-G-287, Q&As #36 and #37]

In absence of evidence to the contrary, the lender's receipt date is considered to be the date the guarantor returned the claim plus 5 days (for mailing).

For information on penalties for failure to resubmit returned claims timely, see [section 14.4](#). In the case of a loan filed by a lender or servicer that has been designated an **exceptional performer** by the **Department**, no interest limitations are incurred due to untimely refiling of returned claims.
 [§682.415(b)(7)(i)]

13.2.B Claim Recalls

A lender is strongly encouraged to work with a borrower in any situation in which the borrower shows willingness to repay the debt. In such cases, the lender is strongly encouraged to **recall** the **claim** when appropriate. If a lender chooses to recall a claim but the **guarantor** is unable to stop the claim payment, the lender may recall the claim by remitting an amount equal to the claim payment to the guarantor within 30 days of receiving the claim payment.

A lender is required to recall a claim if any of the following situations occur before the guarantor purchases the claim:

- The loan is brought 210 or fewer days delinquent by the lender's receipt of a payment or by the lender's approval of a **verbal or written** forbearance agreement. ~~A forbearance agreement must include the borrower's agreement to repay and, i~~ In the case of a discretionary forbearance, the lender must also obtain a signed agreement to repay the debt which, at the lender's discretion, may be included in the context of a written forbearance agreement or may be separate. The discretionary forbearance should bring the account current (see [section 11.18](#)).¹
- The borrower requests a **deferment** and submits all necessary documentation, and the documentation indicates that the borrower's eligibility began before the date of **default**. An **administrative forbearance** may be granted to cover any period of delinquency occurring before the deferment start date.
- The **borrower** requests a **mandatory forbearance** and submits all necessary **documentation**, and the documentation indicates that the borrower's eligibility began before the date of **default**.
- The **lender** becomes aware of the borrower's eligibility for a **mandatory administrative forbearance** (disaster relief, military mobilization, etc.) and the borrower's eligibility began before the date of default.
- The lender receives information or documentation (such as continuous in-school enrollment verification) that eliminates the default status.
- In the case of a **bankruptcy claim**, the lender receives notice that the court has declared the borrower's loan nondischargeable or that the bankruptcy case has been dismissed.

¹. Policy 849 (Batch 126), approved December 15, 2005

- 900 clock hours of supervised training at a school using clock hours to measure academic progress.
- 900 clock hours in a correspondence program.

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.¹

Overaward: Any amount of a student's total financial assistance (excluding Pell Grants) that exceeds the student's financial need. See [section 8.6](#).

P

Parent: For purposes of PLUS loan eligibility, a student's natural or adoptive mother, father, or the spouse of a parent who remarried if the spouse's income and assets would have been taken into account when calculating a dependent student's expected family contribution.

Partial Cancellation: Cancellation of a disbursement or a portion of a disbursement rather than of an entire loan.

Participating School: An eligible school that meets the standards for participation in Title IV, HEA programs in [subpart B](#), has a current Program Participation Agreement with the Department, and is eligible to receive funds under these programs.

Payment Period: The basis on which a school must schedule and deliver disbursements for a particular loan period. The payment period begins on the first day of regularly scheduled classes. A payment period is determined based on the structure of the school's academic program. At a school that does not use standard terms, a payment period is measured in credit or clock hours completed by the student in relation to the length of the student's program of study. The payment period requirement does not eliminate the multiple disbursement requirement for a school to deliver loan proceeds in substantially equal installments, with no installment exceeding one-half of the loan amount. See [section 6.3](#).

Pell Grant: A federal need-based grant.

Period of Enrollment: As defined by federal regulation, the period for which a Stafford or PLUS loan is intended. The period of enrollment must coincide with a bona fide

academic term established by the school for which the school's charges are generally assessed, i.e., semester, trimester, quarter, length of the student's program or the school's academic year. The period of enrollment is also referred to as the loan period (see [section 6.2](#)). In addition, the term "period of enrollment" is commonly used by the financial aid community to refer to the period of time during an academic year when a student is enrolled at the school.

[§682.200(b); §682.603(f)(1) and (2)]

Permanent Resident of the United States: A person who meets certain requirements of the U.S. Immigration and Naturalization Service (INS). Valid documentation of permanent residency includes the following: I-551, I-151, I-181, I-94, or a passport stamped processed for I-551, "Temporary evidence of lawful admission for permanent residence."

PLUS MPN: See [Federal PLUS Loan Application and Master Promissory Note](#)

Post-Deferment Grace Period: A 6-month period following a deferment during which payments are not required. The 6-month post-deferment grace period applies only to loans disbursed before October 1, 1981, and, in some cases, to loans for borrowers who participated on active-duty status in certain emergency military mobilizations, such as Operations Desert Shield/Desert Storm. See [subsection 11.1.H](#).

Post-Withdrawal Disbursement: A disbursement made when the calculations for the school's return of Title IV funds result in the student being eligible to receive more Title IV aid than was disbursed or delivered prior to his or her withdrawal. A post-withdrawal disbursement must meet certain conditions for late disbursement. See [subsection 9.5.A](#).

PPA: See [Program Participation Agreement](#)

Preaccredited School: A public or private nonprofit school that is progressing towards accreditation within a reasonable period of time, as certified by an accrediting agency. The status must be recognized by the Department for purposes of Title IV program eligibility. See also [Accrediting Agency](#).

Preclaim Assistance: See [Default Aversion Assistance](#)

Prehearing Conference (as used in chapter 18): Contact by any method, including telephone, between the parties for the purpose of settling or narrowing a dispute related to limitation, suspension, and termination proceedings.

¹. Policy 848 (Batch 126), approved December 15, 2005

Satisfactory Academic Progress: (SAP) The level of academic progress required of a student by the Higher Education Act in order to receive Title IV aid, including Federal Stafford, PLUS, or SLS loans. Each school must establish a standard for evaluating a student's efforts to achieve an educational goal within a given period of time. In making this evaluation, the school must establish the normal time frame for completion of the course of study in which the student is enrolled, and a method, such as grades or work projects completed, to measure the quality of the student's performance. Students enrolled in an undergraduate program who are enrolled beyond the school's maximum time frame for program completion are not eligible for additional Title IV assistance. A school's maximum time frame for program completion cannot exceed 150% of the published program length.

Satisfactory Repayment Arrangement: A specified number of consecutive, on-time, voluntary, reasonable and affordable full monthly payments made by a borrower to the holder of any loan or loans in default. Satisfactory repayment arrangements may be established by a borrower either to regain eligibility for Title IV funds, 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.

Scheduled Academic Year: (SAY) The "fixed" academic period, as published in a school's printed materials, that generally begins and ends at the same time each year according to an established schedule. The SAY is the academic period to which the statutory definition of an academic year must be applied and must meet the statutory requirements of an academic year as defined by the Department. Schools may not use a SAY for borrowers enrolled in clock-hour and non-term-based credit-hour programs of study. The summer term may be treated as an add-on at the beginning (leader) or end (trailer) of the SAY. For additional information, see [section 6.1](#) and the *Federal Student Aid Handbook, Calculating Awards and Packaging Reference*.

School: An institution of higher education, a proprietary institution of higher education, or a postsecondary vocational school declared eligible by the U.S. Department of Education to participate in one or more Title IV programs. Some guarantors may require schools to complete a separate agency-specific participation agreement. See [Participating School](#).

School Lender: A school, other than a correspondence school, that has been approved as a lender under the FFELP and has entered into a contract of guarantee with the Department or a similar agreement with a guarantor.

Secondary Market: An entity that purchases education loans from eligible lenders in order to increase the amount of funds available for education loans. The secondary market obtains funds from investors and uses those funds to purchase existing education loans from lenders. The lenders then use the proceeds of those sales to make new education loans.

Separation Date: ~~The date the student ceases to be enrolled on at least a half-time basis at an eligible school.~~¹

Servicer (or Third-Party Servicer): An entity that enters into a contract with a program participant to administer any aspect of its participation in a Title IV program.

Shortage Area: See [Teacher Shortage Area](#)

Skip Tracing: Diligent efforts to locate a borrower's telephone number or address when such information is unknown. See [section 12.8](#) for telephone skip tracing requirements and [section 12.7](#) for address skip tracing requirements. See also [Effective Commercial Skip Tracing](#).

Social Security Number: (SSN) The 9-digit number assigned to the borrower by the Social Security Administration. The SSN is used as an identifier for tracking the borrower's loan account(s), skip tracing, and reporting to the Department. A borrower must have an SSN in order to apply for a FFELP loan.

Special Allowance: A percentage of the daily average unpaid principal balance, paid to a lender by the Department on an eligible Stafford, PLUS, SLS, or Federal Consolidation loan. Special allowance payments act as an incentive for lenders to make education loans by, in effect, making up the difference between the interest rate charged to a FFELP borrower and market interest rates. The special allowance rate is set by statutory formula. See [section A.2](#) of appendix A.

¹. Policy 848 (Batch 126), approved December 15, 2005