

Summary of Changes Approved August 2005 through October 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 October 20, 2005.

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

<i>Common Manual</i> Section	Description of Change	Effective Date/Triggering Event	#
Chapter 3: Lender Participation			
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
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

Common Manual Section	Description of Change	Effective Date/Triggering Event	#
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.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	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 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
13.8.B Closed School 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

6.11 Loan Limits

Based on all information available, a school is responsible for certifying a loan amount that ensures a borrower does not receive a loan in excess of the Stafford **annual** or **aggregate loan limits**. PLUS loans may not exceed the **cost of attendance (COA)** minus **estimated financial assistance (EFA)**.

[§682.506(a)]

For more information on annual loan limits, schools should refer to **subsection 6.11.A** and the guidelines issued by the Department in the *Federal Student Aid Handbook*, *Calculating Awards and Packaging Reference*, and in 34 CFR 682.603(d)(1).

6.11.A Stafford Annual Loan Limits

The amount of Stafford loan funds that a student may borrow for each **academic year**—the **annual loan limit**—is based on whether the student is **enrolled** in an undergraduate, graduate, or professional program of study. For an **undergraduate student**, the annual loan limit varies according to several factors:

- The student's dependency status, as defined in **section 6.8**.
- The year of study in which the student is enrolled (first, second, third, fourth, or subsequent year).
- The length of the undergraduate program of study, regardless of how long it takes the student to complete the program.
- The length of the student's program or final period of enrollment, expressed as a proportion of the school's academic year.

[§682.204(i)]

A Stafford annual loan limit does not include the amount of **capitalized interest** or any **collection costs** that may have been added to the **principal balance** of the borrower's prior loans. When determining the borrower's Stafford loan eligibility, the **financial aid administrator (FAA)** may assume that all outstanding principal balances include only the balance of original principal. However, the school must secure and retain documentation of the capitalized amount included in any reported loan balances if the school's **certification** of a new loan would otherwise cause the borrower to exceed his or her annual limit.

The borrower, school, and lender are encouraged to work with the guarantor to provide information about the borrower's unpaid principal balance, if documentation is necessary prior to approving the borrower's loan.

Undergraduate Students

The Stafford annual and aggregate loan limits for undergraduate students are detailed in **Figure 6-4**.

If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire Stafford annual and aggregate undergraduate loan limits in unsubsidized Stafford loan funds.¹

Exception: Increased annual and aggregate unsubsidized Stafford loan limits are authorized for some students in 5-year Bachelor of Pharmacology Programs (see **subsection 6.11.C**).

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

- A student who is enrolled in a program that is more than one academic year in length and has not successfully completed the first year of that program is eligible for Stafford loan funds not to exceed the annual loan limits applicable to first-year undergraduate students, regardless of the actual length of time it takes the student to complete the first academic year of the program.
[§682.204(a)(1), (a)(9)(i), (d)(1) and (8)(i)]
- A student who is enrolled in an undergraduate program that is one academic year or less in length is eligible for Stafford loan funds not to exceed the annual loan limits applicable to first-year undergraduate students, regardless of the actual length of time it takes the student to complete the program.
[§682.204(a)(1), (a)(8), (d)(1) and (7)]
- A student who is enrolled in an undergraduate program that is more than one academic year in length and has successfully completed the first year in that program but has not successfully completed the second year of the program is eligible for Stafford loan funds not to exceed the annual loan limits applicable to second-year undergraduate students, regardless of the actual length

¹ Policy 838 (Batch 124), approved October 20, 2005

² Policy 839 (Batch 124), approved October 20, 2005

of time it takes the student to complete the second academic year of the program.

[§682.204(a)(2), (a)(9)(ii), (d)(2) and (8)(ii)]

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

[§682.204(a)(3), (a)(4), and (d)(4)]

- ~~A dependent student who is considered by the school to be a first-year student in a program for which he or she is currently seeking a degree is eligible for Stafford loan funds not to exceed the annual loan limits applicable to first-year undergraduate students—even if that student previously obtained an undergraduate degree in a different program.~~

- A student who transfers from one program of study to another at the same school or a different school is eligible for Stafford loan funds not to exceed the annual loan limits applicable to the student's grade level in the student's new program of study, as determined by the school—even if that student previously obtained an undergraduate degree in a different program. See [section 6.1](#) for information about defining an academic year for a student who transfers. See [section 6.10](#) for information about determining a student's grade level.

[[Federal Student Aid Handbook, Calculating Awards and Packaging Reference](#)]

- A student who has a bachelor's degree and is enrolled or accepted for enrollment in coursework necessary for a professional credential or certification from a state that is required for employment as a teacher in an elementary or secondary school in that state is eligible for Stafford loan funds not to exceed the annual loan limits applicable to fifth-year undergraduate students. The loan limits for this category of student are not prorated if the program is less than an [academic year](#).

[§682.204(a)(7) and (d)(6)(iii)]¹

- A student who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in an undergraduate program is eligible for Stafford loan funds not to exceed the annual loan limits applicable to first-year undergraduate students. A student is eligible for loans for one period of 12 consecutive months beginning on the first day of the [loan period](#) for which the student is enrolled. The loan limits for this category of student are not prorated if the coursework is less than an academic year.

[§682.204(a)(6)(i) and (d)(6)(i)]

- A student who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in a graduate or professional program is eligible for Stafford loan funds not to exceed the annual loan limits applicable to fifth-year undergraduate students. Preparatory coursework required for admission into a graduate or professional program may be taken at a school that is not generally permitted to certify loans at the fifth-year undergraduate loan level. A student is eligible for loans for one period of 12 consecutive months beginning on the first day of the loan period for which the student is enrolled. The loan limits for this category of student are not prorated if the program is less than an academic year.

[§682.204(a)(6)(ii) and (d)(6)(ii); DCL GEN-98-2]

A school may not link separate, stand-alone programs of study to allow a student to qualify for higher annual loan limits than the student would otherwise be eligible to receive based on the length of the program.

[§682.204(a) through (d); DCL GEN-98-2; *Federal Student Aid Handbook, Calculating Awards and Packaging Reference*]

¹. Policy 839 (Batch 124), approved October 20, 2005

Graduate and Professional Students

~~The Stafford annual loan limit for a~~ A student ~~enrolled~~ in a graduate or professional program of study is eligible to borrow a combined subsidized and unsubsidized Stafford annual loan limit of up to \$18,500 for each academic year, ~~with~~ Subsidized Stafford loans comprising ~~may comprise~~ no more than \$8,500 of the total amount borrowed for the year. If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire \$18,500 Stafford annual loan limit in unsubsidized Stafford loan funds.
[§682.204(a)(5) and (d)(5)]

~~A graduate or professional student's unpaid principal amount of all Stafford loans (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans) may not exceed \$138,500. Subsidized Stafford loans may comprise no more than \$65,500 of the total amount borrowed.~~
~~{§682.204(b)(2) and (c)(2)}~~

Exception: Increased ~~annual and aggregate~~ unsubsidized Stafford annual loan limits are authorized for certain health profession students (see [subsection 6.11.C](#)).¹

¹. Policy 838 (Batch 124), approved October 20, 2005

6.11.B Stafford Aggregate Loan Limits

In determining the student's eligibility for loans in the current year, the school must also consider the outstanding loans the student has previously borrowed. The school may not certify a loan amount that would cause the student to exceed applicable aggregate loan limits.

[§682.204(e)]

A Stafford aggregate loan limit does not include the amount of **capitalized interest** or any **collection costs** that may have been added to the **principal balance** of the borrower's prior loans. When determining the borrower's Stafford loan eligibility, the **financial aid administrator (FAA)** may assume that all outstanding principal balances include only the balance of original principal. However, the school must secure and retain documentation of the capitalized amount included in any reported loan balances if the school's **certification** of a new loan would otherwise cause the borrower to exceed his or her aggregate limit.

A Stafford **aggregate loan limit** also does not include the amount of any PLUS loan borrowed by the student or his or her parents. A **borrower** who has reached the **FFELP** aggregate limit and whose principal is paid in part through **refunds**, returned funds, **prepayments**, payments, **cancellations**, **discharge**, or other reductions in principal regains eligibility up to the lesser of the applicable annual loan limit or the aggregate amount.

A Stafford aggregate loan limit must also include:

- The portion of any outstanding Consolidation loan made under the FFELP or **FDLP** that was derived from a Stafford or SLS loan included in the consolidation. See **subsection 6.11.F** for more information.
[§682.204(j)]
- The amount of any outstanding Direct Stafford loan made under the FDLP.
[§682.204(e)]

The amount that a student borrows while enrolled as a graduate or professional student does not count toward the student's undergraduate Stafford **aggregate loan limit**. However, the loans borrowed for graduate or professional study must be included in determining if the student has exceeded the combined Stafford aggregate loan limit of \$138,500. Subsidized Stafford loans for undergraduate and graduate or professional study may comprise no more than \$65,500 of the combined Stafford aggregate loan limit.
[*Federal Student Aid Handbook, Calculating Awards and Packaging Reference*]

In determining the appropriate Stafford **aggregate loan limit** for an independent undergraduate student borrower, a dependent student borrower whose parent is unable to obtain a PLUS loan, or a **graduate or professional student** borrower, schools and lenders must adhere to the following additional parameters:

- An eligible student may continue to borrow until he or she reaches the aggregate loan limits for subsidized and unsubsidized loans, regardless of the "base" or "additional" unsubsidized loan amounts borrowed.
- If a student's status changes from independent to dependent or if the student's parent is initially unable to obtain a PLUS loan but is later determined eligible, special calculations are required to determine the student borrower's remaining loan eligibility. In these cases, the school must calculate the remaining aggregate loan eligibility by totaling only those portions of loans previously received that represent base loan amounts. Any additional unsubsidized loan amounts received when the borrower was an independent student, or when his or her parent was unable to obtain a PLUS loan, are *not* to be included in the loan limit calculations.

Undergraduate Students

A dependent undergraduate student borrower is eligible to borrow a combined subsidized and unsubsidized base Stafford aggregate loan amount of up to \$23,000 (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans). If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire \$23,000 Stafford aggregate loan limit in unsubsidized Stafford loan funds.¹

¹. Policy 838 (Batch 124), approved October 20, 2005

~~For example, a~~ An independent undergraduate student borrower or a dependent student borrower whose parent is unable to obtain a PLUS loan is eligible to borrow ~~receive~~ a combined ~~aggregate~~ subsidized and unsubsidized Stafford aggregate loan amount of up to \$46,000 (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans). ~~with~~ Subsidized Stafford loans ~~comprising~~ may comprise no more than \$23,000 of ~~that amount~~ the total amount borrowed. If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire \$46,000 Stafford aggregate loan limit in unsubsidized Stafford loan funds. If the borrower has not reached the \$46,000 limit, the borrower may qualify for the annual loan amount applicable to his or her current grade level. To calculate the borrower's remaining Stafford aggregate loan eligibility, subtract the subsidized and unsubsidized Stafford loan amounts the borrower has received from the Stafford aggregate loan limit of \$46,000.

[DCL GEN-97-3; *Federal Student Aid Handbook, Calculating Awards and Packaging Reference*]

Graduate and Professional Students

A graduate or professional student is eligible to borrow a combined subsidized and unsubsidized Stafford aggregate loan amount of up to \$138,500 (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans). Subsidized Stafford loans may comprise no more than \$65,500 of the total amount borrowed. If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire \$138,500 Stafford aggregate loan limit in unsubsidized Stafford loan funds.

Exception: Increased unsubsidized Stafford aggregate loan limits are authorized for certain health profession students (see [subsection 6.11.C](#)).¹

6.11.C

Increased Unsubsidized Stafford Loan Limits for Health Profession Students

In some cases, the school may certify loan amounts that exceed the standard annual and aggregate loan limits. These instances are limited to loans for certain health profession students who may be eligible to borrow increased unsubsidized Stafford loan ~~amounts~~ limits that exceed the annual and aggregate limits listed in [subsections 6.11.A](#) and [6.11.B](#).

[DCL GEN-99-21; *Federal Student Aid Handbook, Calculating Awards and Packaging Reference*]

School Eligibility

For loan periods beginning on or after May 1, 1999, schools offering eligible health profession programs are eligible to award the increased unsubsidized Stafford loan ~~amounts~~ limits to students enrolled in those programs, regardless of the school's past participation in the HEAL Program. Foreign schools are not eligible to award the increased unsubsidized Stafford loan ~~amounts~~ limits.²

Eligible health profession programs include:

- Allopathic medicine programs accredited by the Liaison Committee on Medical Education.
- Osteopathic medicine programs accredited by the American Osteopathic Association, Bureau of Professional Education.
- Dentistry programs accredited by the American Dental Association, Commission on Dental Accreditation.
- Veterinary medicine programs accredited by the American Veterinary Medical Association, Council on Education.
- Optometry programs accredited by the American Optometric Association, Council on Optometric Education.
- Podiatric medicine programs accredited by the American Podiatric Medical Association, Council on Podiatric Medical Education.
- Pharmacy programs accredited by the American Council of Pharmaceutical Education.
- Public health programs accredited by the Council on Education for Public Health.
- Chiropractic medicine programs accredited by the Council on Chiropractic Education, Commission on Accreditation.
- Health administration graduate programs accredited by the Accrediting Commission on Education for Health Services Administration.

¹ Policy 838 (Batch 124), approved October 20, 2005

² Policy 837 (Batch 124), approved October 20, 2005

- Clinical psychology programs accredited by the American Psychological Association, Committee on Accreditation.
[DCL GEN-99-21; *Federal Student Aid Handbook, Calculating Awards and Packaging Reference*]

For loan periods beginning on or after May 1, 2005, schools offering the following health profession programs are eligible to award increased unsubsidized Stafford loan limits to students enrolled in these programs:

- Naturopathic Medicine programs that lead to a Doctor of Naturopathic Medicine (N.M.D.) Degree or a Doctor of Naturopathy (N.D.) Degree and are accredited by the Council on Naturopathic Medical Education (CNME).
[DCL GEN-05-09]

Student Eligibility

To be eligible for the increased unsubsidized Stafford loans exceeding standard annual loan limits, a health profession student must meet the following criteria:

- The student must be eligible for an unsubsidized Stafford loan.
- The student must be enrolled full time.
- The student must not receive a HEAL program loan for any portion of the same loan period as the increased unsubsidized Stafford loan ~~amount~~ limit.
- The student must be enrolled in an eligible program at an eligible school, as defined above.
[DCL GEN 98-18; DCL GEN 97-4; DCL GEN 96-14]

The 5-year Bachelor of Pharmacology Program is the only program in which an undergraduate student is eligible for increased ~~additional~~ unsubsidized Stafford loan ~~funding~~ limits under these provisions. In addition to being required to meeting all of the other eligibility criteria outlined in this subsection, a students enrolled in this program must meet the following criteria to be eligible for the ~~additional~~ increased unsubsidized Stafford loan limits:

- The student must be enrolled in the fourth or fifth year of the program.
- The student must be independent, or be a dependent student whose parent is unable to borrow a PLUS loan.
[DCL GEN 98-18]

Special Annual Unsubsidized Stafford Loan Limits

The increased annual unsubsidized Stafford loan limits for eligible health profession students supplement the regular Stafford loan limits the student would be eligible to receive in the same loan period, and cannot exceed the lesser of the following:

- The student's cost of attendance (COA) less other financial aid.
- The student's regular unsubsidized Stafford loan limit (see subsection 6.11.A) plus the student's applicable HEAL loan maximum.
[*Federal Student Aid Handbook, Calculating Awards and Packaging Reference*]

HEAL program and discipline loan maximums are specified in section 104.3.2 of the *Department of Health and Human Services, Student Financial Aid Guidelines*. In general, the maximums are as follows:

- \$12,500 for a 9-month academic year, not to exceed \$16,667 for a 12-month academic year, for students enrolled in a graduate of public health, graduate in allied health, doctor of chiropractic, doctoral degree in clinical psychology, masters or doctoral degree in health administration, or bachelor or master of science in pharmacology or equivalent degree. In the case of a pharmacology student, the doctor of pharmacy degree is considered to be an equivalent degree if it is taken at a school that does not require the bachelor or master of science in pharmacy as a prerequisite for the doctor of pharmacy degree.
- \$20,000 for a 9-month academic year, not to exceed \$26,667 for a 12-month academic year, for students enrolled in doctoral programs in allopathic medicine, osteopathic medicine, dentistry, veterinary medicine, optometry, ~~and~~ podiatric medicine, and naturopathic medicine.

Schools must follow HEAL proration requirements and other HEAL program restrictions when awarding students increased unsubsidized Stafford loans, except that the HEAL program needs test is not required for increased unsubsidized Stafford loan ~~amounts~~ limits.
[*Federal Student Aid Handbook, Calculating Awards and Packaging Reference*]¹

¹. Policy 837 (Batch 124), approved October 20, 2005

Special Aggregate Stafford Loan Limits

Health profession students who are eligible for increased unsubsidized Stafford loans may receive an aggregate amount of \$189,125 (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans). Subsidized Stafford loans may comprise no more than \$65,500 of this amount. If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire \$189,125 aggregate loan limit in unsubsidized Stafford loan funds.

Undergraduate 5-year Bachelor of Pharmacology students may receive an aggregate amount of \$70,625 (including all SLS and Direct Stafford loans received or any portion of an outstanding Consolidation loan that fully repaid such loans). Subsidized Stafford loans may comprise no more than \$23,000 of this amount. If a student is ineligible for subsidized Stafford loan funds, the student may borrow the entire \$70,625 aggregate loan limit in unsubsidized Stafford loan funds.

[DCL GEN 99-21; GEN 99-7; GEN 98-18; GEN 97-14; GEN 97-4; GEN 96-14]¹

6.11.D Exceeding Loan Limits

A Stafford or PLUS loan amount must never exceed the maximum amount the **borrower** is eligible to receive or the amount the borrower requested, whichever is less. A loan disbursed in excess of the lesser of these two amounts may lose its **guarantee** and eligibility for **interest benefits** and/or **special allowance** payments. A PLUS loan may not exceed the **cost of attendance (COA)** minus **estimated financial assistance (EFA)**, but otherwise is not limited. See **subsection 6.11.A** for more information regarding Stafford loan limits.

[§682.204(h); §682.401(b); §682.506(a); §682.603(c)]

If a Stafford borrower inadvertently exceeds an annual or aggregate loan limit under a **Title IV** program, the borrower will not be eligible for any additional Title IV funds until one of the following occurs:

- The borrower authorizes the school to adjust the excess loan amount or reallocate funds between a subsidized Stafford loan and an unsubsidized Stafford loan for which the borrower is eligible. For more information on adjusting or reallocating loan amounts, see **section 6.20**.

- The borrower repays in full the excess loan amount. [§668.35(d)(1)]
- The borrower makes arrangements satisfactory to the **holder** of the loan to repay the excess loan amount. [§668.35(d)(2); *Federal Student Aid Handbook, Student Eligibility Reference*]

If a Stafford borrower exceeds an annual or aggregate loan limit as a result of providing false or misleading information, the borrower can only regain eligibility for Title IV aid by paying excess funds in full.

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

6.11.E Prorated Loan Limits

A school also is responsible for determining whether prorated loan limits are applicable and how annual loan limits must be prorated. An undergraduate Stafford loan borrower is subject to certain prorated loan limits if he or she is **enrolled** in a program of study that meets either of the following criteria:

- The program's duration is shorter than the statutory minimum for an academic year (based on credit hours, **clock hours**, or the minimum 30 **weeks** of instructional time).
- 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:

¹ Policy 837 (Batch 124), approved October 20, 2005

13.1.B Claim File Receipt

Guarantors recommend that a lender retain copies of its postal or courier receipts for claims submitted and a list of all claims included in each package. Due to the difficulty in determining the lender's filing date, in absence of evidence to the contrary, a guarantor will monitor timely claim filing activities by permitting a 5-day mail time allowance, based on the date the guarantor receives the claim file.

To obtain confirmation that its claim submission has been received, the lender should include two copies of a transmittal letter with each submission. The guarantor may retain one copy of the transmittal letter and will sign and date the other copy and return it to the lender. This will provide the lender with a quick and simple method of ensuring that all claims are received by the guarantor. At a minimum, the transmittal letter should include the [borrower name](#), [Social Security number](#), and claim amount for each claim file, with a space for the guarantor to sign and date the letter.

13.1.C Claim Review Process

After a lender submits a claim, the guarantor will determine the validity of the claim by verifying that the lender administered the loan in compliance with federal requirements and the guarantor's policies and procedures.

13.1.D Claim File Documentation

A lender must include the documentation listed in this subsection with each claim file it submits to a guarantor. If the borrower's file contains more than one of any document, all of the originals—or copies, if the originals are not available—should be included and grouped together. The lender also should group all claim files together by claim type (default, [bankruptcy](#), etc.).

- ▲ Lenders assigned a *Program Review Status* should contact the guarantor for additional claim documentation information. See [section 1.5](#) for contact information.

General Documentation Requirements

Bankruptcy, Death, Default, and Total and Permanent Disability Claims

Each claim file must contain the following documentation, as applicable. The documents should be arranged in the following order and according to the specified guidelines:

1. Claim Form

Lenders must use the Claim Form (see [subsection 13.1.A](#)) or an equivalent electronic format when filing a claim. All data noted in the instructions accompanying the Claim Form must be provided. This data includes an accurate and legible record of the collection history.

- ▲ Contact your guarantor for more information regarding procedures for documenting the requisite 270-day delinquency period. See [section 1.5](#) for contact information.

2. Application and Promissory Note

The lender must submit the application, if a separate loan application was provided to the lender. The lender also must submit the original promissory note, or a true and exact copy of the promissory note, with any signed promissory note addenda. If the guarantor retains the application or promissory note on the lender's behalf, the lender is expected to submit only the imaged copy of the document that it receives from the guarantor or a facsimile of the document.

In some cases, an indemnification [agreement](#) will be accepted if a lender is unable to provide required [documentation](#) for [claim filing](#). If the [Master Promissory Note \(MPN\)](#) is signed by a third party with power of attorney (POA) for the borrower, the lender must also submit a copy of the applicable POA document.¹

- ▲ Lenders may contact individual guarantors for information on the use of indemnification agreements in situations involving certified true and exact copies of promissory notes. See [section 1.5](#) for contact information.

¹. Policy 836 (Batch 124), approved October 20, 2005

The lender must forward to the guarantor within 30 days of receipt any borrower payment it receives after the claim has been filed (see [subsection 13.3.E](#)).

Closed school loan discharge claim file [documentation](#) differs from that required for other claim types and is specific to the type of loan being discharged and the loan's status.

Claim File Documentation

If the closed school loan discharge claim includes [FFELP](#) loans with outstanding balances or is comprised solely of [FFELP](#) loans paid in full by or on behalf of the borrower, the lender must submit all of the following documentation:

- The Claim Form, completed according to the instructions that accompany that form.
- The completed Loan Discharge Application: School Closure.
- The loan [application](#), if a separate loan application was provided to the lender, and the [promissory note](#) (or a true and exact copy of the promissory note), assigned to the guarantor. If the original or copy of the application or promissory note cannot be located, the guarantor and the lender must examine their [records](#) and any documentation submitted by the borrower to determine whether the borrower qualifies for a discharge or [refund](#). If the [Master Promissory Note \(MPN\)](#) is signed by a third party with power of attorney (POA) for the borrower, the lender must also submit a copy of the applicable POA document.
- The total amount of payments made by or on behalf of the [borrower](#). This total should be provided on the Claim Form. If the total amount of payments made by or on behalf of the borrower is not available, the lender must clearly explain why this information is not provided on the Claim Form.
- The total of any amounts the lender is aware of having received from a third-party source (e.g., a tuition recovery program). These amounts must be included in the total amount of principal repaid on the Claim Form and must not be included in the total amount of payments made by or on behalf of the borrower.

If borrower payment [records](#) are unavailable or incomplete at the time the lender files the [claim](#), the lender must file the closed school loan [discharge](#) claim with the [guarantor](#) to avoid a violation. The guarantor will [refund](#) to the borrower the difference between the original loan principal and the

[principal balance](#) outstanding with the lender. Any additional amounts not included in the claim payment may be paid later through a supplemental claim based on proof of borrower payments or supplemental [documentation](#) provided by the lender.

Supporting documentation not required for claim submission must be retained by the lender in accordance with federal requirements. (See [subsection 3.4.A](#) for information on lender record retention requirements.)

Special Claim Filing Requirements for Consolidation Loans

In addition to the claim file documentation listed above, if the closed school loan discharge claim includes Stafford, PLUS, or SLS loans that have been paid in full as a result of a Consolidation loan, the consolidation lender also must include all of the following documentation:

- Information to identify the loan type(s) of each underlying loan(s). The Claim Form must not identify the loan as a Consolidation loan.
- The loan [application](#), if a separate loan application was provided to the lender, and the [promissory note](#) (or a true and exact copy of the promissory note) for each of the underlying loans. If the lender is aware that the [MPN](#) for any of the underlying loans is signed by a third party with POA for the borrower, the lender must also submit a copy of the applicable POA document.¹
- The [disbursement date](#) of each of the underlying loans for which discharge is requested.
- The identity of each previous, underlying loan [holder](#).
- The amount paid to each previous loan holder when the loan was consolidated.
- The total amount of payments that were made by or on behalf of the borrower and applied to each applicable underlying loan before consolidation.
- An interest-paid-through date equal to the date of consolidation, unless a subsidized [deferment](#) applied to the Consolidation loan requires adjustment of the interest-paid-through date to a later date.

Some guarantors have additional documentation requirements. These requirements are noted in [appendix C](#).

¹. Policy 836 (Batch 124), approved October 20, 2005

filing violations (see [subsection 14.5.D](#)). If the guarantee on the loan has been canceled, but the lender later receives and forwards to the guarantor a completed loan discharge application, the guarantor will review the loan discharge application and, if approved, will waive the timely filing violation and will purchase the false certification loan discharge claim. However, only the [principal balance](#) will be included in the claim payment; no interest will be paid to the lender in these situations.

[§682.402(e)(6)(v)]

If the guarantor did *not* return the claim, and the borrower returns a completed loan discharge application within 60 days, the lender must notify the guarantor to reactivate the claim as a false certification loan discharge claim and must forward all pertinent [documentation](#) to the guarantor. If the guarantor did not return the claim and the borrower fails to return the completed loan discharge application within 60 days, the lender must notify the guarantor that the 60-day response time frame has expired and the lender has not received the loan discharge application.

The false certification loan discharge [claim](#) filing deadline is measured from the earlier of the date the lender receives a completed loan [discharge](#) application from the [borrower](#) or the date the lender receives notice from the [guarantor](#) to file the false certification claim. If the false certification claim is not filed within 60 days of the earlier of these events, the guarantor will pay the claim but the payment will reflect an interest penalty, and the guarantor will require the lender to repay all [interest benefits](#) and [special allowance](#) payments for amounts received or otherwise payable after the 60-day claim filing period.

Claim Filing Requirements

A lender must file a false certification loan discharge claim within 60 days of receiving a completed loan discharge application from the borrower or, if the guarantor has obtained the discharge application directly from the borrower, within 60 days from the date of the guarantor's notification to file a false certification loan discharge claim. Failure to meet this timely filing deadline may result in an interest penalty.

A lender facilitates the timely and accurate processing of a false certification loan discharge claim by ensuring that a completed loan discharge application from the borrower is submitted with each claim. It is critical that each applicable field on the application is completed appropriately.

The lender must forward to the guarantor within 30 days of receipt any borrower payments it receives after the claim has been filed (see [subsection 13.3.E](#)).

False certification loan discharge claim file [documentation](#) differs from that required for other claim types and is specific to the loan type and status of the loan on which the claim is being filed and the circumstances of the discharge request.

Claim File Documentation

If the false certification [claim](#) includes [FFELP](#) loans with outstanding balances or is comprised solely of FFELP loans paid by or on behalf of the [borrower](#), the lender must submit all of the following [documentation](#):

- The [Claim Form](#), completed according to the instructions that accompany that form.
- The completed applicable loan discharge application due to false certification. If the guarantor or Department initiated the discharge based on knowledge of false certification eligibility, the lender may not be required to submit a loan discharge application.
- Any required borrower signature samples or [disbursement checks](#) (as applicable).
- The loan application, if a separate loan application was provided to the lender, and the promissory note (or a true and exact copy of the promissory note), assigned to the guarantor. If the original or copy of the loan [application](#) or promissory note cannot be located, the [guarantor](#) and the lender must examine their [records](#) and any documentation submitted by the borrower to determine whether the borrower qualifies for a [discharge](#). If the [Master Promissory Note \(MPN\)](#) is signed by a third party with power of attorney (POA) for the borrower, the lender must also submit a copy of the applicable POA document.¹
- The total amount of payments made by or on behalf of the borrower. This total should be provided on the Claim Form. If the total amount of payments made by or on behalf of the borrower is not available, the lender must clearly explain why this information is not provided on the Claim Form.
- The total of any payments the lender is aware of having received from a third-party source (e.g., a tuition recovery program). These amounts must be included in the total amount of principal repaid on the Claim Form and must *not* be included in the total amount of payments made by or on behalf of the borrower.

¹. Policy 836 (Batch 124), approved October 20, 2005

Supporting documentation not required for claim submission must be retained by the lender in accordance with federal record retention requirements. (See [subsection 3.4.A](#) for information on lender record retention requirements.)

Special Claim Filing Requirements for Consolidation Loans

In addition to the [claim](#) file [documentation](#) listed above, if the [claim](#) includes Stafford, PLUS, or SLS loans that have been paid in full as a result of a Consolidation loan, the consolidation [lender](#) also must include all of the following in the claim file:

- Information to identify the loan type of each underlying loan. The Claim Form must not identify the loan as a Consolidation loan.
- The loan [application](#), if a separate loan application was provided to the lender, and the [promissory note](#) (or a true and exact copy of the promissory note) for each of the underlying loans. If the lender is aware that the MPN for any of the underlying loans is signed by a third party with POA for the borrower, the lender must also submit a copy of the applicable POA document.¹
- The [disbursement date](#) of each of the underlying loans for which [discharge](#) is requested.
- The identity of each previous, underlying loan [holder](#).
- The amount paid to each previous loan holder when the loan was consolidated.
- The total amount of payments that were made by or on behalf of the [borrower](#) and applied to each applicable underlying loan before consolidation.
- An interest-paid-through date equal to the date of consolidation, unless a [deferment](#) was applied to the subsidized portion of a Consolidation loan such that it requires adjustment of the interest-paid-through date to a later date.

Some guarantors have additional documentation requirements. These requirements are noted in [appendix C](#).

Processing an Approved Discharge

If the [guarantor](#) determines that a loan is eligible for [discharge](#) based on the school signing a loan [application](#) or [promissory note](#) without the borrower's authorization, or

the school improperly determines the student's [ability to benefit](#) from the school's training, the guarantor will take the following actions within 30 days of approving the discharge:

- Notify the [borrower](#) that his or her liability on the loan has been discharged with regard to the amount of the contested disbursement(s).
- Instruct all credit reporting agencies to which the guarantor previously reported the status of the loan to delete all adverse credit history associated with the discharged loan.
- Refund to the borrower all amounts paid by the borrower to the lender or the guarantor with respect to the discharged loan, including any late fees or [collection costs](#).
- Pay the applicable amount to the lender. (See information in this subsection regarding [claim](#) payment amounts.)

If the guarantor determines that a loan is eligible for discharge based solely on the school signing a borrower's loan check, or EFT or master check authorization without the borrower's permission, the guarantor will take the following actions within 30 days of approving the discharge:

- Notify the borrower that his or her liability has been discharged with respect to the amount of the contested loan disbursement and that the lender has been informed of the discharge.
- Transfer to the lender the borrower's written assignment of any rights the borrower may have against third parties with respect to a loan disbursement that was discharged because the borrower did not sign the loan check.
- Notify the lender that the borrower's liability has been discharged with respect to the amount of the contested loan disbursement.

Upon receiving notification of the loan discharge from the guarantor as noted in the preceding bullet, the lender must:

- Immediately discontinue any collection efforts against the borrower with respect to the discharged loan amount and any charges imposed or costs incurred by the lender related to the discharged loan amount.

¹. Policy 836 (Batch 124), approved October 20, 2005