

## Summary of Changes Approved August 2005 through September 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 September 15, 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	#
<b>Chapter 3: Lender Participation</b>			
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
<b>Chapter 4: School Participation</b>			
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
<b>Chapter 5: Borrower Eligibility</b>			
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
<b>Chapter 6: School Certification</b>			
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

<b>Common Manual Section</b>	<b>Description of Change</b>	<b>Effective Date/Triggering Event</b>	<b>#</b>
<b>Chapter 9: School Reporting Responsibilities and the Return of Title IV Funds</b>			
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

## 5.2.E

### Prior Default

A prospective Stafford or PLUS loan borrower is ineligible for a FFELP loan if he or she, or the student for whom a PLUS loan is being sought, has an outstanding, unresolved default on any Title IV loan (a FFELP loan, FDLP loan, Federal Perkins loan, or Federal Insured Student Loan) obtained for attendance at any school.

In determining whether the student or parent borrower has ever defaulted on any Title IV loan, a school may rely on the information provided by the student or parent borrower during the loan process and on National Student Loan Data System (NSLDS) financial aid history information, unless the school receives conflicting information. The school must reconcile all conflicting information before delivering any funds, and must retain documentation that clearly substantiates its determination that the student or parent borrower's prior default was resolved. Documentation stating that the reporting entity has "no record" of the student or parent borrower's default is not considered adequate.

[§668.19; DCL GEN-96-13; DPL GEN-00-12; DPL GEN-00-18]

A student or parent borrower who has defaulted on any Title IV loan is eligible for a new FFELP loan only if each defaulted loan has been resolved in one of the following ways:

- The defaulted loan has been paid in full.  
[§668.35(a)(1)]
- The defaulted loan has been **discharged** or determined to be dischargeable in a **bankruptcy** action.  
[§668.35(h)]
- The borrower's eligibility for Title IV **funds** has been reinstated as a result of the borrower making satisfactory repayment arrangements with the loan holder (see "Reinstatement of Title IV Eligibility after Default" later in this subsection).  
[§668.35(a)(2)]
- The defaulted loan has been rehabilitated as a result of the borrower's making twelve voluntary, consecutive, on-time, full monthly payments of a reasonable and affordable amount, and each loan has been purchased by a **lender**. For more information on loan **rehabilitation**, see **section 13.7**.  
[§682.405(a)(2)]
- The defaulted loan has been discharged because the student for whom the Stafford or PLUS loan was obtained ~~or parent borrower~~ was unable to complete a program of study due to the school's closing.<sup>1</sup>  
[§682.402(d)]
- The defaulted loan has been discharged by the **Department** because the borrower's eligibility for the loan was falsely certified by the school.  
[§682.402(e)]
- The borrower has made satisfactory repayment arrangements on the defaulted loan and consolidated that loan, or the borrower has agreed to repay a Consolidation loan under an income-sensitive repayment schedule. For more information on consolidating defaulted loans, see **section 15.2**.  
[§682.201(c)(1)]

Some guarantors have additional eligibility requirements and restrictions on Consolidation loans. These requirements are noted in **appendix C**.

#### Reinstatement of Title IV Eligibility after Default

A **borrower** with one or more defaulted **Title IV** loans, or defaulted Title IV loans for which a judgment has been obtained, may have his or her eligibility for Title IV aid reinstated by requesting reinstatement and making satisfactory repayment arrangements, and fulfilling those arrangements with the **holder** of each defaulted loan or with the holder of each defaulted loan for which a judgment has been obtained.

[§668.35(a) and (b); §682.401(b)(4)]

A borrower who receives loan funds for which he or she is ineligible due solely to his or her error may not have Title IV eligibility reinstated until the ineligible funds are repaid in full.

[§682.412]

To have eligibility for Title IV aid reinstated, a borrower must make six consecutive full monthly payments to the appropriate holder for each defaulted loan. These payments must be made on time (within 15 days of the payment due date), voluntarily (directly by the borrower, regardless of whether there is a judgment against the borrower), and must be reasonable and affordable. Any court-ordered payments or involuntary payments obtained by state offsets or federal **Treasury offsets**, wage garnishment, or income or asset execution will not count toward the six payments required for reinstatement. A lump sum **prepayment** of future installments does not satisfy the requirement for six

<sup>1</sup>. Policy 834 (Batch 123), approved September 15, 2005

consecutive monthly payments and will not reinstate a borrower's Title IV eligibility.

[§682.200(b)]

A borrower may reestablish Title IV eligibility only once. If a borrower has reestablished his or her eligibility and then fails to maintain satisfactory payment arrangements on that defaulted loan, or a defaulted loan for which a judgment has been obtained, the borrower may not reestablish his or her eligibility again under these provisions. An opportunity for reinstatement may be made available to a borrower regardless of whether any of the borrower's defaulted loans have been [repurchased](#) by an [eligible lender](#).

[§668.35(c); §682.200(b)]

After a borrower's Title IV eligibility is reinstated, the borrower must continue to maintain satisfactory payment arrangements on each loan that defaulted in order to continue to be eligible for additional Title IV funds. A borrower who makes [satisfactory repayment arrangements](#) on a defaulted loan will regain loan eligibility for the [academic year](#) in which the borrower satisfies the payment requirements to regain Title IV eligibility. Accordingly, the [financial aid administrator](#) may certify a loan for the entire academic year, as long as the student is otherwise eligible.

[§682.200(b)]

To determine whether a borrower qualifies for reinstatement of Title IV eligibility, the [guarantor](#) will review the most recent 6-month period. Each of the six required payments must be received within 15 days of the due dates for the 6 months immediately preceding the date the guarantor receives the borrower's new loan request or request for reinstatement.

[§682.200(b)]

### 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, [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. For a new loan to be guaranteed by a guarantor that is not the guarantor of the defaulted loan(s), the school or the borrower must forward documentation that the default has been resolved (such as a copy of the original promissory note stamped "paid in full" or a letter from the guarantor holding 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]

- ▲ Schools may contact individual guarantors for more information on documenting and submitting information regarding a prior loan default. See [section 1.5](#) for contact information.

## 5.3 Prior Loan Written Off

A [borrower](#) is ineligible for a [FFELP](#) loan if he or she has had a prior FFELP loan partially or totally written off by a guarantor (i.e., the ~~lender or~~ [guarantor](#) has stopped all collection activity on the written-off portion). To become eligible to receive a new FFELP loan, a borrower must reaffirm the written-off loan, provide confirmation of that reaffirmation to the school, and meet the requirements of [subsection 5.2.E. Reaffirmation](#) is the borrower's legally binding acknowledgment of a loan repayment obligation that has been ~~totally or partially~~ or totally written off and agreement to the reinstatement of the borrower's repayment obligation. A borrower whose prior FFELP loan has been partially or totally written off by a lender is not required to reaffirm the written-off loan as a condition of eligibility for a new FFELP loan.<sup>1</sup>

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

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

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

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

<sup>1</sup>. Policy 832 (Batch 123), approved September 15, 2005

## 6.15.D

### Additional Unsubsidized Stafford Loan Certification

If a [dependent student's parent](#) is unable to obtain a PLUS loan at a school that participates in the PLUS Loan Program due to exceptional circumstances documented by the financial aid administrator (FAA)—such as adverse credit history, incarceration, parental whereabouts unknown, or family income limited to public assistance or disability benefits—and the student's family is otherwise unable to [provide the expected family contribution \(EFC\)](#), the school may certify additional unsubsidized Stafford loan funds for the student to the full extent of the loan limit. However, a parent's unwillingness or refusal to take out a PLUS loan is not considered an exceptional circumstance. The certification of additional unsubsidized Stafford loan funds, when combined with the student's estimated financial assistance (EFA), must not exceed the student's cost of attendance (COA) for the loan period. Only one parent needs to be unable to obtain a PLUS loan in order for the dependent student to be eligible for the additional unsubsidized Stafford loan funds. A school may not certify additional unsubsidized Stafford loan funds for a dependent student based on the school's decision not to participate in the PLUS Loan Program.<sup>1</sup> [[§682.201\(a\)\(3\)](#); [§682.204\(k\)](#)]

If either parent subsequently is determined to be eligible for a PLUS loan *after* the school certifies the student for additional unsubsidized Stafford loan funds, the school must return to the lender any additional unsubsidized Stafford loan funds received by the school but not yet delivered to the student for that loan period. The school must request the cancellation of any future disbursements of the additional unsubsidized Stafford loan funds. The school is not responsible for recovering and returning Stafford loan funds for which the student was previously determined eligible and which have been released to the student. However, those Stafford funds must be included in the EFA used in determining eligibility for the PLUS loan. [[DCL 96-L-186/96-G-287, Q&A #3](#)]

If a parent of a dependent student is initially determined to be eligible for a PLUS loan but subsequently is denied additional PLUS loan funds for the same loan period, the school may choose to certify additional unsubsidized Stafford loan funding for the student, not to exceed the maximum additional unsubsidized loan amounts (see [subsection 6.11.A](#)). Any eligible PLUS loan proceeds delivered or scheduled for future delivery during the loan period must be included in the EFA used in determining

eligibility for the additional unsubsidized Stafford loan. The school need not recover or return PLUS loan funds for which the parent was previously determined eligible and that have been released to the parent or student before the parent was determined ineligible for additional funding. [[DCL 96-L-186/96-G-287, Q&A #3](#)]

## 6.15.E

### Refusing to Certify a Loan or Reducing Borrower Eligibility

A school may refuse to certify a loan or may reduce the borrower's eligibility for a loan (on a borrower-by-borrower basis) if it provides the reason for its action to the borrower in writing and retains [documentation](#) of the reason in the student's file. Reasons for refusing to certify a loan or reducing the borrower's eligibility for the loan might include:

- The school determines that the student's expenses to be covered by the loan ([cost of attendance](#)) can be met more appropriately by the school or directly by the student and/or borrower from other sources.
- The borrower indicates an unwillingness to repay the loan.

A school may not refuse to certify a loan if that refusal is based on policies that result in a pattern or practice of denying access to FFELP loans because of borrower race, sex, religion, national origin, age, income, or selection of a particular [lender](#) or [guarantor](#). Practices at the school also may not discriminate against student borrowers who are physically, emotionally, or intellectually challenged—provided the student exhibits an appropriate ability to benefit. The school also may not refuse to certify a loan solely because it is aware that the student or borrower has filed a [bankruptcy](#) petition. [[§682.603\(e\)](#)]

<sup>1</sup>. Policy 833 (Batch 123), approved September 15, 2005